T.C.
MARMARA ÜNİVERSİTESİ
AVRUPA TOPLULUĞU ENSTİTÜSÜ
Avrupa Birliği İktisadı Anabilim Dalı

REFORM IN AGRICULTURAL SUPPORT IN TURKEY IN COMPARISON WITH THE EUROPEAN UNION

WITH SPECIAL REFERENCE TO DIRECT INCOME SUPPORT SYSTEM

YÜKSEK LİSANS TEZİ

HALİM KIVANÇ SEKİZKARDEŞ

İstanbul - 2002

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DANIŞMAN: DOÇ.DR. MUZAFFER DARTAN

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ABSTRACT

It is a remarkable fact that the problems and structure of the agricultural sector of the European Union in the 1960s are almost similar with those of today's Turkey. To overcome these problems, the Union allocated and is still allocating half of her budget to agriculture using all sorts of supporting instruments and protecting the producers against external effects by giving the priority to own products, and has created an agricultural-rural development environment in the real sense.

Change of agricultural policy targets in the European Union and the USA has naturally caused the altering of support policies as well. Now, the agricultural policy target for the European Union and the USA is to reduce the increasing product stocks and to ensure that the income of producers do not deteriorate while ensuring the stability of supply.

The producer loss that may arise during receding the excess production capacity is covered by direct support payments to the producer. As for the solution of exportation requirements it is possible to increase the accessible markets through the liberalization of world agricultural trade.

However in Turkey, to strengthen the sector's structure, it is necessary to perform the Direct Income Support system in the frame of a policy bunch that aims the solution of the problems regarding the structural and environmental factors and also improving the income distribution and sector development by macro economical and inter-sectoral policies.

The supporting policy models that would be applied with hastily decisions despite the distorted structure of the Turkish agriculture and without constructing the necessary infrastructure would place Turkish agriculture into significant trouble.

ÖZET

1960'ların Avrupa Topluluğu'nun tarım sektörünün sorunlarının ve yapsının, bugünün Türkiye'siyle neredeyse aynı olması oldukça kaydadeder bir gerçektir. Bu sorunları aşabilmek için Birlik, her türlü destek enstrümanını kullanarak ve dışsal etkilere karşı kendi ürünlerine öncelik vererek üreticisini korumak için bütçesinin yarısını harcamış ve halen de harcamaktadır ki, tam anlamıyla bir tarımsal-kırsal gelişme ortamı yaratabilmiştir.

Avrupa Birliği ve ABD'de tarımsal politika hedeflerinin değişmesi, doğal olarak destek politikalarının da değişmesine yol açmıstır. Şimdilerde, Avrupa Birliği ve ABD'nin tarımsal politika hedefleri, artan ürün stoklarını eritmek ve üretim arzını sabitlerken üreticisinin gelirlerinin azalmamasını sağlamaktır.

Artık üretim kapasitesini indirirken, oluşacak üretici zararlarının, doğrudan destek ödemeleri ile karşılanması düşünülmüştür. İhracat gerekliliklerine çözüm olarak da, dünya tarımsal ticaretinin liberalleştirilmesi yoluyla, ulaşılabilen marketlerin boyutlarını arttırmak bir olasılık olarak gözükmektedir.

Oysa ki, Doğrudan Gelir Desteği sisteminin, Turkiye'de, sektörün yapısını güçlendirmek için, yapısal ve çevresel faktörleri ilgilendiren sorunlara çözümleri hedefleyen ve aynı zamanda makro-ekonomik ve sektör içi politikalarla gelir dağılımını düzeltecek ve sektör gelişimini sağlayacak politikalar demetiyle birlikte uygulamaya geçirilmesi gerekliliği bulunmaktadır.

Turk tarımının bozuk yapısına rağmen ve gerekli altyapının kurulmasını gerçekleştirmeden, acelece alınmıs kararlarla uygulanacak destekleme politikası modelleri, Turk tarımını çok daha onemli sorunlarla karşı karşıya getirebilir.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

INTRODUCTION

In the globalizing world, Turkey faced herself as being a member of European Union. The improvements and arrangements of European Union are legally bounding Turkey as being a member candidate. From this point of view, Turkey should redesign her agricultural formation and related support mechanisms according to European Union standards. But in this process, the question should be onwarded is "What is the cost of the reshaping of agriculture on producers, consumers and national economy and what can be the benefits after reforming?"

In this study, I would like to examine the effects of the recent reform studies on agriculture sectors in Turkey and European Union.

As known, after the recession in 1999, Turkey commenced a three years economic reform package presented by the Letter of Intent dated 9 December 1999 and put into force by legalizing on 21 December 1999.

I intend to emphasize the reform studies forwarded in agriculture sector by this package and try to compare and analyze these studies by reform projects of European Union and OECD. Europe Union has also launched a reform package on agriculture in 1992 and restructuring it by Agenda 2000. So I aim to reveal the similarities and differences in European Union's and Turkey's agricultural structures, stressing on support subject, since reforming of the support policies is the main element of mentioned reform packages.

Finally I would like to highlight especially "Direct Income Support" system that is set up in Turkey by 2001 in this reform program. This support policy is brought about to be used by 1992 in European Union and by 1996 in USA. The new trend of agricultural policies in OECD countries is to replace "Market price purchase support" means by "Direct Income Support" policy tools.

In the first chapter, I would like to position the current status of agriculture in Turkish economy.

In spite of the diminishing relative-importance from the GNP and export point of view, showing of active population's and labor force's already high values and its direct relation to the human nutrition makes it possible for the sector to contain its validity. Rural regions contain labor force more than two times beyond their need.

Agriculture's importance in respect to the employment, widespreading of small-farming, and low level of income per individual make it necessary to investigate carefully the effects of agricultural support policies. The burden of agricultural support policies on economy should be evaluated with taking into the consideration the maintanence of migration from rural areas to the urban regions, rapid increase in the necessity of urban substructure, and related to that, finance requirement of course.

When the circumstances is taken into consideration, it is possible to say that if Turkey can not use its production potential accurately, it could expose to the danger of being an open market for many countries, especially for EU countries, in the near future.

In the second chapter, I try to demonstrate a comparison concerning Europe Union and Turkish agricultures.

When Turkish agriculture and EU agriculture are compared, the most apparent difference is that agriculture sector in Turkey has much more share within GNP, has higher employing ratio in the population and more number of enterprises. In Turkey, producer organisations' structuring is not as strong as in EU. In contrast to EU's exclusive and structural policies, Turkey has no structural policy directly related to agriculture except training activities and publications devoted to rural development. When financing used in Turkish agriculture sector is closely examined, it is noticed that there are many inefficient and dispersed funds.

Because non-agricultural sectors has a big share within GNP, developed countries can easily transfer sources to the agriculture sector and change support tools in a short period of time. Population which is employed in the agriculture sector is limited and that is why support is on the high level per individual in the agriculture population. One of CAP's main purposes is providing direct income support on the base of historical production while controlling the supply amounts at the same time. However, basic intention of Turkish policy in the agriculture is to overcome the important structural insufficiencies and also considerably increasing the production capacity perpetually. EU's agriculture support systems are pretty distinctive from the ones applied in Turkey because they are focused mainly on market price support via intervention and input subventions. After the approval of Agenda-2000, basic attribute of Common Agriculture Policy became the settlement of a renewed direct income support system to the major products. Also, to the issues like strengthening the competitive ability of agriculture products in the world markets, food quality and security and involving of environmental considerations to agricultural policies is paid more attention in the renewed CAP.

In the third chapter, I intend to explain the Agricultural support policies in Turkey before reform studies.

In the last twenty years, Turkey has preferred distribution policies which only involve transfer, without considering its source wealth. Because no source has been parted within the already limited budget to apply the policies, agricultural support expenditures has been financed from Ziraat Bank sources and this has led more serious problems in the finance sector. However, sudden political changings in the sector, because of having less supply elasticity than other sectors, could led some much more serious problems, this multi-sided status should be approached from a broad perspective. It is illogical to insist on price intervention merely. Agriculture trade passes through liberalisation process. In order to maintain itself in the competition and strenghten its position, those tools such as all kind of substructure investments, marketing activities, Research and Development activities, rural and regional development plans, and management of environment and natural resources can be used.

Especially for those countries like Turkey in which agriculture is significant for the whole economy, importance of the interventions to the agriculture sector increases. Although supporting purchases has shown, especialy in the first years, positive outcomes, it has lost its effectiveness recently because of some application problems. Supporting purchases has been attractive for, especially, politicians in the past periods because supporting purchases let very rapid and obvious income increasing despite of the fact that positive outcomes of the investments and public services come into effect in a longer period of time by this method. Because share of the agriculture within the total employment in 90's is 40-45 percent and its value added portion in GNP is around 15 percent, political preferences become more important throughout the price determination. Farmers are also supported over fertilizer producers and distributors and also establishments that supply other kind of input. Low interest rates that are applied to agricultural credits which is influential on the input costs can be decribed as 'Credit loan support'. Totally, proportion of agricultural support to GNP in Turkey is between 3 and 1.5 percent (decreasing steadily)during the period 1995-1999. In the frame of macro-economic plan started in 1999, determination of the prices in the agriculture sector under the free market conditions is the main goal. Some precautions start to be taken to determine the prices in the agriculture sector at the market conditions. In this regard, agriculture products' prices were determined by taking into account the targeted inflation rate and world prices in the year of 2000. Parallel to the current macro-economic plan, radical changes have been started to be applied and it is aimed to be used direct income support system instead of system of supporting the farmers in order to fix prices at the market conditions.

In the forth chapter, I aim to show the agricultural reforms in OECD in 1990's and 2000.

In the fifth chapter, I emphasize on agricultural reform studies launched in Turkey by 2000-2002 reform package.

Support purchases conducted through the State Economic Enterprises (SEE's) prevented production to develop according to free market conditions, caused instability in producer incomes, led to stocks impossible to utilize. The consumer undertakes the burden of this support and led to the supply of agricultural products with high prices. Supports given have not sufficiently reached the producer and have on the other hand brought an important burden on public resources. While payments made to the agricultural sector in 1999 were at the level of 4 billion USD, the cost of these payments to the public has realized as 12.7 billion USD. The difference in between is the interest burden of payments made without any sources.

Lack of coordination between the organizations operating in the agricultural sector and authorized by various methods in matters directly related to the agricultural sector, number and qualification of personnel of organizations and institutions and therefore the deficiencies and delays in their activities hamper the services to be performed efficiently.

Privatization of three State Economic Enterprises relating to animal production without making the necessary regulations for marketing of products and organization of producers has created negative effects in the animal products markets and has increased the regression trend in the animal feeding sector.

As a result of all of these; a comprehensive reform is required in the agricultural sector in order that the transfers made by the government reach to the target group. Therefore, it is stated that intervention in the prices of agricultural products will be decreased and registered producers would be directly supported in its place, that input supports will gradually be removed, and that restriction of planting will be made in products within which there is an excess of supply according to indicators such as product quality and status of available land. It is further stated that orientation towards products with internal and external demand will be provided.

Increasing of the negative effect of agricultural support policies on the consolidated budget and Public Economic Enterprise the need for public sector borrowing increases all interest rates in general and agricultural loan interest rates in particular.

Product groups receiving price support have changed in years depending on the governments. The farmer is unable to see the future because the base prices are announced at a late time, and the stocks grow when they plant more.

Budget burden, efficiency of the policies, selection of the target groups, inequality of the income distribution, insensitivity towards market conditions, the effects of political choices in the determination of price support decisions and the responsibilities arose from the agreements been part brought the new studies and approaches into agenda.

In the sixth chapter, I would like to mention on the international developments bounding Turkish agriculture such as Common Agricultural Policy of Europe Union, Standby Agreement with IMF and GATT.

In this scope, within the frame of agreements being as a party of, in the reform process, it is required to take into consideration particularly the Agriculture agreement made with the World Trade Organization and agreements made with the European Union. Another important point in determining new preferences are the issues mentioned in the agreements made recently with the International Monetary Fund.

In the recent years, while changing national and international conditions have been creating new possibilities, at the same time, they have revealed the neccessity for different approaches and reforms. Because the ongoing policies have lost their effectiveness, the sector barely struggle against the rules of WTO, its harmonization is getting harder day by day and it appears as a sector that should be improved in priority throughout the entegration with EU. Instead of applying the current "Suffeciency by itself" policy, it should be altered in the direction of required Agricultural Reforms which are determined in the multilateral agreements, it seems more rational to choose the policy of standing by itself only for the important products and also producing products that have comparative advantage. Policies that can increase sensitivity to the market prices should not be ignored as well

Turkey's agriculture will face severe problems and difficulties, unless radical reforms are made to improve productivity and quality, to bring about overall stability, to ensure that prices are internationally competitive. The Turkish Government signed a stand-by Agreement with IMF in December 1999 committing itself to gradually phase out existing agricultural support and credit subsidy to farmers and replace them with Direct Income Support system targeted at poor farmers and to meanwhile rationalize the agricultural policies commensurably. Other important agricultural policy reforms include the establishment of agricultural producers' unions, adoption of agricultural insurance system, privatization of State Economic Enterprises, development of agricultural commodity exchanges and to strengthen research and development activities. In the long run, the goal is to face the inevitable reduction of a rural population dependant, mainly on farming, from the present 35 percent to 10 percent and to promote agro-industry, as well as the adoption of international standards for agricultural commodities in the process of integration with EU in the near and medium term.

Common Agricultural Policy (CAP) is one of the most important policies in EU. It is rather difficult for Turkey to adapt herself to such a comprehensive and detailed agricultural policy without being a full member and financial aid.

Another problem is that, if the policy alterations of CAP through GATT directions would result in positive for Turkish Agriculture. Because the policies formed in the frame of New World Order are concerning to body structure problems of highly technical agricultural potentials and competition policies. The current situation of Turkish Agriculture which yet could not solve its infrastructure problems against liberal policies can be liken to the war of unequal powers. However, another reality is that, the direction of alteration in the world is obvious, Turkish Agriculture does not have a force to affect or change it, so it a necessity to try to benefit from this trend in the most effective way.

In the seventh chapter, I propose to underline Direct Income Support system and aim to determine the advantages and disadvantages of the system using the data generated in the experiencing countries.

In the past, to support their farmers, many countries have implemented the system of input subsidies and price support also used in modern Turkey. The formation of large scales of excess products as a result of the expenditures, due to the politics implemented, reaching high levels, have caused countries to switch to policies focusing on income payments that will not induce production increase rather than price policies. In recent years, methods used to support agricultural incomes in developed countries; in particular the United States and the European Union have been changing toward so-called 'decoupled' arrangements. Decoupled payments are direct payments through budget non-related with target group, production, input and income level. By decoupling support from prices and production, these arrangements are intended to be less market distorting than previous arrangements. Direct income support payments are direct cash transfers paid upon the cultivated area or produced products. It is applied to compensate the losses due to lifting or decreasing of input or price supports. Obviously, there are requirements, advantages, pre-conditions, shortcomings, deficiencies and disadvantages of Direct Income Support system everywhere in the world.

In the eighth chapter, I attempt to mention the criticisms for and comments on the recent agricultural reform studies in Turkey.

The ninth chapter is concluding the comments and summarizing some suggestions on the reform studies.

I. CURRENT STATUS : POSITION OF AGRICULTURE IN THE ECONOMY

I.1. Agriculture Sector in Production and Employment

I.1.1. Share of Agriculture in GNP

Agriculture's relative-importance in Turkish economy has decreased gradually. Agriculture's ratio within Gross Domestic Product (GDP), which was around 26 percent[1] in 1980, receded to 13.4 percent[2] in 1997. In 2000, agriculture shared only 14.4 percent[3] of Gross National Product (GNP), while ratio of industry sector (excluding construction-industry sector which has 5.2 percent portion) became 23 percent[4].

Although agriculture sector composed of 57 percent of total export amount in 1980, its portion drew back to 9.75 percent within the total export amount by the year 1999. [5]

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[1] SPO (DPT), Türkiye Tariminda Sürdürülebilir Kisa, Orta ve Uzun Dönem Stratejileri, Ankara: Jan. 1999, 29 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/strateji/2.html>.
[2] SPO (DPT), Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf>.
[3] T.C. Basbakanlik, Hazine Mustesarligi, Yapisal Reformlar: Tarim Sektöründe Reform Nedir-Nicin Gereklidir, Ankara, 21 May 2001, <www.hazine.gov.tr/tarim_web.pdf>.
[4] Ibid.
[5] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/tahminler/disticaret.htm>

Table I.1

The share of Agriculture in GNP and Employment (%)

Years	Agriculure / GNP	Agr.Employment /Total Employment	Agr.Value Added /Non-Agr.Value Added(*)
1980	26.1	55.0	28.9
1985	19.7	51.0	23.6
1990	17.5	46.5	24.4
1995	15.7	46.8	21.2
1998	17.3	43.0	27.7
1990-98 Aver.	**15.9**	**44.9**	**23.3**
2000	**14.4**	**35.0**	

(*) Ratio per worker, Source: OECD Turkey Report-1994 and SPO (DPT)[6]

I.1.2. Growth Rates in Agriculture Sector

Between the years 1980 and 1995, the agriculture sector had displayed growth on an avarage of 1,05 percent per year[7]. During the planning periods, there had been observed a drop in growing speed parallel to the other sectors. However, the most dramatic decrease had occured within the 4th Plan Period (1979-1983).

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[6] Zafer Yükseler, "Tarımsal Destekleme Politikaları ve Doğrudan Gelir Desteği Sisteminin Değerlendirilmesi," State Planning Organisation, Aug 1999, 21 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/yukselez/gelirdes.html>.

[7] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf>.

Table I.2

Growth Rates (%)

Sectors	1.PLAN 63-67	2.PLAN 68-72	3.PLAN 73-78	4.PLAN 79-83	5.PLAN 84-89	6.PLAN 90-95
AGRICULTURE	3,0	1,8	1,2	0,3	0,8	1,6
INDUSTRY	10,9	9,1	8,8	2,4	6,5	3,8
SERVICES	7,2	6,6	7,3	2,6	5,0	4,1
GNP	6,6	6,3	5,2	1,7	4,7	3,5

Source: Ministery of Agriculture and Rural Affairs[8]

In the sector, there occurred 4.4 percent growth in 1996, 2.3 percent recession in 1997, 7.6 percent growth in 1998, 4.0 percent recession in 1999[9] and 4.1 percent growth in 2000[10].

The agricultural production raised 15.9 percent during 90-99 whereas the population increased by 18.9 percent[11]. The production growth in 90's was one year positive one year negative in turn. By the result of not passing to intansive agriculture from extensive agriculture, the production is affected from the droughts heaviliy. The production in the sector increased to 31.9 billion USD in 1999 from 28 billion USD in 1994.[12]

[8] Ministery of Agriculture and Rural Affairs site, <http://www.tarim.gov.tr/istatistikler/tahminler/1987.htm>
[9] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf>.
[10] State Institute of Statistics internet site, SIS (DIE), <http://www.die.gov.tr/english/SONIST/GSMH/310301s2.gif>
[11] Ekonomist Magazine, Turkiye Yilligi, 1999, 25, SIS (DIE), http://www.die.gov.tr
[12] Ministery of Agriculture and Rural Affairs internet site, http://www.tarim.gov.tr/istatistikler/tahminler/uretimdegerleri.htm.

I.1.3. Share of Agriculture in Employement

There had been a falling off in the ratio of employment in agriculture sector to the total employment, from 54 percent to 35 percent[13], between the years 1980-2000. Yet, there had not been a crucial difference in the absolute population of workers in the agriculture sector so that it had moved around 8-10 million people for a long time in 80's and 90's. (but only 7.1 million[14] employee in agriculture sector in 2000)

In spite of the diminishing relative-importance from the GNP and export point of view, showing of active population's and labor force's already high values and its direct relation to the human nutrition makes it possible for the sector to contain its validity.

Table II.3

Structure of Employment (12+Age), (April- October Average)

Sectors	**1990**		**1998**		**2000**	
	,000	**percent share**	**,000**	**percent share**	**,000**	**percent share**
1.Agriculture, Forestry and Fishery	9,234	47.8	9,282	43.0	7,100	35.0
2.Non-agricultural activities	10,091	52.2	12,311	57.0	13,400	65.0
3. TOTAL (1+2)	**19,325**	**100.0**	**21,593**	**100.0**	**20,500**	**100.0**

Source : SIS (DIE), Household Working Power Census

[13] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/tahminler/sivilistihdam.htm> .
[14] State Institute of Statistics internet site, <http://www.die.gov.tr>

I.1.4. Labor Demand in Agriculture

Turkey's demand for agricultural production is calcutad nearly as 1 billion manpower/day. It is estimated that almost two thirds (670 million days) of this manpower demand is caused by planting production and the rest 352 million days demand is originated by animal husbandry activities[15].

When the demand for labor force in agriculture is turned into human unit by using manpower coefficients, disregarding sex and age dispersion at the same time, and working days plus ten percent indetermined changings are added to this value, 5,503,696 labor force is reached as a total outcome[16].

If these figures are evaluated, it is inevitably recognized that agricultural labor force can be compensated by 7.5 percent of total population, 25 percent of rural population or 70 percent of employed population in agriculture. That is to say, rural regions contain labor force more than two times beyond their need. Hidden unemployment ratio in the agriculture sector has increased to 30percent.

I.2. Population in Agricultural Areas

According to the 1997 Nation-wide Census, urban (city and district centers) population's ratio to the whole population was 64.52 percent, on the other hand, ratio of rural (total of villages) population within the whole population was 35.48 percent. According to the 1990 Nation-wide Census' results , it is noticed that ratio of urban population was 59.01 percent, on the other hand, rural population's ratio was 40.99

[15] SPO (DPT), Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 5.

[16] Ibid. 6.

percent[17]. Rural population in 2000 has a share of 34 percent and agriculture employed just over one third (35 percent) of the Turkish labour force in 2000[18].

There experienced a 15.48 percent decrease in the rural population during 1980-1990 period whereas, just 7 percent decrease was realised in 1990-2000 period.[19]

Agriculture's importance in respect to the employment, widespreading of small-farming, and low level of income per individual make it necessary to investigate carefully the effects of agricultural support policies. The burden of agricultural support policies on economy should be evaluated with taking into the consideration the maintanence of migration from rural areas to the urban regions, rapid increase in the necessity of urban substructure, and related to that, finance requirement of course.

While the proportion of agriculture within the national income is continously decreasing, agriculture is still means of subsistance for considerable part of the population. Income of individuals who are employed in the agriculture sector is less than the ones employed in other sectors and, beside that, huge amount of income differences exist among the groups within the sector.

I.3. Agricultural Production

In the agriculture sector, as of 1999, the value of crop production is 71.8 percent, animal products 21.7 percent, forestry 2.5 percent and fisheries 4 percent[20]. By international standards, Turkey is a major producer of grain, cotton, tobacco, grapes, sunflower, pulses (chickpeas, bean and lentils), dried fruit (hazelnuts, seedless raisins, figs, apricots), fresh fruits (apples and citrus), potato, tomato, tea and small ruminants (sheep, goats). Cereal production occupies 75 percent of Turkey's cropland[21]. With a wheat production (21 million tons) and barley production (9 million tons) in 1998, Turkey

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[17] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/tahminler/nufuspayi.htm>

[18] State Institute of Statistics internet site, <http://www.die.gov.tr>

[19] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/tahminler/1987.htm>

[20] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/tahminler/uretimdegerleri.htm>

[21] New Agriculturist Online internet site < http://www.new-agri.co.uk/00-3/country.html>

is one of the world's biggest wheat and barley producers. Besides cotton and tobacco, sugar beet is another important industrial crop (22 million tons in 1998)[22].

I.4. Land and Enterprise Figures

According to the 1999 figures, 18.436 million hectar of Turkey's total 23.341 millon hectar processed land is being planted and 4.905 million (21 percent) of it is fallowed. By the addition of 3.324 million hectar of fruit-vegitable area, Turkey's total agricultural land size is 26.665 million hectar. 3.674 million hectar (20 percent) of planted area is currently irrigated[23].

Among the 4.8 million[24] of families living in the rural area in Turkey, 4.1 million[25] (85 percent) of them employed in agriculture sector. According to the 1991 General Agricultural Census, there exists 4.1 million agricultural enterprises in the country. Main element in the target of improving the agricultural structure in Turkey should be found under the consept of enterprise's size. For a family that is the owner of an enterprise in a rural area, there is a sceintifical must that size of the enterprise by which used for a means of annual subsistance, has to be at least 20 hectare in dry agricultural areas and 10 hectare in irigated agricultural areas. Turkey's irrigated agriculture area is nearly 4.5 million hectare. There should be a total of 1.575 million enterprises in Turkey which is composed of 450,000 enterprises in irrigated areas and 1.125 million enterprises on the dry agriculture area which has a 22.5 million hectare greatness. When 425,000 enterprises dealing with other agricultural activities are added to the previous ones, it is calculated that there should be 2 million agriculture enterprises in Turkey[26].

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[22] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/TR/tr_end_bitkileri_uretimi.htm>
[23] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/TR/sulama.htm>
[24] State Institute of Statistics internet site, <http://www.die.gov.tr/TURKISH/ISTATIS/Esg2/TURKIYE/tarim10.htm>
[25] SIS (DIE), 1991 General Agricultural Census, - SPO, Sekizinci Bes Yillik Kalkinma Plani (2001-2005): Sekizinci Bölüm: Tarimsal Gelisme Bölümü, Ankara: 2000, 11 Jun. 2001, <http://ekutup.dpt.gov.tr/plan/viii/plan8str.pdf>.
[26] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf>.

In terms of the size of enterprises, it is observed that most of the agricultural enterprises are emerged from small enterprises. Depending on the increasing in the quantity of enterprises, size of them, inevitably, become smaller in the course of time. Approximately 3.6 percent of enterprises deal with animal and 96.4 percentof them specialize on both planting production and animal husbandry. While two-third of the related enterprises have a size less than 5 hectare, avarage enterprise size has decreased from 6.4 hectare to 5.9 hectare between 1980 and 1991[27].

Table I.4

Average Land Sizes in the Agricultural Enterprises (da.)

LAND SIZE (da.)	**1950**	**1963**	**1970**	**1980**	**1991**
1-20	10,8	9,3	13,1	9,3	9,5
21-50	35	33,6	32,7	31	30,3
51-100	72,7	71,1	75	65,5	65,6
101-200	144,6	136,2	150	128,7	128,4
201-500	301	284,8	350	268,2	267,5
501- +	1256	1458,3	1090,8	903,4	1090,4
GENERAL AVERAGE (da.)	**77,3**	**55,3**	**55,8**	**64**	**59,1**

Source: Ministery of Agriculture and Rural Affairs, SPO (DPT), SIS (DIE).

[27] SIS (DIE), 1991 General Agricultural Census, State Institute of Statistics internet site, <http://www.die.gov.tr/TURKISH/ISTATIS/Esg2/TURKIYE/tarim12.htm>

Table I.5

Shares of Enterprises According to Land Sizes

YEARS	1950		1963		1970		1980		1991	
ENTRPRISE SIZE (da.)	NUMBER OF ENTRPRISE (%)	PROCESSED AREA (%)	NUMBER OF ENTRPRISE (%)	PROCESSED AREA (%)	NUMBER OF ENTRPRISE (%)	PROCESSED AREA (%)	NUMBER OF ENTRPRISE (%)	PROCESSED AREA (%)	NUMBER OF ENTRPRISE (%)	PROCESSED AREA (%)
1-20	30,6	4,3	40,9	6,9	44,2	10,4	28,4	4,1	36,7	5,6
21-50	31,6	14,3	27,9	16,9	28,7	16,8	32,7	15,9	31,1	16,6
51-100	21,8	20,7	18,1	23,3	15,6	21	20,8	21,3	17,5	19,9
101-200	10,3	19,3	9,4	23,2	7,8	21	11,8	23,8	9,4	20,9
201-500	4,2	16,6	3,2	16,6	3,1	19,6	5,5	22,7	4,4	19,8
501- +	1,5	24,8	0,5	13,1	0,6	11,2	0,8	12,2	0,9	17,2
TOTAL	100	100	100	100	100	100	100	100	100	100
AMOUNT (1000 pcs-ha.)	2.528	19.452	3.101	17.143	3.059	17.065	3.559	22.764	3.967	23.451

Source: Ministery of Agriculture and Rural Affairs, SIS (DIE).

Number of enterprises had increased in the ratios of 8.9 percent and 15 percent throughout the periods of 1973-1980 and 1980-1989 respectively[28]. While enterprises that are smaller than 5 hectare and compose 67.8 percent of total enterprises, having 22.2 percent of cultivated lands, enterprises that are bigger than 50 hectare and form 0.9 percent of total enterprises, have 17.2 percent of cultivated lands.

From a different point of view, avarage land size of enterprises which are in the range of 0.1-1.9 hectare is 0.85, however, those who are bigger than 50 hectare have land size avarage of 109 hectare.

[28] SPO (DPT), Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf>.

When agriculture enterprises in Turkey and European Union countries are compared, those results can be achieved: While 1.8 percent of total land in England, 5.6 percent of total land in France, 13.3 percent of total land in Germany is cultivated by enterprises which are smaller than 10 hectare, cultivation of Turkey's 42.1 percent of total land by this kind of enterprises proves that small sized enterprises in Turkey are much more widespread than developed countries in Europe[29].

With regard to European Community's average, though those enterprises that have greatness within the range of 10.0-49.9 hectare form 30.8 percent of the overall enterprises, this figure in Turkey is only 13.7 percent. The ratio of enterprises that are greater than 50 hectare is pretty higher in the Community than in Turkey. While 0.9 percent of the whole enterprises in Turkey having land bigger than 50 hectare, Community's average is 6.7 percent on the same issue. Although enterprises having land bigger than 50 hectare save 17.1 percent of cultivated lands in Turkey, Community's average is 44.1 percent on the same matter[30].

Beside the fact that majority of the enterprises in Turkey are small enterprises in terms of land size, having usually too fragmanted, irregular and dispersed lands is another problem for the enterprenuers. According to the records of Union of Turkish Agricultural Chambers, only 9.5percent of the overall enterprises have disfragmanted piece of land[31].

Table I.6

Partial Status of Enterprises

Number of land parts in enterprise	**% Share in total**
1 –3	43.3
4 –5	22.8
6 –9	19.0
10+	14.8

Source: SIS (DIE)– 1991 General Agricultural Census, 1994

[29] Ibid. 9.
[30] Ibid. 10.
[31] Ibid. 10.

Because valid Civil Code allows heritage to be shared in equal parts by the inheritants, enterprises are continously divided into smaller parts.

When it is looked at the enterprises dealing with animal husbandry, it is recognized that 71.9 percent of cattlestockbreeding enterprises have less than 5 and 31.6 percent of sheepbreeding enterprises have less than 20 animals[32].

I.4.1. Land Consolidation

For improving the agricultural structure and increasing the production capacity, the operation that unites, forms and regulates (taking the modern agriculture enterprenuership principles into consideration at the same) lands that are fragmented into several small pieces but not belong to different individuals or enterprises, dispersed into different places or formed in an inconveninent way, in order to bring irrigation services in the most suitable manner is called "Land Consolidation". Land consolidation seeems the most appropraite method in reaching goals such as installation of the migrated manpower in the agricultural sector, arising agricultural income to the other sectors' income level and making farming popular.

Land Consolidation method make contributions to the structure like;

- Reducing land losses, caused by fragmanted formation, in the field borders, or in the canals
- Diminishing yield losses because of keeping away from the field border while planting in the small parcel of lands
- Because parcel of lands will become bigger and more shaped after the consolidation, mechanical agriculture is going to be much easier and production costs will reduce by diminishing the amount of expenses.
- When several parcel of lands are combined together, distance between the center of enterprises and farming lands will become shorter, connected with this, it is made profit from time, workmanship and fuel because transportation expenses will decline.

[32] SIS (DIE), State Institute of Statistics, 1991 General Agricultural Census, 1994.

- Contributing to the national income by reducing agricultural expenses like seed and fertilizer because number of the parcel of lands will decrease and their area will become greater.
- Saving money from the investment expenses because it is going to be no longer bound to borders of old, dispersed and unshaped parcells while executing the irrigation projects.
- Gaining more profit from irrigation and transportation due to the fact that each parcel will have border to road and canal.
- Eliminating problems caused by common ownership on the parcel of lands.
- Removing the border conflicts between villages by carrying the village frontiers up to certain points.
- If there are some treasury lands fragmented and commonly used, by consolidating these, making them ready for giving the lands to farmer families who does not own any land or have too small land.

The lands cultivated by agriculture enterprises are usually composed of numerous small scaled and too separated pieces in Turkey.

This situation hinders the establishment of productive enterprises and increasing production capacity in Turkey. Land fragmentation increases more and more because of inheritance, selling and so forth, as a result, enterprises remain under the ideal economical enterprise greatnesss. Land fragmentation in the agriculture impedes yield increasing beside the effects of reducing productivity capacity[33].

I.5. Agricultural Investments

Agriculture sector's share within the overall fixed capital investments declined to 5.4 percent in 1998, however, it had a portion of 7.6 percent in 1980. In the year of 1995, public's constant investments within the sum was 11.8 and comperatively, private sector's investments within the whole was 3.9 percent. When it is come to the year 1988, public

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[33] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, 23-24, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf>.

and private sector's share in the overall figured out as 7.8 percent and 4.6 percent respectively[34].

Contrary to that, i.e. taking up the issue on the agriculture's subsectors level, it is noticed that investments about improving land and water sources have the largest portion among the investments to the agriculture sector. Land and water sources investments' share within the total public investments in agriculture is about 80's percent[35].

In respect of GNP, public investments in the agriculture sector was 0.60 percent, 0.49 percent, 0.48 percent in 1985, 1990 and 1997 respectively. When sectoral dispersion of Investment Incitement documents are brought under the scope, agriculture's ratio within the sum appeared only as 0.4 percent, 1.8 percent, 0.8 percent and 2.1 percent between 1995 and 1998 respectively[36].

The total investment on South Eastern Project (GAP) is planned as 32 billion USD, whereas up to today, 14.8 billion USD of investment on SAP project was realised. In 2001, 339 Trillion TL (approximately 0.5 billion USD) of investment fund was allocated for this project[37].

I.6. Agricultural Credits

On the matter of agricultural credits, Ziraat Bank is the only institution wihich provides finance, among the other banks. Credits seperated to the agriculture sector was around 81 percent proportionally to the overall agricultural credits which reached the amount of 1,274.5 trillion Turkish Liras in 1995. While 83 percent of these credits were for short-term periods, 51 percent of these were used as agricultural enterprise credits and 49 percent of these were used for support purchases[38].

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[34] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 18.
[35] Ibid. 18.
[36] Ibid. 19.
[37] Ntvmsnbc news portal internet site, <http://www.ntvmsnbc.com/news/102644.asp> – Source: GAP Bölge Kalkinma Idaresi
[38] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 19.

When dispersion of the agricultural credits with respect to usage manners is examined, in 1998, it is noticed that share of the credits given in the name of support purchases Agricultural Sales Cooperatives and Unions (TSKB), Soil Products Office (TMO) and Turkey Sugar Factories Co. (TSFAS) is 46 percent and portion of those credits that were aimed at agricultural enterprises and investments were 54 percent. In the same year, 41 percent of agricultural enterprises and investment credits were being used through the channel of Agriculture Credit Cooperatives. By the means of Ziraat Bank, for the support purchases to Agricultural Sales Cooperatives and Unions, credit with simple interest at 50 percent rate was being used from Support and Price Stability Fund (DFIF). Moreover, the credit interest rate using for this purpose is less by 58 percent than commercial interest rate valid for the year 1998.

In the same manner, interest rates of credits given due to the planting production and animal husbandry is less by 41 percent and 52 percent respectively than commercial interest rates in 1998[39].

I.7. Plant Production

It is obviously recognized that planting production potential, which has a portion of nearly two thirds in the agriculture sector's production, is not benefited sufficiently and output remains at a low level. Output's low level in contrast to the abundancy in the number of animals, inadequacy of feed-plants productions in the regions farming is widespread, insufficient contribution of the fishery, opposing to the fact that there is an enormous potential about it, to the national economy, shortage in the amount of technical personnnal and expert worker in the forestry sector, insufficient financing and not enough annual afforestations prevail their existance as the major problems.

[39] Ibid 19.

I.7.1. Main Problems in Plant Production

Sector's main structural problems can be listed as;

a) Gradual diminishing in production factors' efficiency and not being used properly.
b) Low level of producer association activities
c) Insufficiency about agricultural education and publication issues.
d) Agricultural enterprises' smallness and fragmency and lack of competitive power.
e) Appearance of production activities improper to the market conditions.
f) Finally, continuation of inadequate marketing networks.

Even though Turkey produces large quantities of cereals and has millions of cattle, productivity per unit area and per head of animal needs improvement. In 1998, average wheat yield in Turkey was 2234kg/ha. one-third of that in advanced countries (world average 2624 kg/ha). In the same year, world average milk production per milky animal was 2028 kg, while in Turkey it was 1564 kg, one-fourth of the averages of advanced countries. These indicate the potential and the need for technology transfer and productivity improvement[40].

Turkish agriculture, especially cereal production, is heavily dependent on seasonal rainfall. While there are about 8.5 million hectares of land under potential perennial irrigation, only about half of this area, 4.5 million hectares, has been equipped with requisite irrigation infrastructure. It is known that the expansion of irrigated lands helps to improve production, create rural employment and alleviate migration from rural to urban areas. Towards this end, it is envisaged to irrigate an additional 1.7 million hectares in the South-eastern Anatolia Project area by 2015. Already 300 thousand hectares have been brought under irrigation in Harran and adjoining areas in the south-east, giving a boost to the production of cotton and other crops[41].

Small farm size and lack of economies of scale, coupled with increases in input prices, dependency on rained agriculture, and lack of efficient market mechanisms are

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[40] New Agriculturist online internet site < http://www.new-agri.co.uk/00-3/country.html>
[41] Ibid.

leading to a rapid rural exodus. According to 1999 figures, average GDP per capita in Turkey was 3250 USD, compared to 1429 USD in agriculture.[42]

Insufficient regulations through the usage and management of land and water sources, too many projects taken part at the investment programmes and waiting at the project stock, absence of detailed soil researches and land usage plans, increasing trend towards usage of agriculture lands for out of their purposes, dividing of the present lands by inheritance or selling out, problems about incoherence of investments between the establishments that are responsible from the agricultural substructure services and also problems about methods carrying out while the repayment of the investments cause negative effects on natural resources.

Meanwhile, not being on the required level of the agriculture sector investments' support to the production, restrictions on the budget sources and coordination gap between foundations active on the sector, problems related to the structural forms of the institutions and foundations, uneasiness experiencing in the practices based on the number of personnel and their attributes prevent agriculture policies to be executed effectively.

Related to the agriculture policy, Turkey has kept on relatively strong support and protection policy for the agriculture sector. According to the temporary OECD figures, state support to the agriculture producers is around 39 percent. This ratio, is even above 1997's figure, i.e. 31 percent, and it is the highest value that has been calculated up to now. The most noticable support increase was observed in cereals, sugar and beef.

Unfortunately, executed support policies did not bring stability to the producer incomes, and support purchase prices that are above the world standarts pave the way to the enlargement of some production's planting lands, appearing of production excess and state's suffering because of high stock costs caused by excess amount of purchasing.

Another considerable issue involves abolishing state's role on the marketing and processing of agricultural products. State's activity is still intensive on the products such as alcohol drinks, tobacco, cereals, tea, sugar and red meat.

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[42] Ibid.

GNP per capita in agriculture sector is relatively low and productivity are perpetually decreasing in recent 10 years. Turkey can not be treated no longer as a self sufficient country in agricultural products.

Problems encountered with while preparing studies:

- The most apparent problem was about obtaining relaible and enough detailed information.
- Addition to this, capital-production ratio, expected growing speed and macro goals about policy of foreign trade were not displayed explicitly, thus, estimations towards the future was deprived of a common and evident basis.
- Definition of agriculture enterprises which is used for, in Turkey, the number of the families living in the settlement regions that have population less than five thousand people, involves the families who live in the rural but do not show any agricultural production activity at the same time. So, this matter should be taken into account evaluating the number of enterprises and Turkey should define the "agricultural enterprise" concept realistically.

I.8. Animal Husbandry / Stock Breeding

Conditions in Turkey are favorable for livestock production. According to 1998 figures, there are 11 million big and 37.5 million small ruminants (29.5 million sheep, 8 million goats) in the country. Turkey also produced 756,000 tons of eggs and 486,000 tons of poultry meat in 1997[43].

In spite of the fact that Turkey has more number of animals than several countries in which animal husbandry sector has developed a lot, yield per cattle is lower in Turkey. While average cattle weight in the countries advanced in cattlebreeding is 250 kg., this number is only 160-170 kg. in Turkey. The former have milk yield average of 5-6 thousand/lactation per cattle, however, the latter has only 1500 kg./lactation per cattle[44].

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[43] Ibid.

[44] Republic of Turkey, General Secretariat of EU, Turkish National Programme for the Adoption of the Acquis, 10 Jul. 2001, <www.abgs.gov.tr/dokuman/ulusalprogram-ingilizce.zip>.

More than nearly 90 percent of milk production and 60 percent of red meat production is provided from cattle in Turkey. Both for being an alive material and its products, cattle plays an important role in the world trade. Beside these properties, cattle is very apt to intensive production. There is an excess of product or animal in almost every developed countries.

I.8.1. Main Problems in Stock Breeding Sector

When the circumstances, tried to be explained above, is taken into consideration, it is possible to say that if Turkey can not use its production potential accurately, it could expose to the danger of being an open market for many countries, especially for EU countries, in the near future. High amount of imports, in terms of breeding animal, butchery animal, meat and milky products, in some of the past years should be regarded the sign of the danger.

In Turkey, initating the mobilization of feed- plant production, using feedstuff plants in the following and planting turns, educating the farmers about feed plant agriculture, emerging a feedstuff market, satisfying the requirements of the graze law should be considered as an obligation. If this understanding is failed, Turkey is going to continue wasting its time in the vicious circle of insufficient feedstuff production and insufficient and expensive animal production. Contrary to the increasing in the number of enterprises, animal wealth is diminishing. In a research including the years between 1990 and 1998, if the animal wealth is assumed 100 units in 1990, it was found out that the number of cattle decreased to 97, 44 for mandate, 73 for sheep, 42 for goat in 1998. Moreover, there has not been acquired a serious yield increasing except cattle during this time period. As a result, declining in the amount has reflected, although not at the same rate, to the animal products' production[45].

Number or sheeps declined 38 percent (from 48.6 million to 30.2 million), goat population decreased by 54 percent (from 15.4 million to 7.2 million), mohair goat

[45] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Hayvancilik Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2001, 4 Jun. 2001, <http://ekutup.dpt.gov.tr/hayvanci/oik587.pdf>.

declined 86 percent, (from 3.6 million to 0.5 million), and cattle population decreased by 31 percent (from 15.9 million to 11 million) in the period between 1980 and 1999[46].
On the one hand animal and animal product exportation of Turkey reduces, both variation and paid values in the import increases on the other hand.

Small enterprises and inadequate level of producer organisations make considerable and negative contributions to the determination of animal products and raw material prices. For instance, if it is accepted as 100 units in the year 1990, price of milk became 4897 and price of milky feedstuff became 5472 in 1997[47].

Share of the agriculture sector within the overall employment and GNP has declined but the population employed in the agriculture has incresed, even it is few. In other words, this result shows that people who work in the agriculture sector has got poorer. Under the related conditions, it is almost impossible for the producers saving enough capital in order to change their production styles. Beside these, when the problems like limited credit sources and credits at high costs are added to the circumstances, necessary structural changes have not been accomplished.

While the number of sockbreeding enterprises declining, animal quantity per enterprise rising in EU countries. A changing in the same parallel could only be reached by the help of improvements in the other sectors of Turkish economy. Because proportion of the employed population to the whole is low and infrastructure and opportunities of the enterprises are pretty different in the mentioned countries.

In order to increase animal production and accelerate the structural changing or transformation in Turkey, there ought to be attempts listed in the following;

a) Continuation of the support for the animal production.

b) Increasing the inner consumption

c) Encouring the entegration between production and industry.

d) Activating the marketing system

e) Fulfilling all requirements of the registered economy

f) Enhancing producer organization activities

g) Support and giving subventions in a way that it should incite organization

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[46] Ibid.
[47] Ibid.

h) Activating agriculture insurance

ı) Executing support and development policies parallel to the practices in EU countries.

I.9. Fishery

Though Turkey has a great potential in terms of fishery, the sector's contribution to the economy is too limited. Production was 649.2 thousand tones in 1995, 549.6 thousand tones in 1996, 500.3 thousand tones in 1997, 543.9 thousand tones in 1998 and 636.8 tonnes in 1999.

Capacity of production mostly done by fishing and depending on shore fishing, fell off because of pollution, ecological changes and not benefiting from the sources rationally. Also, because required substructure is not completed, open sea fishing can not be activated. Production done by breeding has increased gradually in the recent years and its share has reached up to 10 percent within the total production lately.

Lacking of needed researches to determine the size of fishery stocks, factors affect these and annual fishing capacity and disharmonization between RE-DE studies impede increasing in production level.

For utilizing the water sources in GAP Region which will possess nearly 17 percent of Turkey's inner-water potential, studyings to complete the required sectoral substructure continues[48].

I.10. Forestry

Turkey's forests which contributed important support to the country's social-economic progress and is completed their cadastral-bordering operations in 77 percent of total areas at the end of 2000, had been exposed to erosion and destruction of wealth and genetics as a result of unplanned and excess usage during their historical developments.

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[48] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005): Sekizinci Bölüm: Tarimsal Gelisme Bölümü, Ankara: 2000, 11 Jun. 2001, <http://ekutup.dpt.gov.tr/plan/viii/plan8str.pdf> 7.

Incompleted cadastral duties and specialised technical personnel and worker shortage, nonexistance of exclusive growing-up environment inventory, uncertainity about the purposes of enterprises, laxity on ergonomic activities, being behind of the plans about youngering attempts, few areas' protection and low level of annual afforestation because of insufficient financing are the major problems of the sector[49].

[49] Ibid. 8.

II. COMPARISONS CONCERNING EU AND TURKISH AGRICULTURES

II.1. Agricultural Size in Economy

When Turkish agriculture and EU agriculture are compared, the most apparent difference is that agriculture sector in Turkey has much more share within GNP, has higher employing ratio in the population and more number of enterprises. Agriculture sector's share within GNP varies in the range of 0.8 percent (Germany) and 7.5 percent (Greece) in EU countries, and has an average of 1.8 percent[50]. On the other hand, this ratio is around 14-15 percent in Turkey. Crop production percentage is 71 percent in Turkey while it is 59 percent in EU[51].

Regarding the agriculture's size in employment, while this figure is changing between 2.2 percent (England) and 20.8 percent (Greece) in EU countries, it is between 35-45 percent during 90's in Turkey[52].

II.2. Number of Enterprises

The number of enterprises in EU countries changes from 3000 (Luxemburg) to 2.5 million (Italy) and has a total of 7.4 million, unsimilarly, Turkey has nearly 4 million enterprises. Average enterprise size in EU is 16.4 hectare but this figure in Turkey is only 5.9 hectare[53].

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[50] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 20.
[51] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/istatistikler.htm>
[52] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 20.
[53] Ibid. 20.

II.3. Producer Organisations, Cooperatives

In Turkey, producer organisations' structuring is not as strong as in EU.

Cooperatives are one of the most distinctions between developed states like USA or EU and Turkey. In EU, many products are processed and marketed by cooperations in almost hundred percent. However, cooperations are not widespread in Turkey. Cooperating is a kind of organisation by which small enterprises gain advantages against large enterprises.

II.4. Rural and Structural Policy

In contrast to EU's exclusive and structural policies, Turkey has no structural policy directly related to agriculture except training activities and publications devoted to rural development. Yet, South Eastern Anatolia Project (GAP), is planned to be completed at 2005, will have considerable influences on the agriculture sector and rural development. Because this project will increase regional income by four times and create new employment opportunities for 1.5 million people, it will not be surprising to take up the rural development projects once again in the near future.

II.5. Financing

When financing used in Turkish agriculture sector is closely examined, it is noticed that there are many inefficient and dispersed funds. First of all, Turkey has to consolidate inner financing resources under a national agriculture fund similar to FEOGA (European Agricultural Guidance and Guarantee Fund). It will be very beneficial to accommodate a programme like SAPARD (EU Special Accession Programme for Agriculture and Rural Development) for outer-based finance.

Turkey should strongly endeavour for harmonisation with EU. First priority should belong to fundamental mechanisms that can achieve the agricultural policies. Including structures required for execution and control, putting legal arragements about animal and plant health into practise should have same priority.

II.6. Budget Allocations

EU allocates half of its budget for support in the agriculture. However, in 2002, Turkey does not allocate even 1.5 percent of its budget for agriculture. (1.4 quadrillion TL support is allocated in 2002 budget which is totally 98 quadrillion TL.)[54] Other than that, in the last Letter of Intent given to IMF, Turkey confesses that it has cancelled all kinds of supports for agriculture.

While determining price of agricultural products, EU purposes rural development by paying attention to producer's costs and producer's incomes.

48.7 percent of EU budget is used in agricultural product supports and 34.7 percent is used in structural policy measures that are mostly devoted to rural areas. So, 83 percent of EU budget is left for the agriculture sector. If Turkey had become a member of EU in 1998, it would have taken net 7.432 billion ECU as a contribution because of numerous enterprises that it has. (Turkey Research Center, 2000)[55]

II.7. Machinery, Medicine Use, Efficiency

The tractor number per 1000 hectar is 33 in Turkey, whereas it is 102 in EU. The mechanisation is very low compared to EU. The pesticide usage is 0.5 kg per hectar in Turkey, while it is in between 4.4 kg and 17.5 kg/ per hectar in EU[56].

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[54] Ntvmsnbc news portal internet site. <www.ntvmsnbc.com>

[55] Tayfun Özkaya, Turkiye ve Avrupa Birligi'nde Tarim Sektörüne Yönelik Desteklemeler, Ege Universitesi, Ziraat Fakültesi Tarim Ekonomisi Bölümü, 25 Jun. 2001, <http://www.agr.ege.edu.tr/~teder/Sonuz5.html> 8.

[56] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/istatistikler.htm>

The efficiency increased 100 percent in EU between the years 1980 and 2000, but in Turkey, this increase is between 5 percent and 70 percent changing by products[57].

II.8. Support Policy

In EU, the price support decreased from 85 percent in 86-88 period to 65 percent in 97-99 period. While the direct income payments increased to 27 percent from 14 percent in the same periods respectively. And the input usage support also increased to 8 percent from 1 percent in the same periods.

But in Turkey, the price support became 87 percent in 97-99 period while it was 72 percent in 86-88 period and input usage support decreased to 12 percent from 26 percent.

[57] Ministery of Agriculture and Rural Affairs internet site,

Table II. 1

Support Estimation Composition in Turkey and EU (%)

Producer Support Estimate Composition	1986-88		1991-93		1996-98		1997		1998		1999	
	EU	Turkey	EU	Turkey	EU	Turkey	EU	Turkey	EU	Turkey	EU	Turkey
Market price support	84	76	75	83	52	72	53	79	62	86	63	89
Payments based on production	6	0	7	2	4	2	4	1	3	1	3	1
Payments based on land size or animal number	2	0	9	0	29	0	28	0	23	0	22	0
Payments based on past production	0	0	0	0	1	0	1	0	1	0	0	0
Payments for input usage	7	24	6	15	9	26	9	19	8	13	8	10
Payments on input constraints	1	0	2	0	4	0	4	0	3	0	4	0
Various payments	0	0	1	0	1	0	1	0	1	0	1	0
Producer Support Estimate (%)	46	20	47	30	39	29	38	31	45	39		
Producer Nominal Assistance Coefficient	1,86	1,25	1,88	1,45	1,65	1,44	1,61	1,44	1,83	1,65		

Source: OECD-1999 [58]

As it is seen apparently, because non-agricultural sectors has a big share within GNP, developed countries can easily transfer sources to the agriculture sector and change support tools in a short period of time. Population which is employed in the agriculture sector is limited and that is why support is on the high level per individual in the agriculture population.

<http://www.tarim.gov.tr/istatistikler/istatistikler.htm>

[58] Tayfun Özkaya, Turkiye ve Avrupa Birligi'nde Tarim Sektörüne Yönelik Desteklemeler, Ege Universitesi, Ziraat Fakültesi Tarim Ekonomisi Bölümü, 25 Jun. 2001, <http://www.agr.ege.edu.tr/~teder/Sonuz5.html>. 7.

When it is examined in terms of percentage Producer Support Estimate (Producer Support Estimate (PSE) indicates the transfers from consumers and taxpayers to the producers in a certain year as a result of the agricultural policies implemented. These transfers contain payments relating to market price support, direct payments, input supports, interest subventions, general services and incentives.), it is concluded that support for producer is stronger in EU than Turkey.

There is left barely limited amount of fund to the support for direct income in Turkey. 87 percent of supports is virtualised as price support and majority part of the rest is made in the way of input support. The defficiency or premium payments system that takes part within the direct income payments, was executed, on the condition that done for the previous terms' products, for cotton and tobocco in 1994 and for cotton, olive oil, soybean and silk capsule in the 1999-2000 period.

It is unclear that whether the system is appropriate to sectoral goals or not and principles of budget constraints and reducing the budget expenses were taken into consideration.

One of CAP's main purposes is providing direct income support on the base of historical production while controlling the supply amounts at the same time. However, basic intention of Turkish policy in the agriculture is to overcome the important structural insufficiencies and also considerably increasing the production capacity perpetually. Direct income support in Turkey are devoted to compensation of loss of the farmers who shift to some other products that bring in lower income. This application is concerned with supply amounts in rare condition. (cotton sector)

Turkey's agriculture policy is fairly different from Common Agriculture Policy. EU's agriculture support systems are pretty distinctive from the ones applied in Turkey because they are focused mainly on market price support via intervention and input subventions. After the approval of Agenda-2000, basic attribute of Common Agriculture Policy became the settlement of a renewed direct income support system to the major products. (Cereals, beef, and milk after 2005/2006) Also, to the issues like strengthening the competitive ability of agriculture products in the world markets, food quality and security and involving of environmental considerations to agricultural policies is paid more attention in the renewed CAP.

There are also some other fundamental differences between the mechanisms in Turkey and EU countries. These are:

Support institutions are unique and central in EU, contrarily, they change for each product.

Wheras EU can regulate its support mechanisms according to product quality and region's development level, these criteria is not taken into consideration in Turkey.

II.9. Other General Differences

At this stage, it could be useful to display the issues that discriminate between Turkey and EU. In short, although, Turkey has much more potential than EU, it can not be benefited sufficiently. Development of producer organisation structure displays a form that is able to contribute to reform process, however, problems on this issue have not solved yet. There are huge difference between Research and Development, education-publication and info communication subjects. Unsimilarities are examined in the applied technologies, and depending on this, differences are observed in the production quality and efficiency.

Table II.2

Comparison of Some Indicators in Turkey and EU

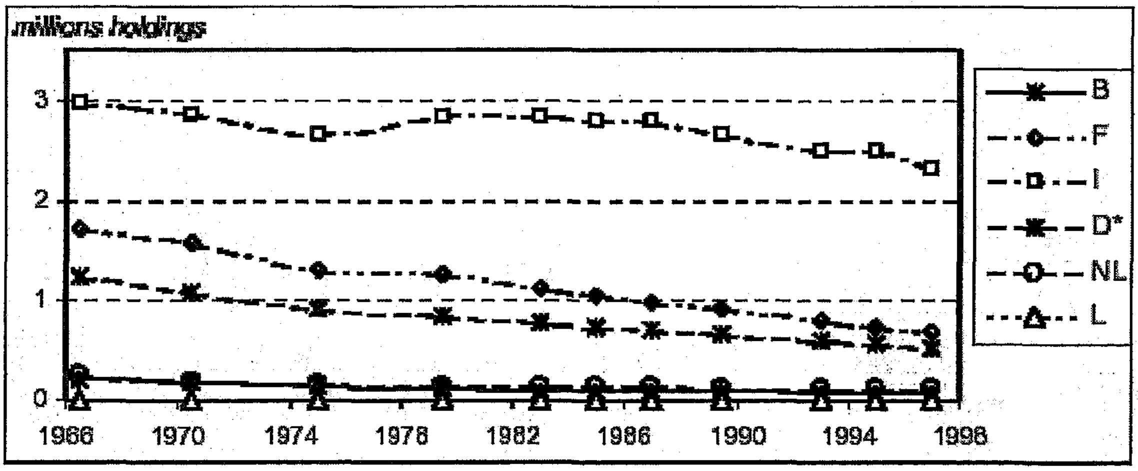
INDICATORS	TURKEY	EUROPE UNION
Total Agricultural Area (1000 Ha.)	27,000	134,261
Total Number of Enterprises (*1000) (1991)	3,967	7,370
Average Enterprise Size (Ha.)	5.9	17.4
Total Population (Million) (1998)	64.5	374
Agricultural Population (Million) (1998)	22.5	18.5
Employment in Agriculture (Million) (2000)	7.1	7.4
Agriculture Share in Employment (%) (2000)	35	5
Agriculture Share in GDP (%) (1999)	14.5	1.9
Agriculture Share in Export (%) (1999)	10	7.5
Agriculture Share in Import (%) (1999)	5.7	10.5

Source: Ministery of Agriculture and Rural Affairs[59]

II.10. Improvements in EU by CAP During 1967-1997 Period

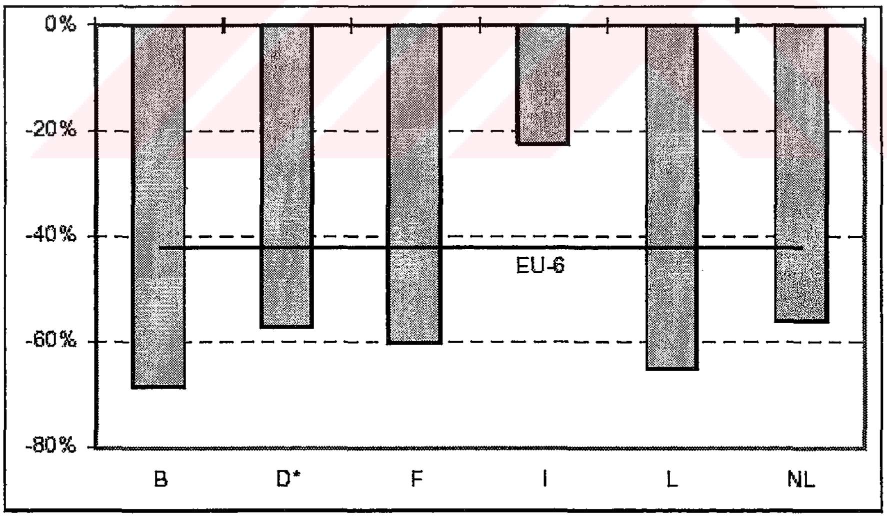
Between 1967 and 1997, the number of farms fell by 42 percent, i.e. a loss of 2.7 million farms in the six EU founding members. France, Germany and Italy lost 1 million, 700,000 and 660,000 farms respectively (Figure II.1).

[59] Ministery of Agriculture and Rural Affairs internet site, http://www.tarim.gov.tr/istatistikler/tahminler/abtrkarsilastirmasi.htm



(B: Belgium, F: France, I: Italy, D: Germany, NL: Netherlands, L: Luxemburg)

Figure II.1. Changes in the Number of Farms in EU-6 Between 1967-1997[60]

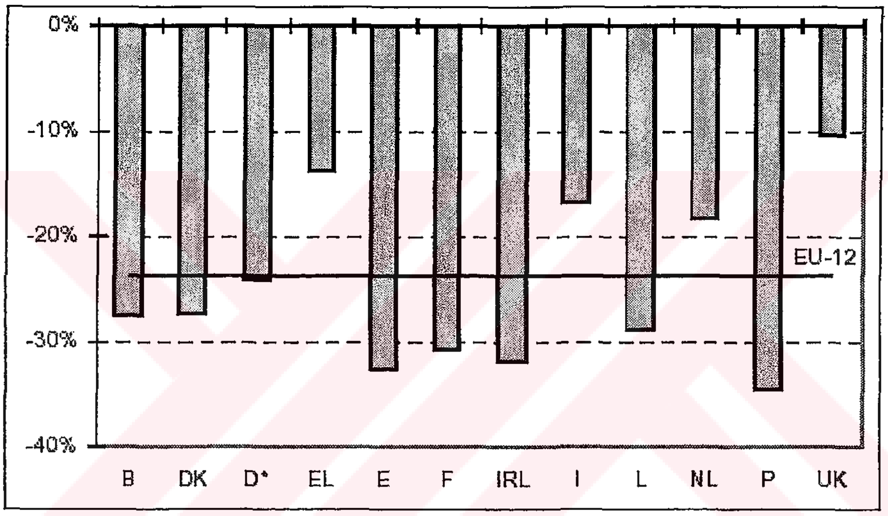


(B: Belgium, F: France, I: Italy, D: Germany, NL: Netherlands, L: Luxemburg)

Figure II.2. Changes in the Number of Farms in EU-6 Between 1967-1997[61]

[60] Claude Vidal, Thirty years of Agriculture in Europe, Farm Numbers Declining as Farms Grow in Size, Luxemburg, Eurostat, Statistics in Focus - Theme 5 - 1/2000, 2000 1.
[61] European Commission, Agriculture in the European Union. Luxemburg, Eurostat, Catalogue No: CA-27-99-023-EN-C, 2000.

The way in which farms in Italy are passed on from one generation to another results in the land being progressively subdivided and hence also explains why the number of farms in Italy has declined less sharply than in other parts of Europe (22 percent in Italy). For the other five Member States, this reduction varies between 56 percent in the Netherlands and 69 percent in Belgium (Figure II.2).



(B: Belgium, DK: Denmark, D: Germany, EL: Greece, E: Sppain, F: France, IRL: Irland, I: Italy, L:Luxemburg, NL: Netherlands, P: Portugal, UK: United Kingdom.)

Figure II.3. Changes in the Number of Farms in EU-12 Between 1987-1997[62]

Between 1987 and 1997, there was a fall of 24 percent in the number of farms in EU-12, which corresponded to a loss of 2 million farms (Figure II.3).

[62] European Commission, Farm Structure, Historical Results, Surveys from 1966/67 to 1997. Luxemburg, Eurostat, Catalogue No: K5-27-00-742-EN-C, 2000.

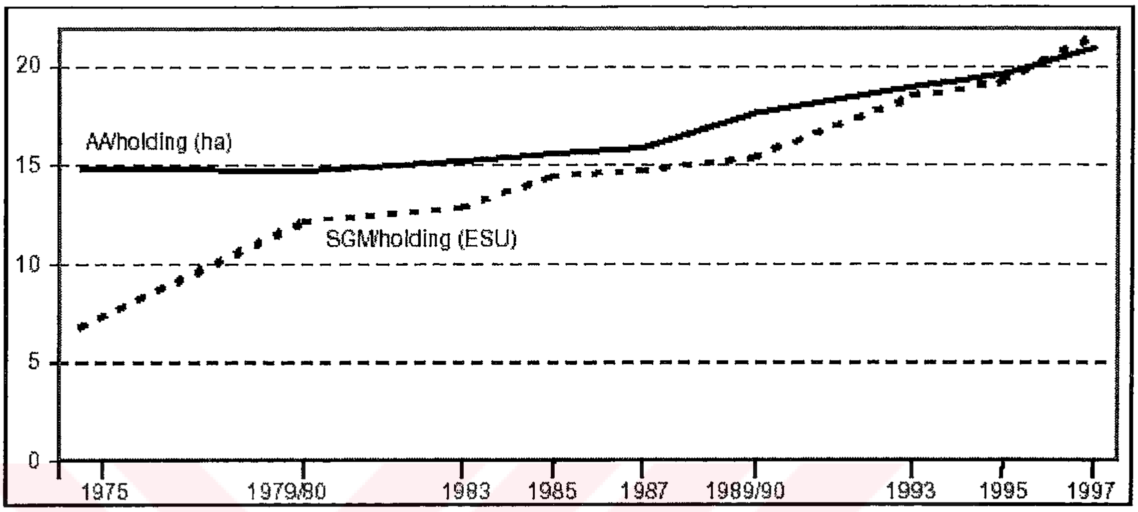


Figure II.4. Trend in Physical Size Utilised Agricultural Area (UAA) and Economic Size Standard Gross Margin per Hectare (SGM) of Holdings in EU-9 [63]

The conclusion "Farm numbers declining as farms grow in size", summarises a variety of national situations and trends. Nevertheless, it highlights a link between the number of agricultural holdings (5.8 million in 1975 compared with 4.2 million in 1997 for EU-9), their physical size and their economic size (Figure II.4).

[63] Claude Vidal, Twenty years of Agriculture in Europe, Ever larger Holdings but Different Economic Situations, Luxemburg, Eurostat, Statistics in Focus - Theme 5 - 9/2000, 2000 1.

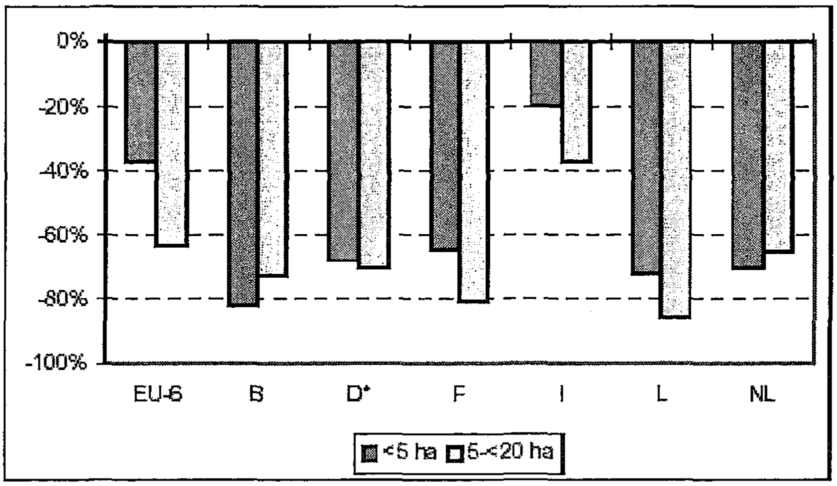


Figure II.5. Changes in the Number of Farms Less than 20 ha in EU-6 Between 1967-1997[64]

Between 1967 and 1997, the agricultural sector in EU-6 lost almost 1.3 million farms under 5 ha, which accounted for almost half the number of farms lost. The decline in the number of small farms (under 20 ha) in EU-6 was more marked than the decline in the number of farms as a whole (Table II.3). In the five founding countries other than Italy over 60percent of agricultural holdings of less than 5 ha and of 5-20 ha were lost (Figure II.5).

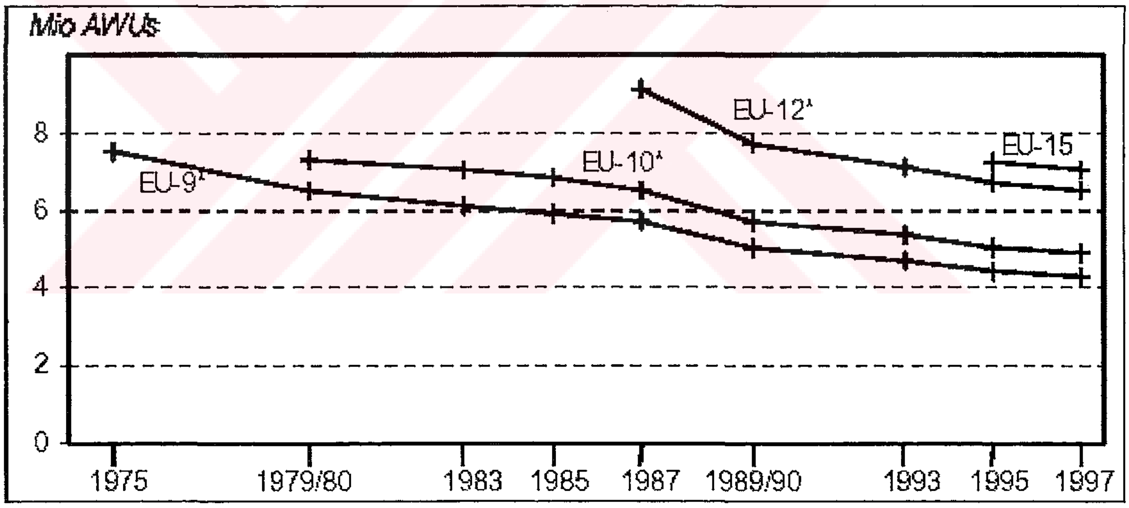
[64] Claude Vidal, Thirty years of Agriculture in Europe, Farm Numbers Declining as Farms Grow in Size, Luxemburg, Eurostat, Statistics in Focus - Theme 5 - 1/2000, 2000 2.

Table II.3

Changes in the Number of Holding Size of Utilised Agricultural Area

UAA in EU-6[65]

	Change	Average annual variations			
UAA \ period	1967 - 1997	1967 - 1997	1967 - 1975	1975-1987	1987 - 1997
Less than 5 ha	-37%	-1.5%	-2.6%	-0.3%	-2.2%
5-20 ha	-63%	-3.3%	-4.2%	-2.4%	-3.6%
20 and more	-6%	-0.2%	+1.1%	-0.2%	-1.3%
Total	-42%	-1.8%	-2.6%	-0.8%	-2.3%



EU-9: Germany, France, Italy, Belgium, Netherlands, Luxemburg, Denmark, UK, Irland.
EU-10: EU-9 plus Greece.
EU-12: EU-10 plus Portugal and Spain.

Figure II. 6. Trend in Volume of Agricultural Labour Force[66]

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[65] European Commission, Farm Structure, Historical Results, Surveys from 1966/67 to 1997. Luxemburg, Eurostat, Catalogue No: K5-27-00-742-EN-C, 2000.

[66] Claude Vidal, Thirty years of Agriculture in Europe, Changes in Agricultural Employment, Luxemburg, Eurostat, Statistics in Focus - Theme 5 - 14/2001, 2001 1.

In EU-9 between 1975 and 1997, the number of agricultural labour force (measured by Average Working Unit- AWU) fell by 43 percent, or 2.5 percent per year on average (Figure II.6).

Table II.4

Sectoral Employment Trends in EU-9[67]

Number employed	1975 *Mio*	1999 *Mio*	Trends 1975-99 *Mio*	Trends 1975-99 *%*
Services	48.1	78.2	+30.2	+63%
Industry	40.9	33.7	-7.1	-17%
Agriculture	7.6	3.8	-3.8	-49%
Total	98.6	115.8	+17.2	+17%

Between 1975 and 1999 in EU-9 the growth in the service sector fuelled growth in employment while agriculture was losing half of its labour force (Table II.4).

[67] European Commission, Farm Structure, Historical Results, Surveys from 1966/67 to 1997. Luxemburg, Eurostat, Catalogue No: K5-27-00-742-EN-C, 2000.

III. AGRICULTURAL SUPPORT IN TURKEY

III.1. Fundemenatals of Agriculture Policies

Political and economical returns of the policies, which aim at increasing economical growth and are materialized as public expenses, like researching, reducing commercial costs, infrastructure services, supplying public goods, information and marketing services, quality and standard controlling, product insurance and publication spread in the time being and, especially at the beginning, these policies require changing of the institutional structure and benefiting from public sources in the organisation.

On the other hand, results of the policies- price supports, deficiency payments, limit interventions, input subventions, credit with subvention etc.- containing wealth and income transfer from other groups of the economy to the agricultural producers can be gained in a short period of time, yet, depending on the chosen tool, burden of the transfer could be so big that it may be impossible for the consumers and budget to sustain it.

In the last twenty years, Turkey has preferred distribution policies which only involve transfer, without considering its source wealth. Because no source has been parted within the already limited budget to apply the policies, agricultural support expenditures has been financed from Ziraat Bank sources and this has led more serious problems in the finance sector. Negative consequences of this was widely told in the Letter of Intent given to International Monetary Fund. Turkey has to achieve policy modifications that could have been done in a long period of time before, much faster from now on.

However, sudden political changings in the sector, because of having less supply elasticity than other sectors, could led some much more serious problems, this multi-sided status should be approached from a broad perspective.

Determined general policy principles should be backed up by applicable policies for problematic regions or products.

It is illogical to insist on price intervention merely. Agriculture trade passes through liberalisation process. In order to maintain itself in the competition and strenghten its position, those tools listed in the following can be used; all kind of substructure investments, marketing activities, Research and Development activities, rural and regional development plans, and management of environment and natural resources.

While these policies are developing, one thing that should not be ignored is paying attention to the policies of countries which play important role in the liberalized world trade, such as USA and EU. It is clear that policies of these countries, especially export subventions and input prices, cause unstability in the inner markets. Export expensions tend to decrease when world prices shows plus sign. On the other hand, periodical export to EU becomes impossible for the products input price applied. To lessen unstability at the interior markets, Turkey can take price list given by WTO into consideration for the products Turkey is net-importer, and doing so, it can use price list against exporter-countries' price changing policies. Input price on the products Turkey is usually net-exporter, should be insistly put on the agenda during the concession discussions. Otherwise, there can be some reducings in the amount of products Turkey exports to EU countries until full-membership happens. From a dynamic point of view, these kind of issues should be paid attention during the accomodation process[68].

III.1.1.Basic Aims of Supporting Structure in the Agriculture Sector

Generally, aims of the agricultural supporting policies can be listed as;

- Accomplishing balance between the agricultural products and their prices
- Establishing stability in the producer incomes and achieving fair income distribution
- Emerging constitutional developments and appropriate enterprise structures in the agriculture

[68] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 51-52.

- Assisting the agricultural producers in their competition against other countries from the technology, cost and price points of view.
- Contributing to the consumers to be supplied them the agricultural products at a right price, right time and right place.

III. 2. Support Through Purchase and Prices

Whatever the economical system and approach they apply, interventions towards agriculture sector does happen in almost every country. Especially for those countries like Turkey in which agriculture is significant for the whole economy, importance of the interventions to the agriculture sector increases. The history of support purchases of state by base price given goes to 1930's.

Number of the supported productions reached thirty in 1970. In 1980, certain decisions were taken through the economical reforms in which some restrictions on supporting the planted products took place and number of supported products was declined from thirty to seventeen. While eleven products taking part in the system in 1990, this number increased again to twentysix in the year 1992 [69]. Certain regulations related to the agriculture sector were provisioned by the 5th April, 1994 Economical Precautions and Application Plan which aims to lessen in the public expenses and stabilization precautions, and supporting purchases had been limited to cereals, sugar beet and tobacco afterwards.

Also, some saving measures towards the agricultural support were taken. Beside this, extra decisions were made on the issues such as diminishing burden of **SEE's (KIT) and ASCU's (TSKB)** on public finance, preventing the usage of the public sources in the industrial foundations' financing, prohibiting directly or indirectly financing of the agriculture-related public establishments by the Central Bank. At the same time, since 1994, ASCU's have been charged on supporting purchases. Yet, Unions have been purchasing for their accounts. The Unions have been achieving this through their own budget and some other credits given by SPSF (Support Price Stabilisation Fund- DFIF) through Ziraat Bank. The lowest prices had been announced by the government authorities and, although these announcements are not official, it has been expected from the Unions not to ignore these minimum prices. Still, 16 Unions has been realizing the purchasing of 18 products. On the other hand, beside the three products already supported, tea is involved to the list by a similar method with the supporting purchases although a Cabinet Decree is not published and almost hundred percent of the production is purchased by the means of Çaykur (Tea Corporation)[70].

Although supporting purchases has shown, especialy in the first years, positive outcomes, it has lost its effectiveness recently because of some application problems.

III.2.1.Amount and Share of Purchase in Total Production

As supporting purchase amounts and product prices change from year to year, grain purchases within the total production vary between 5 percent and 30 percent. Real increase emerged as 100 percent in sugar beat, 93 percent in coton, 74 percent in tobacco, 77 percent in rice and 50-58 percent in grain in the five-years period. (1985-1990). On the other hand, the highest real increase after-1990 prices has been noticed in sugar beet and price of the grain which is one of the basic products and concern of a huge producer mass, has increased less than what market conditions set forth. It has realized as nearly 5-50 percent between 1990 and 1999 though this figure varies for each product[71].

[69] T.C. Basbakanlik, Hazine Mustesarligi, Yapisal Reformlar: Tarim Sektöründe Reform Nedir-Nicin Gereklidir, Ankara, 21 May 2001, <www.hazine.gov.tr/tarim_web.pdf> 2.
[70] Ibid. 2.
[71] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 26.

Table III.1

Supporting Purchase Totals (Trillion TL.)

INSTITUTIONS	1994	1995	1996	1997	1998
SPO (TMO)	7.8	2.4	29.5	190.3	407.3
TEKEL	9.4	7.0	6.3	23.8	140.0
TURKISH SUGAR FACTORIES CO.	19.6	37.1	54.2	180.3	319.9
TOTAL SUPPORT PURCHASES	36.8	46.5	90.0	394.4	867.2

Source: SPO (DPT) [72]

Supporting purchases has been attractive for, especially, politicians in the past periods because supporting purchases let very rapid and obvious income increasing despite of the fact that positive outcomes of the investments and public services come into effect in a longer period of time by this method. So, thanks to it, politicians can satisfy the population dealt with agriculture and prevent their any attempt towards radical and self-confidence based cooperative activities or searches for similar remedies.

Because share of the agriculture within the total employment in 90's is 40-45 percent and its value added portion in GNP is around 15 percent, political preferences become more important throughout the price determination. At the beginning of the 90s, when the domestic prices exceeded world prices as a result of increase in the value of Turkish Lira, purchase amounts increased as well. In order to lessen the finance burden which supporting policy created, some decisions were taken, especially in the period of 1992-1994, and rapid value loss of Turkish Lira in 1994 contributed to the removal of difference between inner and outer prices. Finally this let to the diminishing of the finance burden.

[72] DPT, Türkiye Tariminda Sürdürülebilir Kisa, Orta ve Uzun Dönem Stratejileri, Ankara: Jan. 1999, 29 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/strateji/2.html> 3.

Table III. 2

Share of the Purchase Amount in the Production Value (%)

	Wheat	Sugar beet	Tobacco (*)	Cotton	Hazelnut	Sunflower	Tea
1990	25.8	100.0	65.2	26.7	34.7	36.5	
1991	21.8	96.8	66.7	33.5	27.0	40.9	
1992	12.7	86.6	65.0	48.9	35.8	67.9	
1993	12.7	82.0	84.3	27.3	0.7	40.0	68.0
1994	7.8	82.8	60.4	9.7	12.9	15.4	69.0
1995	0.2	79.0	51.5	13.7	7.5	26.6	59.0
1996	3.4	79.4	53.5	13.5	23.5	34.5	68.0
1997	18.4	80.4	68.5	13.2	15.6	44.0	68.0
1998	24.8	80.3	74.4	24.1	41.2	51.5	
90-98 Average	**14.2**	**85.2**	**65.5**	**23.4**	**22.1**	**39.7**	**66.4**

(*) it is the share of purchase amount to the production of previous year.

Source: SPO (DPT) [73]

86 percent of agricultural support in Turkey is purchase support. Besides, this support is not neither applied on all products nor to the whole amount of the purchased products. (e.g. for wheat 14 percent, tobacco 65 percent, sugar beet 85 percent, tea 66 percent, cotton 23 percent, hazelnut 22 percent, sunflower 40 percent). Additionally, these purchased amounts are being sold in the markets and turned into money back. That is, it is hard to claim that support in Turkey finds 40 percent of the value added in agriculture as OECD states.

[73] Zafer Yükseler, "Tarımsal Destekleme Politikaları ve Doğrudan Gelir Desteği Sisteminin Değerlendirilmesi," State Planning Organisation, Aug 1999, 21 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/yukselez/gelirdes.html> 7.

III.2.2. Movements in Purchase Prices

Some populist practices, particularly in 1996 and 1997, caused rapid digression from the world prices and rises in the production amounts of the products that have supply surplus. Supporting prices were usually determined coherent to the targeted inflation rate in 1998 and 1999. However, rapid decreasing in the world prices because of the global crisis, production increase due to the suitable weather conditions in Turkey and high finance costs limited the introduction of the private sector to the market and, thus, public institutions were bound to higher amounts of purchase than they planned before. All of these increased the negative consequences of the supporting purchases.

Table III. 3

Increases in Support Prices of Some Products (% Yearly)

PRODUCTS	1992	1993	1994	1995	1996	1997	1998	1999	92-99 compound (times)
WHEAT	56	58	89	94	157	83	61	51	103
BARLEY	70	62	64	94	174	72	61	51	100
COTTON	57	56	106	122	75	100	39	18	64
TOBACCO	31	54	100	76	100	80	56	25	50
TEA	80	51	76	100	108	100	64	44	94
SUGAR BEET	63	52	100	150	76	150	50	64	134
SUN FLOWER	67	60	113	112	94	86	69	18	87
HAZELNUT	61	58	217	78	108	141	69	51	184
INFLATION	62	58	121	89	75	81	70	53	88

Source: Ministery of Agriculture and Rural Affairs [74]

[74] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/tahminler/desteklemefiyatlari.htm>

III.2.3. Misuse of the System

ASCU's debts to Ziraat Bank has been subjected notification five times in the period od 1990-1996. Loan amount that is subjected to notification is around 4.4 billion dollars in this term. ASCU's 138 trillion TL. (2.4 billion dollars) of the debt to Ziraat Bank as of end of 1995, was undertaken by the Treasury and it was spread out longer terms.

The Unions' finance method relevant to the supporting purchase was changed in 1995 and by transfering some sources from Support and Price Stability Fund (SPSF) of the budget to Ziraat Bank, finance opportunity was started to be provided with 50 percent interest rate and one-year fixed term. SEE's which are charged by product purchase, can be financed by the Treasury's facilities (these are capital, duty loss and loan opportunities) and, at the same time, from some funds provided by, especially, public banks[75]. As finance opportunities obtained by the budget for the supporting purchases covered 36.3 percent of SEE and Union purchasings in 1997[76], this ratio drew back to 27,1 percent in 1998 because of rising in purchase amounts. This situation let widely usage of foreign sources which have high costs. If the current policies continue, it will inevitably cause the problem to become bigger and harder in the following years. Negative influences of, paying back of the agricultural supporting policy applications can be also recognized by examining the agricultural SEE's borrowing requirement. In the period of 1990-1993, ratio of agricultural SEE's borrowing requirement to GNP was 1.69 percent, however, it receded to 0.11 percent in 1995. This ratio had inclined to go up with the beginning of 1996 and it reached again to 1.68 percent in 1998[77].

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[75] Zafer Yükseler, "Tarımsal Destekleme Politikaları ve Doğrudan Gelir Desteği Sisteminin Değerlendirilmesi," State Planning Organisation, Aug 1999, 21 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/yukselez/gelirdes.html> 8.

[76] The Central Bank of The Republic of Turkey, 2000 Annual Report: Agricultural Support, Apr. 2001, 27 Aug. 2001, <http://www.tcmb.gov.tr/yeni/evds/yayin/yillik/00ing/sectionII.pdf> 39.

[77] Zafer Yükseler, "Tarımsal Destekleme Politikaları ve Doğrudan Gelir Desteği Sisteminin Değerlendirilmesi," State Planning Organisation, Aug 1999, 21 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/yukselez/gelirdes.html> 9.

Table III.4

Financial Indicators of Operating SEE's (%)

	1997	1998	1999[1]
The share of the SEE's in the public borrowing requirement	7,4	14,2	7,6
SPO(TMO), Sugar Factories Inc (TSFAS), and TEKEL's borrowing requirement / Operating SEE's borrowing requirement	117,5	126,4	126,6
SPO(TMO), Sugar Factories Inc (TSFAS), and TEKEL's share in the public sector Cash financement requirement	16,0	17,9	9,5
Ratios in GDP			
SEE's borrowing requirement / GDP	0,6	1,3	1,1
SPO(TMO), Sugar Factories Inc (TSFAS), and TEKEL's borrowing requirement / GDP	1,2	1,6	1,4
Budget transfers allocated to SPO(TMO), Sugar Factories Inc (TSFAS), and TEKEL	0,07	0,06	0,11

1. SPO (DPT) Realisation estimate.

Source: SPO (DPT), Treasury (HM)

Table III.5

Budget Financing of the Support Purchases (Billion TL)

	1996	1997	1998	1999	2000
Duty Loss	3.150	421	8.535	92.135	39.856
Capital Transfers	2.500	27.830	22.656	39.000	127.144
Treasury Bonds	19.936	19.936	16.736	-	-
SPSF Loans	38.661	111.001	238.568	386.335	380.866
I.General Total	64.247	159.188	286.495	517.470	547.866
II.Support Purchase Value	191.553	438.615	1.055.435	1.508.478	1.480.334
III. (I/II) (%)	33,5	36,3	27,1	34,3	37,0

Source: SPO (DPT), Treasury (HM)

III.3. Input Support

Farmers are supported over fertilizer producers and distributors and also establishments that supply other kind of input.

Inexpensive fertilizer, supplying seeded chemicals, credits with low interest rate, tax exemption, providing seed of good quality, imported stallion, and inexpensive irrigation facilities are among the supportings made by input subventions.

III.3.1. Fertiliser Support

Share of the fertilizer supporting payments within the total input supportings is approximately 85 percent. This figure reflected as 1.2 Trillion TL. in 1990, 10.6 Trillion TL. in 1995, 142 Trillion TL. in 1998 and, 99 Trillion TL. in 1999[78].

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[78] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 27.

Table III.6

Input Subventions (Million TL)

Subventions	1991	1992	1993	1994	1995	1996	1997	1998	30.11.1999
Fertilizer	1.637.088	2.264.154	3.310.939	5.148.738	10.635.908	44.641.509	83.635.000	142.095.936	92.083.106
Seed	11.476	21.174	32.435	57.475	64.263	188.556	768.000	1.660.579	1.339.610
Milk	115.508	156.306	102.728	259.753	1.969.452	4.780.156	6.425.000	8.535.402	10.447.430
Medicine	77.718	143.638	111.096	178.121	1.137.373	2.548.538	3.789.000	8.878.455	10.329.970
Project Animal	95.213	154.997	99.201	452.627	205.479	45.729	59.000	3.239	0
Artifical Seed.	26	33	15	5	3	33	0	0	0
Import Husbandary	5.275	17.954	1.597	55.309	214.981	40.000	1.938.000	712.369	210.546
Feedstuff	0	0	0	0	0	0	0	0	0
Meat	31.858	0	0	83.946	145.748	18	12.000	0	0
Animal with Incentive Document	0	37.851	9.075	21.834	17.983	31.908	37.000	2.129	4.377
TOPLAM	1.974.162	2.796.107	3.667.086	6.257.808	14.391.190	52.276.447	96.663.000	161.888.109	114.415.039

Source: Ministery of Agriculture and Rural Affairs[79]

By the system change, ratio of the payment to fertilizer decreased to 37 percent in 1998 and 24 percent in 1999. The ratio was 20 percent by the January, 2000 and it is going to diminish gradually in the folowing years[80].

[79] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/TR/tczbdestek.htm>

[80] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 27.

III.4. Credit Loan Subsidy

Low interest rates that are applied to agricultural credits which is influential on the input costs can be thought under this title. Ziraat Bank acted as a mediator about the government's decrees and its applications and the interest rates in 1997 were; 70-65 percent on planting production credits, 59-54 percent on animal production credits. This ratio happened as 65 percent on planting production and 54 percent on animal husbandry prouduction in 1998 and it was shifted to 42.3 percent in 2000 by merging two interest rates. On the other hand, since 1995, credits with low interest rates has been allocated to ASCU and SEE from SPSF of the budget[81].

When it is looked at distribution for agricultural credits' usage in 1998, it is seen that share of the agricultural enterprises and investment credits are 54 percent and ratio of credits given to ASCU, SPO and Turkey Sugar Factories Co. for the purpose of supporting purchases is 46 percent [82].

[81] Ibid. 28.
[82] Ibid. 28.

Table III.7

Agricultural Support Credit Rates and Inflation

YEARS	Plant Production Credit Rate -Basic (%)	Inflation Rate (%)	Difference (%)
1980	16	90	-74
1981	23	34	-11
1982	21	27	-6
1983	21	28	-7
1984	28	46	-18
1985	32	42	-10
1986	32	28	4
1987	42	39	3
1988	47	61	-14
1989	47	65	-18
1990	47	50	-3
1991	47	55	-8
1992	47	62	-15
1993	47	58	-11
1994	47	121	-74
1995	50	89	-39
1996	50	75	-25
1997	70	81	-11
1998	65	70	-5
1999	65	53	12
2000	42	25	17

Source: Ministery of Agriculture and Rural Affairs[83]

[83] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/tahminler/kredifaiz.htm>

III.5. Other Incitements and Supports

III.5.1. Agriculture Products Export Supports and Import Preventions

On this issue, to hold the domestic prices on the desired level, high import preventions are applied on the products such as tea, sugar and grain and export payments are made in the agriculture products exportation in the frame of Turkey's obligation according to GATT Uruguay Round Agreement.

III.5.2. Incitement or Supporting Premium Payment

Since 1987, incitement payments were given for milk, and since 1990 for meat. This method has lost its validity for milk because, after 1998, payment amount has not changed although it was planned to change it when the related circumstances are considered. Also, Premium method was cancelled for red meat after 1995 as well[84].

III.5.3. Quota on Tobacco and Trimming Compensations Payment for Tea

In 1993, producers' damages through applying quota for tobacco and tea lopping have been tried to indemnify by compensation payments and some achievements has gained to some degree, however it has not reached to desired level. Abolishing the quota system for tobacco in 1997 caused increase in the production of tobacco up to 340 thousand tons[85].

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[84] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 29.

III.5.4. General Services

Other than supporting policy tools, there are also some services and projects that has a characteristic of agriculture policy and is used for developing production structure which has considerable contribution to supporting of farmers. These can be listed as;

- Research, education and publication services,
- Supervising and control,
- Protection against diseases and harmfuls,
- Infra-structure and structural services,
- Marketing and advertisement[86],

Stated services are executed as public services which create cost-reducing effect in the long term.

III.6. Amount of the Sources Provided to the Agriculture Sector

Sources supplied to the agriculture sector can be calculated in many ways. In this section, the below table is formed by consolidating the emphasized issues or subjects in the above which are about sources providing to agriculture sector and constituting part of the total transfers. As it is comprehended from the table, total of concerned sources that are supplied to the agriculture sector had increased from 231 trillion Turkish Liras to 517 trillion Turkish Liras between 1995 and 1997. It is estimated that this figure will rise up to 1216 trillion TL. in the current prices of 1999.

[85] Ibid. 29.
[86] Ibid. 30.

Table III. 8

Support to Agriculture Sector in Turkey

TYPE OF SUPPORT	1995	1996	1997	1998	1999
	(Million TL)	(Million TL)	(Million TL)	(Million TL)	(Million TL)
1-PRICE SUPPORT					
CREALS (TMO)	0	1.998.000	45.221.000	110.737.000	148.938.000
WHEAT	0	25.000	21.800.000	74.000.000	83.000.000
TOBACCO	3.120.000	3.990.000	14.625.000	72.000.000	61.200.000
SUGAR BEET	3.356.000	9.476.000	68.224.000	63.750.000	59.133.000
1-TOTAL	**6.476.000**	**15.464.000**	**128.070.000**	**246.487.000**	**269.271.000**
2-INPUT SUPPORT					
FERTILIZER	9.804.000	44.983.000	83.635.000	123.957.000	99.634.000
MEDICINE	1.138.000	2.574.000	3.789.000	8.586.000	10.316.000
2-TOTAL	**11.245.205**	**47.823.046**	**94.715.677**	**142.702.706**	**122.359.000**
3-PREMIUM PAYMENTS	**1.970.000**	**4.825.000**	**6.444.000**	**8.193.000**	**10.700.000**
4- INDEMNITIES	**3.179.953**	**6.768.000**	**13.818.000**	11.231.000	**16.300.000**
5- CREDIT SUPPORT					
ZIRAAT BANK BASED CREDITS	246.396.000	239.235.000	405.223.000	716.466.000	1.182.000.000
CREDIT SUBVENTION OF THE BANK	205.740.660	125.598.375	222.872.650	358.233.000	579.180.000
SPSF BASED CREDITS TO UNIONS	2.727.000	30.661.000	93.001.000	148.505.000	240.800.000
SUBVENTION OF SPSF BASED CREDIT	1.363.500	15.330.500	46.500.500	74.252.500	120.400.000
5-TOTAL	**207.104.160**	**140.928.875**	**269.373.150**	**432.485.500**	**699.580.000**
6-DEFICIENCY PAYMENTS					
COTTON	0	0	0	0	83.500.000
6-TOTAL	**1.351.000**	**0**	**5.410.000**	**0**	**98.190.962**
7-GENERAL SERVICES	6.184	11.314	22.269	34.248	48.217
GRAND TOTAL (1-7) (MILLION TL)	**231.332.502**	**215.820.235**	**517.853.096**	**841.133.454**	**1.216.449.179**
USD CURRENCY	45.738	81.281	151.600	250.000	413.217
GRAND TOTAL (MILLION DOLAR)	**5.058**	**2.655**	**3.416**	**3.365**	**2.944**

Source: Ministery of Agriculture and Rural Affairs[87]

[87] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/TR/destek.htm>

Table III.9

Proportion of Agricultural Support to GNP

YEARS	1995	1996	1997	1998	1999
GNP (Billion TL) in Current Prices	7.854.887	14.978.067	29.393.262	53.012.781	83.124.040
GNP (Billion USD)	171,7	184,3	194,1	203,9	199,9
Total Support (Million USD)	5058	2655	3410	3365	2944
Proportion of Support of GNP (%)	3,0	1,5	1,8	1,7	1,5

Source: Ministery of Agriculture and Rural Affairs [88]

III.7. Agricultural Support In 2000 as a Turning Point

III.7.1. Improvements in Purchase Amount and Prices

Products except for cereal, sugar beet and tobacco were left out of the supporting purchases in 2000 as well, i.e. same as the previous six years. Thus, products purchased by ASCU were left out of the supporting purchases. The finance required for these institutions' purchases is still covered by SPSF as much as possible.

In the frame of macro-economic plan, determination of the prices in the agriculture sector under the free market conditions is the main goal. Some precautions start to be taken to determine the prices in the agriculture sector at the market conditions. In this regard, agriculture products' prices were determined by taking into account the targeted inflation rate and world prices in the year of 2000.

[88] Ministery of Agriculture and Rural Affairs internet site, <http://www.tarim.gov.tr/istatistikler/tahminler/gsmh.htm>

The agricultural supporting purchases' prices which increased by the average of 47.7 percent in 1999, was assigned by considering expected inflation rate and the world prices in 2000, and as a result, it emerged 27.8 percent higher on average than 1999 [89]. By the effect of declaration of selling prices and togehther with the purchasing prices for grain in 2000 for the first time, it is estimated that grain purchases will be under the expected level.

III.7.2. Sources and Volume of the Purchases

As a matter of fact, grain purchases which is supposed to be about 4.5 million tons could decrease to 3.8 million tons. On the other hand, amount of purchasing for sugar beet increased to 13.7 million tons whereas it was planned at 12.5 million tons and tobacco purchase increased to 183 thousand tons unlike at the supposed amount too, that is 156 thousand tons. While fresh-tea leaf was planned to purchase around 550 thousand tons, it happened as 499 thousand tons although it was not in the supporting purchases list[90].

From 1999 to 2000, the payments to the producers for the products within supporting purchases is expected to rise up from 1 quadrillion TL. to 1.1 quadrillion TL., with 10.3 percent increasing. When ASCU's purchasings are also taken into consideration, total cost of purchasings is estimated to reach 1.480 trillion TL. in 2000[91]. In 2000, 548 trillion TL. was transferred from the budget to cover the agricultural products' purchases[92].

[89] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005): 2001 Yili Programi, Ankara: 2000, 11 Jun. 2001, <http://ekutup.dpt.gov.tr/program/2001/2001.pdf> 73.
[90] Ibid. 74.
[91] Ibid. 74.

[92] The Central Bank of The Republic of Turkey, 2000 Annual Report: Agricultural Support, Apr. 2001, 27 Aug. 2001, <http://www.tcmb.gov.tr/yeni/evds/yayin/yillik/00ing/sectionII.pdf> 38.

Table III.10

Support Purchase Figures

	Average Purchase Price (TL/kg)			Purchase Amount (000 Tonnes)			Purchase Value (Billion TL)		
PRODUCTS	1998	1999	2000 (*)	1998	1999	2000 (*)	1998	1999	2000 (*)
WHEAT	53564	77976	103781	5212	4309	3011	279175	335976	312484
HAZELNUT	772134	1079967	1082248	239	142	85	184367	153770	91832
COTTON	180458	249001	408110	536	439	195	96679	109274	79446
TOBACCO	672048	1074801	1298219	166	191	183	111560	205698	237263
SUGAR BEET	17709	27653	35107	17619	13253	13700	78626	366484	480965
SUNFLOWER	111682	129998	164998	443	411	406	49453	53394	67023
OTHERS							255575	283882	211321
TOTAL							1,055,435	1,508,478	1,480,334

(*)2000 is estimate

Source: The Central Bank of The Republic of Turkey[93]

As it is seen from the figures, approximately one third of the purchases are funded by budget and two thirds of it are financed by Ziraat bank.

In the same year, 380.9 trillion TL. was transferred from SPSF to ASCU's and SEEs that are responsible for supporting purchases and also 365 trillion TL. was conducted for agricultural support from the budget[94]. This sum is expected to be around 1 quad trillion TL. in 2001[95].

Parallel to the current macro-economic plan, radical changes have been started to be applied and it is aimed to be used direct income support system instead of system of supporting the farmers in order to fix prices at the market conditions.

In this respect, 430 trillion TL. allowation has been set to 2001 budget for Direct Income Support payment. Moreover, for the tobacco supporting purchases, 180 trillion TL. has been allocated to the budget (but the usage of this allocation is linked to a condition of establishment of another support office)[96].

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[93] Ibid. 39.
[94] Ibid. 39.
[95] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005): 2001 Yili Programi, Ankara: 2000, 11 Jun. 2001, <http://ekutup.dpt.gov.tr/program/2001/2001.pdf> 74.
[96] Ibid. 74.

146 million decares of Turkish lands emerge from the land pieces less than 200 decares. If it is assumed that 10 millions TL. Direct Income Support Payment per decare as 6 dollars, the total planned support is calculated as 850 million dollars.This figure shows that the support ratio decreases to 0.5 percent of the GNP. However even the receded level was around 1.5 billion USD in 2000. This figure is under 0.8 percent of 2000 GNP.

When it is considered that receded support level in EU is 1.5 percent of GNP in Europe, the amount of the targeting support is surprisingly less. Under these conditions, to declare phase out of all other kinds of suport indicates disadvantageous developments for Turkish agriculture in the recent future.

III.8. Outcomes of Agricultural Policies Implemented to Date in Turkey

III.8.1. Problems Arisen by Support Purchases

Support purchases conducted through the State Economic Enterprises (SEE's):

- prevented production to develop according to free market conditions, (whilst there were unwanted stocks sufficient to meet the country's need for some years in products such as tobacco, hazelnut, sugar beet, tea plant, importation is underway to close the supply gap in products such as cotton, oily seeds and feeding plants and this importation amounts to 890 million US Dollars annually. Thus, both the stocking costs of products produced more than supply is folded and farmers of other countries are supported through importation.)
- caused an instability in producer incomes, (farmers producing according to the minimum prices announced by political concerns suffer a loss of income when they head for the same product the following year due to high harvest as a result of decrease of prices in the market)
- led to stocks impossible to utilize, (there are stocks in tobacco sufficient to meet nearly 6-year domestic consumption need and stocks in sugar sufficient to meet the need for one year)

- while the producer is being supported through prices, the consumer undertakes the burden of this support and led to the supply of agricultural products with high prices.
- Supports given have not sufficiently reached the producer and have on the other hand brought an important burden on public resources.
- While payments made to the agricultural sector in 1999 were at the level of 4 billion USD, the cost of these payments to the public has realized as 12.7 billion USD. The difference in between is the interest burden of payments made without any sources[97].

Table III.11

Agricultural Productivity

Countries	Grain Productivity (kg/decare)	Value Added per person in Agriculture (USD)
Turkey	229	1,858
Denmark	612	52,809
Japan	597	30,620
Argentina	345	9,983
Hungary	450	4,860
Uzbekhistan	259	1,621

Source: Turkish Treasury (HM) (1998-2000/World Bank Data)[98]

As will be seen from the above table as well, despite the existing supporting policies that have been continuing for years in Turkey, productivity in agricultural sector has not reached to the desired level in addition to the structural disorganization in agricultural sector.

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[97] T.C. Basbakanlik, Hazine Mustesarligi, Yapisal Reformlar: Tarim Sektöründe Reform Nedir-Nicin Gereklidir, Ankara, 21 May 2001, <www.hazine.gov.tr/tarim_web.pdf> 4.
[98] Ibid. 4.

III.8.2. Unsuccessful Reform Studies in 1990's

Some measures were taken in 1990s in order to minimize the effects of agricultural support on economy and public finance, some were implemented for a short period of time a return has occurred thereafter (removal of tobacco quotas in 1997, increase of fertilizer subvention rate at the end of 1995, getting away from world prices as from 1997, removal of the practice of grain selling prices by decrees as from 1998, quitting premium system in cotton after creation of astronomical duty losses in the implementation in 1993, inability of the performance of depositing in Ziraat Bank of sales revenues of purchases made by ASCU's in 1992 etc.), and have not even been implemented (any restriction of hazelnut planting areas, making product exchange markets more widespread etc.)[99].

III.8.3. Lack of Coordination between Organisations

Lack of coordination between the organizations operating in the agricultural sector and authorized by various methods in matters directly related to the agricultural sector, number and qualification of personnel of organizations and institutions and therefore the deficiencies and delays in their activities hamper the services to be performed efficiently. In addition, passing of powers and subjects related to the agricultural sector to public organizations and institutions other than the Ministry of Agriculture and Rural Affairs and developments done under compulsion in this direction have reached to worrying levels.

III.8.4. Lacking Infrastructure Investments

The infrastructure investments, most important motive of increase of income in the agricultural sector, are at a point to cease. If investments in Southeastern Anatolia Project (GAP) in order that the 1.700.000 hectare area projected to be opened to irrigation

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[99] Zafer Yükseler, "Tarımsal Destekleme Politikaları ve Doğrudan Gelir Desteği Sisteminin Değerlendirilmesi," State Planning Organisation, Aug 1999, 21 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/yukselez/gelirdes.html> 5.

progress at this speed, works will stay 60 years behind the projected time[100]. Furthermore, institutions that create income to the public sector such as Tekel, should not be privatized.

III.8.5. Privatization

Privatization of agricultural State Economic Enterprises made for decreasing of pressure on public resources and increasing of productivity has started with TSEK (Turkish Milk Industry Organization), EBK (Fish and Meat Organization) and Yem Sanayii A.Ş. (Feed Industry Inc.) and TSEK and Yem Sanayii A.Ş. (Feed Industry Inc.) are completely privatized. Privatization of three State Economic Enterprises relating to animal production without making the necessary regulations for marketing of products and organization of producers has created negative effects in the animal products markets and has increased the regression trend in the animal feeding sector. EBK has not been completely privatized therefore[101]. On the other hand, privatization efforts aimed at agricultural Public Economic Enterprises such as Tea Corporation (ÇAYKUR), sugar factories of Turkish Sugar Factories Inc., TEKEL tobacco processing facilities and Soil Products Office (TMO) have been brought into the agenda comprehensively and decisively within the process of stand-by entered in with the IMF in December 1999 [102].

III.8.6. Need for Reform

As a result of all of these;

- A comprehensive reform is required in the agricultural sector in order that the transfers made by the government reach to the target group.

- The Government has commenced reform studies and has taken important steps aimed at changing agricultural policies together with the World Bank.

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[100] Tayfun Özkaya, and Oguz Oyan, "Türkiye'de Tarimsal Destekleme Politikalarinin Dünü-Bugünü-Gelecegi," TZOB, TÜSES, Türkiye Sosyal Ekonomik Siyasal Araştırmalar Vakfi, 2001, 17 May 2001, <http://www.agr.ege.edu.tr/~teder/sonrapor.htm> 6.

[101] DPT, Türkiye Tariminda Sürdürülebilir Kisa, Orta ve Uzun Dönem Stratejileri, Ankara: Jan. 1999, 29 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/strateji/2.html> 1.

[102] Tayfun Özkaya, and Oguz Oyan, "Türkiye'de Tarimsal Destekleme Politikalarinin Dünü-Bugünü-Gelecegi," TZOB, TÜSES, Türkiye Sosyal Ekonomik Siyasal Araştırmalar Vakfi, 2001, 17 May 2001, <http://www.agr.ege.edu.tr/~teder/sonrapor.htm> 8.

Therefore, it is stated that intervention in the prices of agricultural products will be decreased and registered producers would be directly supported in its place, that input supports will gradually be removed, and that restriction of planting will be made in products within which there is an excess of supply according to indicators such as product quality and status of available land. It is further stated that orientation towards products with internal and external demand will be provided.

Farm subsidies amount to 4 billion Euros per year (about 2.5 percent of the GNP). This significant figure led the government to develop a reform policy. The Turkish government made the following commitments within the frame of IMF standby agreement (anti-inflation program):

a) Remove the existing support policies gradually and bring a Direct Income Support system targeted to poor farmers in their place;

b) Granting full autonomy to Agricultural Sales Cooperatives and Unions (TSKB);

c) Remove input subsidies (gradually remove loan and fertilizer subventions);

d) Privatize some of the State Economic Enterprises in the agricultural food sector[103].

The farmers are being encouraged to plant alternative products instead of hazelnut, tea, sugar beet, and tobacco (Alternative Product Project). Compensatory payments are being made due to the decreases in incomes because of transition to products with lesser earnings. Support for the improvement of live stock sector is being projected aimed at increasing food safety.

III.9. Agricultural Supports Implemented in Turkey and its Effects

III.9.1. OECD Approach

Supports made to the agricultural sector are being calculated with the method outlined in the common studies conducted within the frame of cooperation with the OECD.

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[103] Commission of the European Communities, 2000 Regular Report on Turkey's Progress towards Accession: Agriculture, Brussels: 8 Nov. 2000, 10 Jun. 2001, <www.tarim.gov.tr/bilgi/diatk/agreport.htm> 41.

It is being calculated by the assistance of Producer Support Estimate (PSE), Consumer Support Estimate (CSE) and Total Transfers (TT) to the agricultural sector.

Products with PSE and CSE made for Turkey in OECD's standard products list are; wheat, feeding grain (corn, barley), oily seeds (sunflower), sugar beet, milk, beef, mutton, chicken meat and eggs, 1/3 of agricultural production and ¾ of animal production is included in this study[104]. PSE and CSE are being calculated for 42 percent of the production value made in Turkey[105].

III.9.1.1. Producer Support Estimate

Producer Support Estimate (PSE): Indicates the transfers from consumers and taxpayers to the producers in a certain year as a result of the agricultural policies implemented. These transfers contain payments relating to market price support, direct payments, input supports, interest subventions, general services and incentives[106].

Table III.12

Producer Support Estimate (%)

Countries	1986-88	1991 -93	1997-99	1997	1998	1999*
Turkey	20	30	34	31	36	36
OECD	41	39	36	31	36	40
USA	26	19	20	14	22	24
EU	46	47	44	38	45	49
Japan	65	58	61	57	62	65

Source: OECD, (*) temporary[107]

[104] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 37.
[105] DPT, Türkiye Tariminda Sürdürülebilir Kisa, Orta ve Uzun Dönem Stratejileri, Ankara: Jan. 1999, 29 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/strateji/2.html> 2.
[106] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 38.

[107] Ibid. 38.

Net PSE value in Turkey is at low levels among OECD countries. This value that was 20 percent between 1986-88, and 30 percent in 1996 has again entered into a trend of increase due to practices such as input and price supports in agricultural products, and due to discounts and has realized as 36 percent in 1998. PSE share in total agricultural production value in the year 1998 has been determined as 36 percent in Turkey while OECD average was 36 percent, and it was 62 percent in Japan, 45 percent in the EU and 22 percent in USA[108].

The share of Market Price Support demonstrating the differentiation from world prices in PSE calculated for Turkey has risen to 91 percent in 1991 while the average between 1986-88 was 72 percent, and between 1992-94 was 78 percent. An important part of the remaining part of PSE is formed of interest subventions and input supports. The consumers are paying market price support as a result of increasing domestic prices. Total PSE in 1997 is calculated as 781 trillion TL (approximately 5 billion USD) for Turkey. If one generalizes total PSE to agricultural production value, it is roughly calculated that the total monetary support made to the producers through agriculture is by current prices 611 trillion TL (approximately 7.5 billion USD) in 1991, and 1.859,5 trillion TL (approximately 11 billion USD) in 1997. And this corresponds to a support of 62,7 million TL in 1996 and 193,5 million TL in 1997 per employed person in the agricultural sector[109].

III.9.1.2. Consumer Support Estimate

Consumer Support Estimate (CSE): Indicates the transfers from consumers and taxpayers to the producers in e certain year as a result of the agricultural policies implemented, and the relative tax burden on the consumers as a result of policies with a negative value.

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[108] Ibid. 38.

[109] DPT, Türkiye Tariminda Sürdürülebilir Kisa, Orta ve Uzun Dönem Stratejileri, Ankara: Jan. 1999, 29 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/strateji/2.html> 2.

III.9.1.3. Total Transfers

Total Transfers contain budget transfers made from general budget and other resources to the public enterprises in the agricultural sector[110].

Formed of the total of income transfers made from taxpayers and consumers for supporting producers through agricultural policies, Total Transfers are shown in the table below. Accordingly, Total Transfers are 867.0 trillion TL in 1996, and 2,177.2 trillion TL in 1997. Total transfers per person employed in the agricultural sector have been 170 million TL (approximately 1000 USD) in 1996 and is estimated to rise to 226 million TL (approximately 1500 USD) in 1997. But it should be noted that not all of the Total Transfers are reflected to the producers as monetary support[111].

Table III.13

Sources of Agricultural Transfers in Turkey (Billion TL /Billion $)

	1986-88		1992-94		1995		1996		1997(estimate)	
	TL	$	TL	$	TL	$	TL	$	TL	$
Transfers From Taxpayers (Budget) (1)	2746	2,7	76718	4,8	265620	5,8	439093	5,4	488483	3,2
Transfers From Consumers (2)	3061	3,2	74934	6,8	276003	6,0	481429	5,9	1857198	12,3
Budget Income (3) (Import Taxes)	82	0,1	4260	0,4	35423	0,8	53548	0,7	168432	1,1
Total (1+2-3)	**5726**	**5,8**	**147392**	**11,2**	**506200**	**11,1**	**866973**	**10,7**	**2177249**	**14,7**

Source: OECD[112]

As will be seen in the table 56 percent of total transfers in 1996 and 85 percent in 1997 are aid by the consumers. On the other hand, the proportion of transfers to the agricultural sector to the GNP has been 6,5 percent in 1995, and 5,8 percent in 1996. As

[110] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 38.
[111] DPT, Türkiye Tariminda Sürdürülebilir Kisa, Orta ve Uzun Dönem Stratejileri, Ankara: Jan. 1999, 29 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/strateji/2.html> 2.
[112] Ibid. 2.

for 1997, it is calculated as 6,8 percent, 8,9 percent for 1998 and for 1999 estimated to be 8,3 percent [113].

III.9.2. OECD-Turkey Comparison

As the average values of developed OECD countries are examined, it can be seen that share of agriculture in GNP was 3.8 percent on the average while the share of total transfers made to the agricultural sector is 1.5 percent. In the European Union, share of agriculture in GNP is 1.8 percent and share of total transfers in GNP is 1,4 percent. As for USA, these proportions were respectively 1,6 and 1,0 percent[114].

Table III.14

Proportion of Total Transfers to GNP (%)

Countries	1986-88	1991 -93	1997-99	1997	1998	1999*
Turkey	4.83	6.37	8.01	6.79	8.96	8.29
OECD	2.32	1.70	1.41	1.36	1.45	1.42
USA	1.98	1.44	0.97	0.86	1.01	1.05
EU	2.29	1.50	1.53	1.52	1.60	1.49
Japan	2.40	1.76	1.65	1.57	1.75	1.63

Source: OECD, 2000; (*) temporary.[115]

As will be seen, share of total transfers in GNP increases in years but is between 7-9 percent in recent years, and too high to be compared with other countries. However, share of agriculture in GNP in Turkey is too high to be compared with these countries and is at the level of 15 percent. Share of agriculture in the GNP is 1,6 percent in the USA; 1,8 percent in EU and the share of transfers made to the agricultural sector in GNP is 1,0 percent in USA and 1,4 percent in EU.

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[113] Ibid. 2.
[114] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 38.

[115] Ibid. 38

On the other hand, when the total transfer per hectare is taken into account, this value in Turkey is above OECD average as of recent years. Average of all OECD countries as of 1998 is determined as 209 dollars, 116 dollars in USA, 348 dollars in Turkey, 890 dollars in EU and 10005 dollars in Japan, which has a special situation.
As seen, transfer values made to the agricultural sector varies greatly according to countries.

As of the year 1998; monetary value of support made to agricultural producers in Turkey (total PSE) is about 3,7 quad trillion TL. (approximately 14.2 billion dollars) and equal to the OECD average (36 percent). Nominal Support Coefficient indicating the difference between supported and unsupported calculation of gross farm incomes is 1.57 in Turkey, gross farm income that needs to be 1 unit according to world prices indicates an increase of 57 percent with the support transferred from the budget. This rate is at the same level as that of the OECD average[116].

Cost of 1 dollar support transfer made to agricultural producers is 1,8 dollars while this is at the level of 1,25 dollars in OECD countries[117].

In OECD's 1994 report for Turkey, is stated that it is understood "that of every three dollar support stated to be given to the agricultural sector only one dollar reaches the farmer"[118].

III.9.3. Shortcomings of OECD Calculations

However, one needs to be cautious due to the method resorted to in comparisons between countries made through *Producer Support Estimate (PSE) and Consumer Support Estimate (CSE)* indicators, coefficient of represented products, data used, policy tools and basic and structural features of the agricultural sector.

Consideration of amounts arising from practices and determined as duty loss, folding and growing due to inflation and interest rates and paid by the Treasury artificially increase real support amount artificially.

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[116] Ibid. 39.
[117] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 15.

One of the most evident examples in this subject is the Treasury debts arising as a result of then premium practice put into practice in 1993 in cotton production and to Ziraat Bank in 1993 amounting to 4,6 trillion TL, inability to settle this matter between the Undersecretariat of Treasury and Ziraat Bank have folded and grown due to high inflation and interest rates and have reached to 1.4 quadrillion TL (approximately 5 billion dollars) in 1998. This figure is within OECD *General Services Support Estimate (GSSE)*, and indicates that the Total Support *(TSE)* and therefore the supports made to the agricultural sector is more than normal[119].

[118] Oguz Oyan, "Tarim Politikasinda Farkli Ses," Dünya Gazetesi, 27 Apr. 2001.
[119] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 16.

Table III.15

Total Transfers to the Agricultural Sector (TSE) (Period Averages, Percent)

	Proportion to GNP			**Agricultural Added Value Proportion**		
	1990-1993	**1994-1996**	**1997-1998**	**1990-1993**	**1994-1996**	**1997-1998**
1.Producer Support-PSE	**5.63**	**3.43**	**5.90**	**35.91**	**21.46**	**37.14**
Market Price Support	4.72	2.12	4.88	30.08	13.20	30.60
Input Subvention	0.84	1.22	0.95	5.34	7.68	6.11
Other	0.08	0.09	0.07	0.49	0.58	0.43
2.General Service Support	**0.26**	**1.20**	**3.16**	**1.64**	**7.41**	**19.75**
ZB Cotton Premium	0.00	1.03	3.09	0.00	6.32	19.29
Other	0.26	0.17	0.07	1.64	1.09	0.46
3.Transfer by Taxpayers	**0.26**	**0.58**	**1.18**	**1.71**	**3.58**	**7.33**
Duty Losses	0.26	0.52	1.05	1.71	3.23	6.46
Amnesty of Debts	0.00	0.06	0.14	0.00	0.35	0.87
4.TOTAL TRANFERS- TSE	**6.15**	**5.22**	**10.24**	**39.25**	**32.46**	**64.22**
From Consumers	5.33	2.42	5.51	34.04	15.05	34.70
From Taxpayers	1.15	3.03	5.07	7.37	18.86	31.72
Budget Income (-)	-0.33	-0.23	-0.34	-2.15	-1.45	-2.20
5.TOTAL TRANSFERS(*)	***6.15***	***4.19***	***7.15***	***39.25***	***26.14***	***44.93***
Agricultural Added Value	15.78	16.00	15.90			

(*) Excluding the interest of cotton premium debt to Ziraat Bank (ZB).

Source: OECD [120].

Proportion of transfers made to the agricultural sector between 1990-93 period to GNP was 6.15 percent, and this proportion came back to 5.22 percent during the period 1994-96, and has increased to 10.24 percent in the period 1997-98. As of the same

[120] Zafer Yükseler, "Tarımsal Destekleme Politikaları ve Doğrudan Gelir Desteği Sisteminin Değerlendirilmesi," State Planning Organisation, Aug 1999, 21 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/yukselez/gelirdes.html> 12.

periods, the proportion of total transfers to agricultural sector added value was respectively 39.3 percent, 32.5 percent and 64.2 percent.

Market Price Support, which was 4.72 of GNP in 1990-93 period and 76.4 percent of total transfer, has regressed to 2.12 percent of the GNP between 1994-96 period primarily as a result of the effect of rapid value loss of TL in 1994 and other practices, and to 40.4 percent of total transfers. However, as a result that the support prices are determined over the world prices between the period of 1997-98, the proportion of Market Price Support to GNP increased again to 4.88 percent. [121]

General service Support within the total transfers made to the agricultural sector has rapidly increased in recent years, it was 0.26 percent of GNP between 1990-93 period and has increased to 3.16 percent of GNP in 1997-98 period. This rapid increase observed in General Service Support results from the interest applied to the receivables of Ziraat Bank due to the cotton premium practice in 1993. One needs to examine the subject in detail in order to determine in consideration of OECD's transfers account to the agricultural sector whether this practice is a support aimed at the agricultural sector or a make up of the balance sheet of Ziraat Bank.

These values are formed as a result that they were assessed as duty receivables of Ziraat Bank.

In the calculation of duty losses arising from T.C. Ziraat Bank cotton support premium, in consideration that it will have positive contributions to the financing difficulties the Bank is in, conditions relating to the calculation of commercial loan rate of plus 20 percent and commercial interest rate has been decided to be taken into consideration (application of interest in quarterly periods)[122].

As for the calculation made by OECD, the result that has formed in this manner has been assessed as transfer to the agricultural sector.

The Bank's duty losses capital receivables at the end of 1994 due to cotton premium were 4.6 trillion TL (124 million dollars) has increased to a total of 21.7 trillion TL (580 million dollars) including the interest rate determined. Although a payment of 161 trillion TL (approximately 1 billion dollars) has been paid to the Bank in the cotton

[121] Ibid. 11.
[122] Ibid. 13.

premium for duty losses in 1997 and 1998 years, duty losses receivables has reached to 2.364 trillion TL (7.7 billion dollars) at the end of 1998 and has reached to 39.1 percent of total assets of Ziraat Bank. As a result of extraordinary interest practice, the Bank's premium receivables of about 124 million dollars has increased about 62 times and risen to 7.7 billion dollars at the end of 1998. In other words, annual interest rate applied on dollar basis is about 128 percent. As of the end of 1998, the practice of 20 percent additional interest added to commercial interests has been ceased[123].

Consideration of interest payments calculated as has been explained above in the total transfer account made to the agricultural sector and explaining it as a support aimed at the farmers is not realistic. Therefore, when assessing the total transfers aimed at the agricultural sector in time, it is believed that using the rates excluding the receivables of Ziraat Bank arising from cotton premium is more realistic.

III.10. Problems Arising From the Existing Structure

a) Price interventions that are the most important means of agricultural support tools in Turkey have prevented production to develop according to market conditions, disrupted the income distribution, and have created unutilized product stocks in some products while leading to insufficient production in others.

b) In addition to the uncertainties experienced in implementation, problems arising from the system prevent that all of the resources transferred to the agricultural sector to be received by the farmer. When the total transfers to the agricultural sector are examined, it is seen that duty losses of purchasing organizations and their capital inputs are included. However, considering this amount caused by the system and not received by the farmer as a support to the agricultural sector is misleading and increases the support amount artificially.

c) Small enterprises and regions where productivity is less are unable to utilize from the supports given. In addition to causes such as problems caused by the structure of enterprise and the conditions, structural problems, insufficiency of information flow, level

[123] Ibid. 13.

of education, lack of coordination, due to the problems caused in the lack of organizing of farmers, just distribution of supports and their efficiency decrease.

d) Agricultural support policies implemented in Turkey to date; have been effective in many aspects with regards to increasing agricultural production and productivity and ensuring a certain income to the producer. However, sided practices out of scope have caused that enterprises with marginal productivity levels continue their existence thus that a certain population exist in a marginal productivity level and at minimum level of earning, and this has led to the disruption of agricultural structure.

e) Due to the complicated organizational structure in the determination of agricultural support policies in Turkey, political preferences that are mostly away from economic rationale are effective.

f) Determination of support purchasing price high above the market price has completely eliminated export opportunity of the product, and in return potential boost in importation were tried to be stopped by various restrictions and preventions brought to importation. Therefore, price support prevents the formation of an effective market not only in the domestic market but in international market as well.

g) While there occurs a gap in production in certain products, an additional financing burden is put on the government due to the formation of unwanted stocks in some other products and it is seen that international trade is negatively influenced by the support policies. Particularly animal product production and consumption is at insufficient levels.

h) It has not been possible to get the desired result from input supports. More rapid increase of input prices compared to product prices led to weakening of the purchasing power of the producer. However, developments were recorded in the use of feed plants and animal for breeding.

i) Abundance of public organizations in the sector dispersed powers and lack of coordination between organizations in addition to this decrease the efficiency of practices and prevent that the services are presented in integrity.

j) No balance was established in support policies as of the sub-sectors of agricultural sector, vegetal production sector has been supported first and the stock-raising sector has been neglected. Therefore, in addition to abuse and wasteful consumption of natural resources, stock-raising sector has also been negatively affected. The income of stock-raising sector within developed countries in the agricultural sector takes a share of about 70 percent while this share is about 27 percent in Turkey.

k) With the effect of difficult situation experienced in stock-raising sector and the prices caused by high costs puts pressure on the producer in the domestic and international markets.

l) In agricultural sector, because the capital accumulation is not much and insufficient due to its structural features, and that capital return speed is low and in long-term play a role preventing the investments to this sector.[124]

That the cost of an important amount of supports is loaded on to the end consumer, that the products to which price of support is given as in the example of grain leads also to the disruption of distribution of income by agricultural support.

As a result that the support purchasing prices are high and arranged according to the rate of inflation, increase of stickiness of inflation causes economy not being able to settle the chronic inflation problem for years.

Increasing of the negative effect of agricultural support policies on the consolidated budget and Public Economic Enterprise the need for public sector borrowing increases all interest rates in general and agricultural loan interest rates in particular.

Product groups receiving price support have changed in years depending on the governments. The farmer is unable to see the future because the base prices are announced at a late time, and the stocks grow when they plant more.

Budget burden, efficiency of the policies, selection of the target groups, inequality of the income distribution, insensitivity towards market conditions, the effects of political choices in the determination of price support decisions and the responsibilities arose from the agreements been part brought the new studies and approaches into agenda.

In this scope, within the frame of agreements being as a party of, in the reform process, it is required to take into consideration particularly the Agriculture agreement made with the World Trade Organization and agreements made with the European Union.

[124] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 39-41.

Another important point in determining new preferences are the issues mentioned in the agreements made recently with the International Monetary Fund.

IV. AGRICULTURAL REFORMS IN OECD

IV.1. The Need for Agricultural Policy Reform in OECD

In 1999, the overall cost of agricultural policies to OECD consumers and taxpayers was 361 billion USD, or 1.4 percent of OECD GDP. Support to agricultural producers accounted for approximately 40 percent of the value of farm receipts. Reform would decrease these costs and free up budget resources that could be better spent by consumers or taxpayers themselves, or by governments providing useful public services. Agricultural reforms would permit resources to be used more efficiently as market signals, not government rules and regulations, would guide producer decisions and stimulate income and employment growth in the rest of the economy. Fewer trade restrictions could also widen consumer choice at competitive prices.[125]

At present only about 25 cents of every dollar spent on producer support actually finds its way into the producer's pocket. The balance of the support is either capitalised into asset values, particularly land, or is transferred up or down the food chain to input suppliers or processors and distributors. Further, since support policies in most countries are based on prices, output or area planted, it follows that the largest (and often most productive and profitable) farmers benefit the most from present policies. The largest farms (i.e. the 25 percent of farms with the highest annual sales) generally receive more than half, and as much as 90 percent, of support provided by governments. Reform could reduce these inequities[126].

The level of support to producers declined gradually between 1986-88 and 1997. A part of the burden of support to farmers has shifted from consumers to taxpayers, with a

[125] OECD, Policy Brief, Agricultural Policy Reform: Developments and Prospects, Jun. 2000, 8 Jan. 2001, <www.oecd.org/pdf/m00005000/m00005917.pdf> 2.
[126] Ibid.2.

decrease in market price support from 78 percent of producer support to 68 percent in the 1997-99 period. To the extent that support is necessary, budgetary payments are preferable to price supports as they are both more transparent and can be more effectively targeted.

Since 1998 the earlier trend towards a gradual reduction of support to producers has been reversed, and in 1999 support to producers again reached the high levels of a decade earlier. Recent low commodity prices placed downward pressure on farm incomes and led governments to provide additional income support to farmers and to dilute planned reforms. In fact, in just two years most of the reduction in support of the previous decade was lost.[127]

IV.2. Measures of Agricultural Support

IV.2.1. Price and Income Policy Measure

a) Market price support through a combination of policy measures

This policy could raise agricultural income through support of market prices, in such a way that domestic market prices are higher than world market prices. The classic price support system of the EU for example, consisted of import levies, intervention prices and export restitutions to establish minimum price levels at the domestic market. Consequently in a quantity produced above the level that would be reached without support.

Net, the income of farmers will increase. Since prices will go up, consumer expenditure will rise and consumption will fall. If the country concerned is net importer, government earnings will increase, as the government will receive import levies. In the case of a net exporting country, this policy will lead to extra government expenditure, as export refunds have to be paid or supplies have to be bought by the government. In conclusion, this system of price support can be regarded as an income redistribution policy from consumers to producers.

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[127] Ibid.3.

b) Supply control

Measures of controlling agricultural supply are often used in combination with other price support measures. Domestic agricultural supply can for example be controlled by production quotas, (land) retirement policies, and 'stocking'. The government can pay incentives to divert part of output to use in a non-competing market.

Government-financed intervention agencies may buy products to prevent prices from falling beneath some specified level. There are several ways to get rid of the surplus production, such as: destruction of the surplus, food aid, give away to 'needy groups', and storage (in the hope that prices will rise again). In addition, governments have a variety of other instruments to promote the sale of agro-food products, financial instruments as well as non-financial instruments. Instruments to boost the sale of agricultural goods could be export credits, diplomacy, promotion, information, and subsidized projects in developing countries.

Protection against imports can be carried out by import levies or import quotas (or bans).

c) Cost-reducing measures

A reduction of farm costs through a subsidy on farm inputs (for example labour or fuel) would result in raised farm profits and consequently, in an increased quantity demanded of the cheaper (subsidized) input. Subsequently, the supply of that particular product will increase. The increased output could have a depressing price effect, so that revenues could eventually disappear. Hence, a policy of subsidizing input prices might not be successful unless it is combined with other policy measures.

d) Income support through deficiency payments

By raising incomes through deficiency payments, market prices are not directly affected by the policy. Deficiency payments (from the Treasury) make up the difference between the market price and a specific guarantee price of that particular product. In this case, the market price is equal to the world market price, but the producer price is reached by means of a deficiency payment. On the supply side the deficiency payment causes production to rise.

For the producers, the effect of a deficiency payment is similar to that of the price support system mentioned above. At the demand side, there are no price effects so that consumption is not influenced. The burden of deficiency payments is completely borne by the government budget (i.e. the taxpayers). From an economic viewpoint, deficiency payments are considered more efficient than the above-mentioned price support mechanism, since consumers are not affected via price alternations. With respect to trade, the effect of deficiency payments is a decrease of imports and an increase of exports when the output goes up above the level of total domestic demand. The 'political' disadvantage of deficiency payments is that they are more visible in the government's budgetary spending than a system of price support.

e) Risk reducing measures

In general, risk-reducing measures are aimed at suppressing cyclic movements. In some cases, farmers buy commercial insurance, but in other cases governments do completely or partially subsidize insurance fees.

f) Direct income support

Other forms of income support consist of payments based on output levels, payments based on area planted/animal numbers, payments based on historical entitlements and payments based on input use or input constraints. Furthermore, income support may be based on a farmer's income level or on an established minimum income. In this case, direct income payments are 'decoupled'. Decoupled income support means that the size of the payment does not depend on the amount of crop produced or the level of the market price. An advantage of 'direct income payments' is that it is less likely that these are in conflict with other goals of agricultural policy. Direct income supplementation is politically sensitive due to the fact that this type of support is not popular among the farming community itself - the psychological association with charity - and because the full transfer is clearly visible to the taxpayer.[128]

IV.2.2. Developmental Policies

a) Increasing competitiveness

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[128] C.W.J van Rijswick, and H.J. Silvis, Alternative Instruments for Agricultural Support, (The Hague: Agricultural Economics Research Institute (LEI), Mar. 2000) 20-21.

Traditionally, developmental policy measures attempt to raise agricultural productivity by supporting agricultural investments, and sponsoring research and development, agricultural education and information services.

Developmental policies are also known as structural policies. To improve the structure of agriculture, programmes have been developed to assist farmers and workers to discontinue in agriculture, authorities can grant subsidies for retraining, compensations for removal costs, or retirement pensions. Efficiency policies may be in conflict with price and income policies, because productivity and output increases could lead to market imbalances. On the other side, income support may slow down the process of structural adjustment of the agricultural sector.

b) Policies for sustainable agriculture

For agricultural systems to be sustainable from the societal point of view, the beneficial use of land and natural resources for agricultural production has to be in line with society's values relating to the protection of the environment and cultural heritage. Sustainable development refers to a 'development, which meets the need of the present without compromising the ability of future generations to meet their own needs'. This entails pre-serving the overall balance and value of the natural capital stock and considering the real socio-economic costs and benefits of consumption and production in the short, medium and long-term. (OECD, 1999). [129]

IV.2.3. Quantitative Indications of Agricultural Support

This part highlights the level of agricultural support in developed countries. It is based on the measurements published by the OECD in its annual Monitoring and Evaluation Report (OECD, 1999). The attention is focused on trends in the overall level and composition of agricultural support in Australia, Canada, the European Union, Japan, New Zealand, and the US. Together these countries account for 85 percent of total agricultural support in OECD member countries, as measured by the Total Support.

In the group of other OECD countries, accounting for 15 percent of support, for example Norway and Switzerland maintain high levels of support.

[129] Ibid. 22-23

Table IV. 1

Total Support Estimate in Selected OECD Countries, 1996-1998

Country	Million Ecu	%
Australia	1,597	0.5
Canada	3,861	1.3
European Union	110,747	37.1
Japan	56,141	18.8
New Zealand	127	0.0
US	72,974	24.5
Other OECD countries	43,771	14.7
OECD	**298,218**	**100.0**

Source: OECD, PSE/CSE database.

The OECD indicators measure support arising from agricultural policies relative to a situation without such policies, i.e. when producers and consumers are subject only to general policies (including economic, social, environmental and tax policies) of the country.

The classification of total transfers associated with agricultural policies (TSE – Total Support Estimate), groups the policy measures into three main categories:

- PSE (Producer Support Estimate): transfers from consumers and taxpayers to producers individually;
(Support expressed as a percentage of gross farm receipts (%PSE) shows the amount of support to farmers, irrespective of the sectoral structure of a given country. For this reason, the %PSE is the most widely used indicator for comparisons of support across countries, commodities and time.)

- CSE (Consumer Support Estimate): transfers to (from) consumers of agricultural commodities individually; (If negative, the CSE measures the implicit burden placed on consumers by agricultural policies, from higher prices and consumer charges or subsidies that lower prices to consumers. The %CSE measures the implicit tax (or subsidy, if CSE is positive) on consumers due to agricultural policy as a share of expenditure at the farm gate.)

- GSSE (General Services Support Estimate): transfers to general services provided to agriculture collectively.

The values of these indicators are expressed in monetary terms (PSE, CSE, GSSE and TSE), but also in ratios. In general, ratios are more representative and appropriate measures to compare the relative support levels over time and across countries than the monetary expressions. An example is the producer Nominal Assistance Coefficient (producer NAC), which expresses the PSE in a ratio to the value of total gross farm receipts valued at world market prices, without budgetary support.

The levels and trends of three main indicators are used to evaluate the progress of policy reform towards the market orientation of agriculture. These are: the %PSE which measures ***support to producers*** as a share of farm receipts and provides data on the policy mix or ***composition of support***; the Nominal Protection Coefficients which measures ***market protection*** as the ratio between the average price received by producers and the border price; and the Nominal Assistance Coefficients which measures ***market orientation*** in terms of the ratio between actual farm receipts and farm receipts that would be generated at world prices.[130]

IV.2.4. Trends in the Overall Level of Agricultural Support

The overall level of support to agriculture for the OECD area is calculated at 1.3 percent of GDP in 1996-1998, down from 1.7 percent in 1986-1988. The shares of the PSE and the GSSE in the TSE remained relatively stable over the decade at about 75 percent and 20 percent respectively, the remainder being budgetary subsidies to consumers.[131]

[130] Ibid. 24.
[131] Ibid. 25.

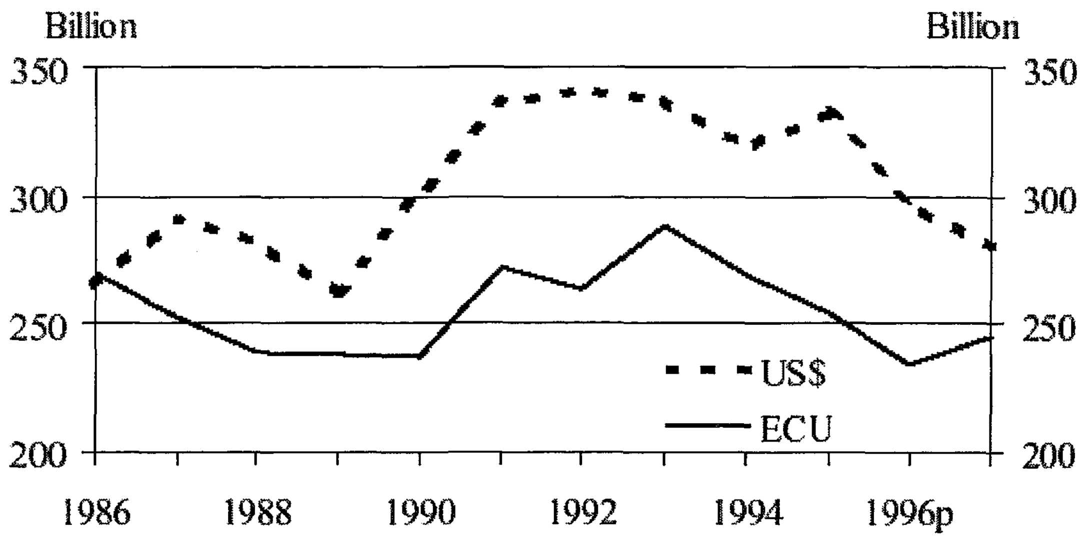
Table IV. 2

Estimates of Support to Agriculture in OECD

	1986-1988	1996-1998	1998p
Producer Support Estimate (PSE) (Billion ECU)	224	221	245
Percentage PSE	41	33	37
Producer NAC	1,69	1,5	1,59
General Services Support Estimate (GSSE) (Billion ECU)	56	56	56
GSSE as a share of TSE (%)	19	18.8	17.2
Consumer Support Estimate (CSE)	-174	-147	-162
Percentage CSE	-36	-25	-29
Consumer NAC	1,56	1,34	1,4
Total Support Estimate (TSE) (Billion ECU)	297	298	324
TSE as a share of GDP (%)	1,7	1,3	1,4

Note: p = provisional.

Source: OECD.



Note: p = provisional. Source: OECD[132]

Figure IV.1. Total Transfers Associated with Agricultural Policies, OECD

As indicated by the various OECD measures of monetary transfers associated with agricultural policies, there has been a reduction in the level of support in the OECD as a whole (Figure IV.1) and in most Member countries but overall support to agriculture remains high with wide variations in the level, composition and trends among countries and across commodities.

Over the last decade, the consumer contribution to the financing of total support to agriculture, as measured by the TSE, decreased by about 10 percentage points to 53 percent, the remainder being financed from budgetary sources[133].

The percentage PSE, which measures the level of support to agricultural producers, has been on a slowly downward trend, declining from 41 percent in 1986-1988 to 33 in 1996- 1998. This can be expressed as support to producers being a third of total gross farm receipts, including budgetary support. In other words, as measured by the producer NAC of 1.50 in 1996-1998, total gross receipts were 50 percent higher than at world market prices without budgetary support. The PSE was 32 percent in 1997, but

[132] OECD, Agricultural Policy Reform: Stocktaking of Achievements. Discussion Paper for the Meeting of the OECD Committee for Agriculture at Ministerial Level,(Paris: 5-6 March 1998,[AGR/CA/MIN(98)1]) 6.
[133] C.W.J van Rijswick, and H.J. Silvis, Alternative Instruments for Agricultural Support, (The Hague: Agricultural Economics Research Institute (LEI), Mar. 2000) 25.

increased to 37 percent in 1998, due to a sharp fall in world market prices, which was not matched by a fall in supported producer prices.[134]

Table IV.3

Total Support Estimate per Capita by Selected OECD Countries (USD)

Country	1986-1988	1996-1998	1998p
Australia	77	86	82
Canada	245	128	125
European Union	316	297	341
Japan	430	445	402
New Zealand	167	34	23
US	334	273	325
OECD	224	203	223

Note: p = provisional; EU-12 for 1986-1988, EU-15 for 1998.

Source: OECD, PSE/CSE database.[135]

The composition of support to producers has also changed over the last decade. The share of market price support fell from 77 percent in 1986-1988 to 67 percent in 1996- 1998, and the share of payments based on output halved to 3 percent. But the share of payments based on area or animal numbers doubled to 13 percent. The share of payments based on input use have been consistent around 9 percent.

Overall, although with wide variations across countries, around 80 percent of support to producers in OECD still is based on output, area or animal numbers.[136]

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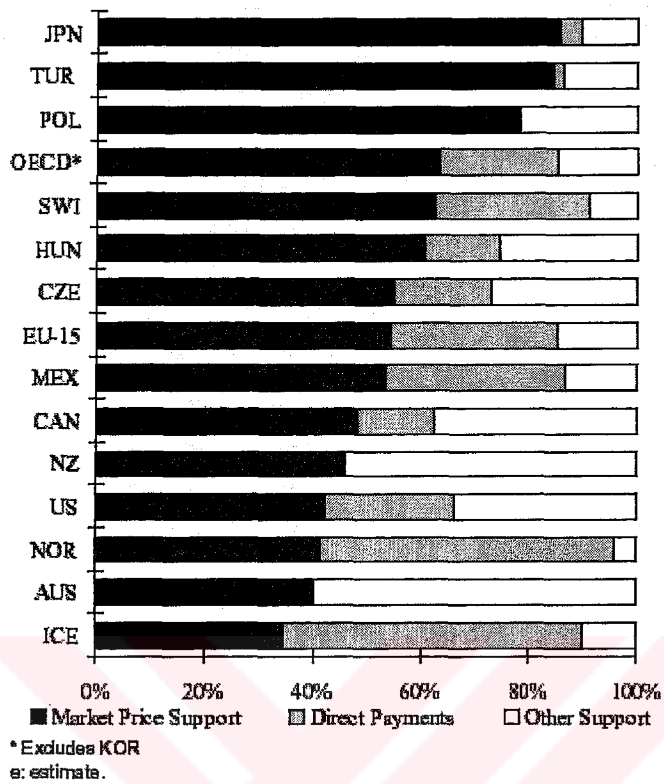
[134] Ibid. 25.

[135] Ibid. 26.

[136] C.W.J van Rijswick, and H.J. Silvis, Alternative Instruments for Agricultural Support, (The Hague: Agricultural Economics Research Institute (LEI), Mar. 2000) 26.



(JPN: Japan, TUR: Turkey, POL: Poland, SWI: Switzerland, HUN: Hungary, CZE: Czech Republic, MEX: Mexico, CAN: Canada, NZ: New Zealand, US: United States, NOR: Norway, AUS: Austria, ICE: Iceland.) Note: p = provisional. Source: OECD, Monitoring and Evaluation Report.

Figure IV.2. Composition of Producer Support Estimate (PSE) in OECD and Selected Member Countries, 1997e (percentage share in PSE)[137]

A number of countries have moved towards phased replacement of market price support by direct income payments with varying degrees of market orientation (Figure IV.2).

Market Price Support (MPS) and payments based on output decreased but continued to represent 72 percent of overall support to OECD producers.

[137] OECD, Agricultural Policy Reform: Stocktaking of Achievements, Discussion Paper for the Meeting of the OECD Committee for Agriculture at Ministerial Level, (Paris: 5-6 March 1998, [AGR/CA/MIN(98)1]) 8.

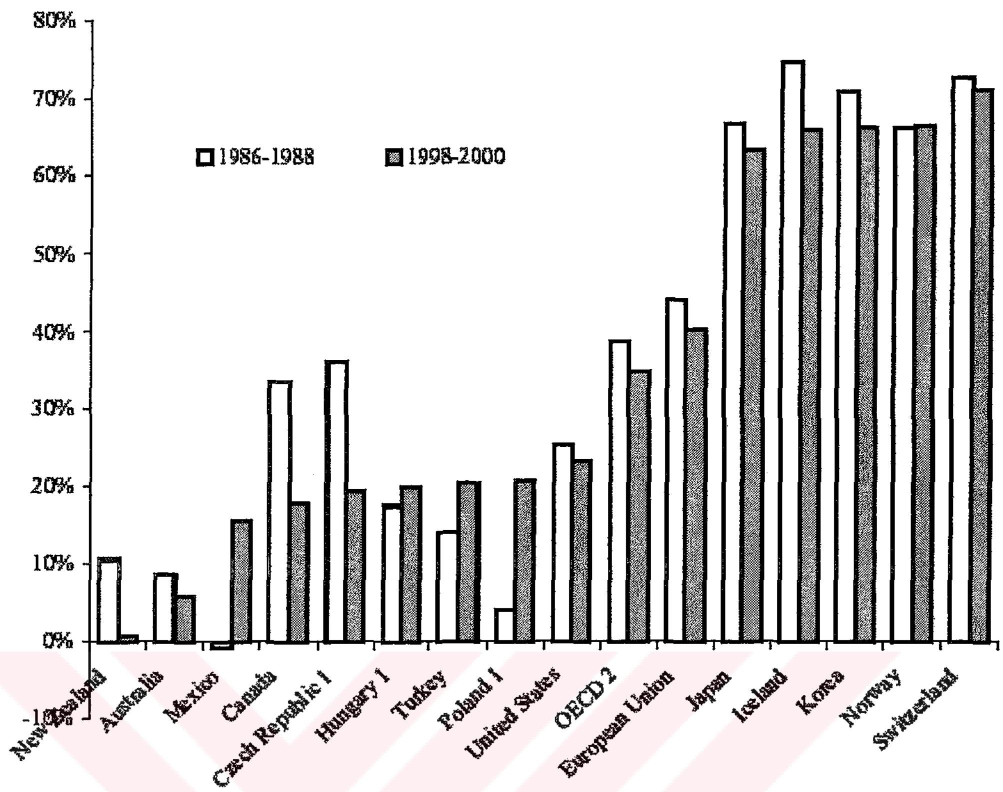


Figure IV.3. Producer Support Estimate by Country (% PSE)[138]

Support to producers for OECD as a whole, as measured by the %PSE, decreased from 37 percent in 1999 to 34 percent in 2000, some 5 percentage points below the average level of the 1986-88 period (Figure IV.3).

Reflecting the shift to budgetary payments, the percentage CSE, which measures the share of consumption expenditure due to agricultural policies, fell from 36 percent in 1986-1988 to 25 percent in 1996-1998. However, the percentage CSE increased to 29 percent in 1998, mainly because of the increase in market price support to farmers. This was due to the fall in world market prices.[139]

[138] OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2001, (Paris: 2001) 14.
[139] C.W.J van Rijswick, and H.J. Silvis, Alternative Instruments for Agricultural Support, (The Hague: Agricultural Economics Research Institute (LEI), Mar. 2000) 27.

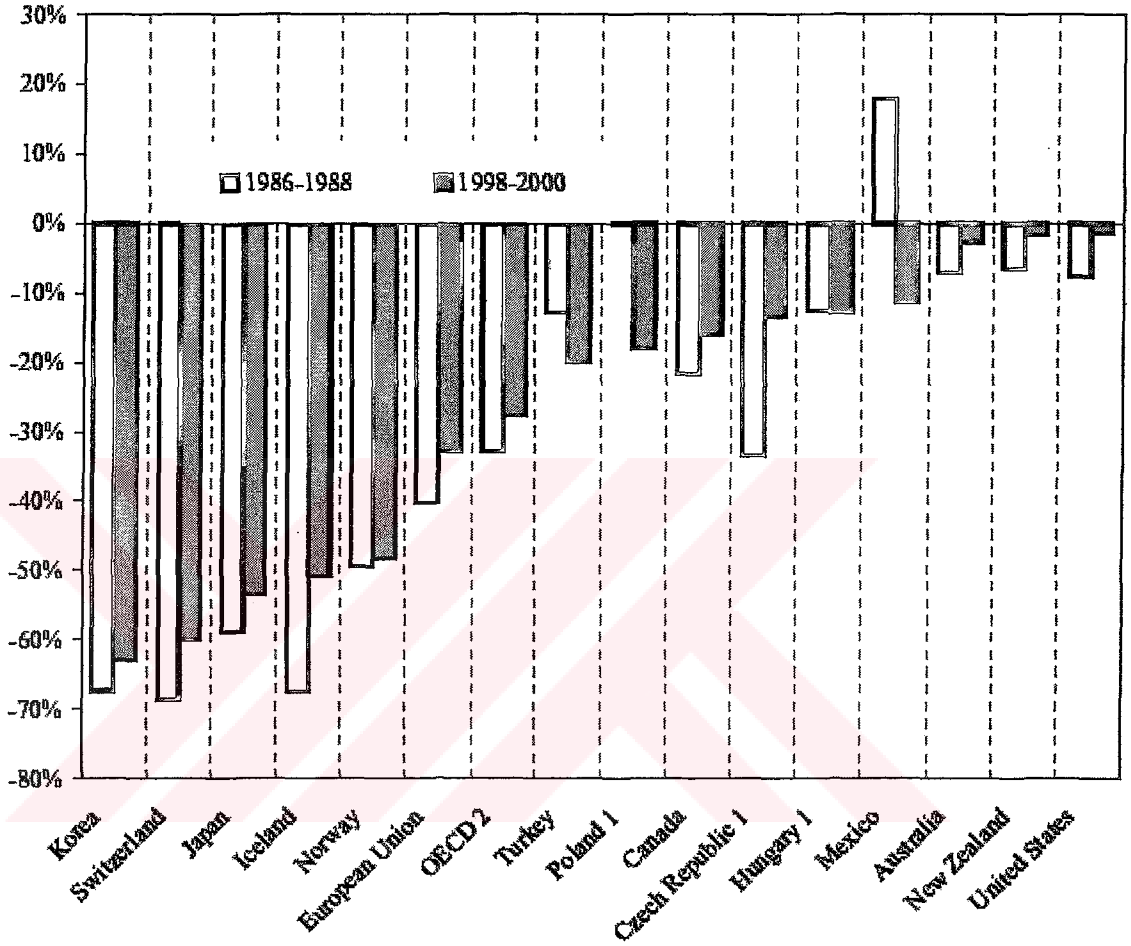


Figure IV.4. Consumer Support Estimate by Country (%CSE) [140]

(negative means support to agriculture by tax and burden)

The combination of a Market Price Support (MPS) reduction and an increase in budgetary support to food consumption resulted in a reduction in the implicit tax on

[140] OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2001, (Paris: 2001) 16.

consumption, as measured by a %CSE of 26 percent in 2000. This is some 7 percentage points below the average level for the 1986-88 period (Figure IV.4). [141]

In 1996-1998, the share of the European Union in agricultural support in the OECD area, as measured by the Total Support Estimate, amounted to 37 percent, against 25 percent for the US, and 19 percent for Japan. For the same period, total agricultural support as a percentage of GDP in these countries range from 1.05 percent in the US, 1.14 percent in the European Union, to 1.57 percent in Japan.

The major trends in support since 1986-1988 can be summarized as follows:

- the share of total agricultural support in GDP has been on the decline. However, in 1998 support rose again, due to the sharp fall in world market prices this year;
- what concerns the financing of agricultural support, some substitution of the consumer contribution by the taxpayer contribution has occurred, especially in the European Union;
- support to general services provided to agriculture has shown stability; the relative importance of general services in agricultural support is low in the European Union, but high in the US, Canada, Australia, and New Zealand; these are net exporter countries with low levels of support;
- although there have been reductions in the share of market price support, it remains the main source of support; in Japan the share of market price support has even risen slightly from 90 percent in 1986-1988 to 91 percent in 1996-1998; the reductions in the European Union have largely been offset by an increase in support based on area planted or animal numbers; payments in the US based on area planted have been replaced by historic entitlements;
- the share of support based on input use is rather stable, despite significant increases in some countries, this share has remained rather low;
- the share of support based on overall farm income is low, but is still significant in Australia and has risen sharply in Canada; this form of support is least coupled to production of commodities;
- in general, the majority of support to producers still comes from support based on output, area planted or animal numbers. However, some payments have limits attached to

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[141] Ibid. 14.

the levels of output, area or animal numbers that attract the support, or are associated with environmental constraints.[142]

IV.3. Recent Developments in Support

Following two years of increase, support to OECD agricultural producers decreased in 2000 to the 1998 level. The decrease in support and protection in 2000 was a positive development but, like changes in previous years, reflected international price and exchange rate movements rather than major agricultural policy changes. There were no major policy reform initiatives and differences in the level of support among OECD countries widened. Despite some shift away from market price support and output payments, these continue to be the dominant forms of support in most countries, insulating farmers from world market signals and distorting global production and trade. In some countries, *ad hoc* measures were again applied to support farm incomes. Food safety issues dominated the policy agenda in many countries. Overall, progress towards further policy reform agreed to by OECD Ministers has been insufficient and remains fragile.

a) ***Support to producers decreased for the OECD as a whole.*** Support to producers as a share of total farm receipts (%PSE) decreased to 34 percent from 37 percent in 1999 and compares with 39 percent in 1986-88,and accounted for about three-quarters of total support to agriculture (TSE), with the remainder going to general services *(e.g.* inspection, research and marketing). Total support to agriculture amounted to USD 327 billion (euro 354 billion), or 1.3 percent of GDP, in 2000.

b) ***Reduction in support was mainly due to a narrowing of the domestic and world price gap.*** The decline in support was mainly due to a reduction in market price support as a result of world market prices increasing more (11 percent) than domestic support prices (5 percent). No major reform programmes were introduced in 2000, but previously announced reform programmes continued to be implemented.

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[142] C.W.J van Rijswick, and H.J. Silvis, Alternative Instruments for Agricultural Support, (The Hague: Agricultural Economics Research Institute (LEI), Mar. 2000) 32.

c) ***Most producer support continues to be provided through market price support and output payments***. The share of market price support and output payments decreased from 82 percent of support to producers in 1986-88 to 72 percent in 2000.

d) ***Border protection was reduced.*** The import tax or export subsidy, as measured by prices received by producers relative to world market prices, decreased in 2000.

e) ***Input subsidies decreased and payments based on income increased.*** Input subsidies, which account for 8 percent of support to producers, decreased in 2000. Payments based on income, such as income safety net programmes, showed the largest relative increase but remain minor, accounting for only 1 percent of support.

f) ***More receipts earned from the market.*** Gross farm receipts were still on average 52 percent higher in 2000 than they would have been without any support, compared with 63 percent in 1986-88.

g) ***Increasing divergence in support and protection levels across OECD countries.*** The PSEs in the European Union accession countries, Czech Republic, Hungary, Poland, Slovak Republic and Turkey, are under 20 percent, compared with 38 percent in the European Union.

h) ***Wide variation in support levels across commodities***.

i) ***Continuing attention to environmental issues***.

j) ***Food safety was a priority for policy***.

k) ***Greater emphasis on consumer choice and information.***

l) ***More regulation of biotechnology***.

m) ***Greater efforts to reform policy reform are needed.*** OECD Ministers have agreed to a progressive and concerted reduction of agricultural support. Support across many countries and commodities remain high, and the most distorting forms of support continue to dominate. The Uruguay Round Agreement on Agriculture has been a major driving force for policy reform and OECD countries will continue to abide by their commitments after 2000.[143]

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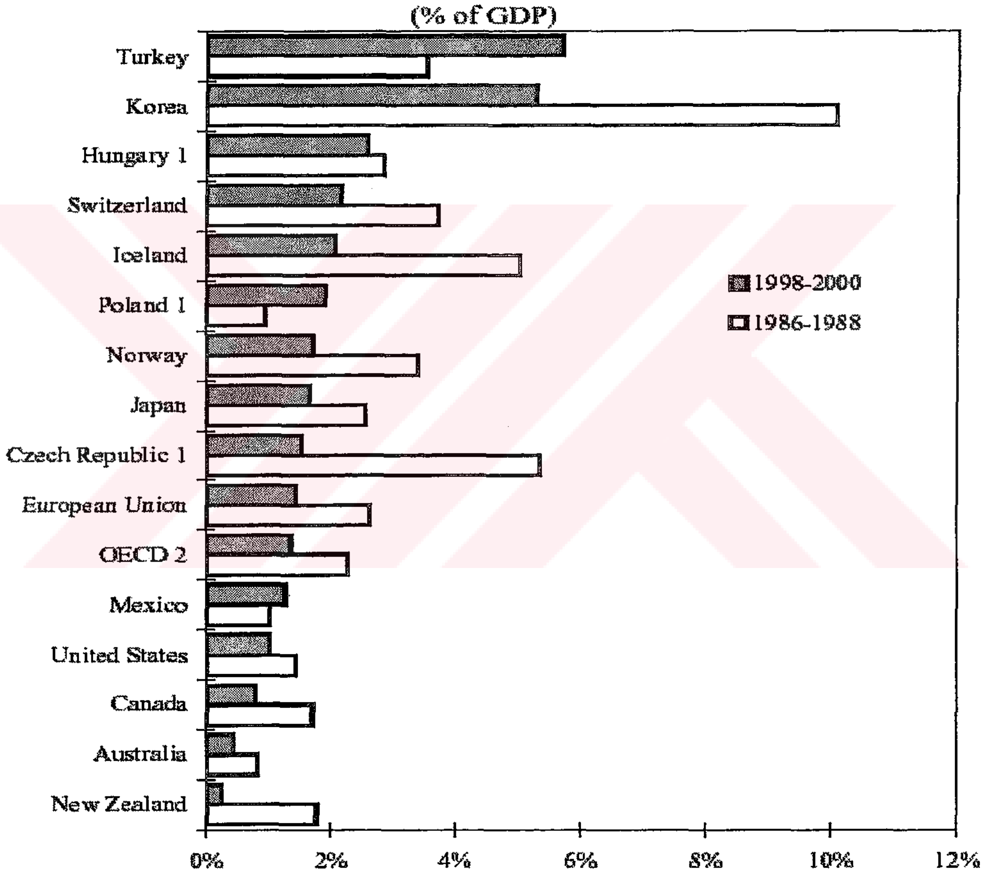
[143] OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2001, (Paris: 2001) 5-6.

IV.3.1. Recent Developments in the Indicators of Support

a) Overall support to OECD agriculture decreased, but remained significant

For OECD as whole, total support to agriculture, as measured by the TSE, amounted to USD 327 billion (euro354 billion) or 1.3 percent of the GDP (%TSE) in 2000, compared to an average of 2.2 percent in the 1986-88 period. In 1998-2000, the %TSE ranged from 0.2 percent in **New Zealand** to over 5 percent in **Korea** and **Turkey** (Figure IV.5).[144]



Source: OECD, PSE/CSE database, 2001.

Figure IV.5. Total Support Estimate by country (%TSE)[145]

[144] Ibid. 13.
[145] Ibid. 13.

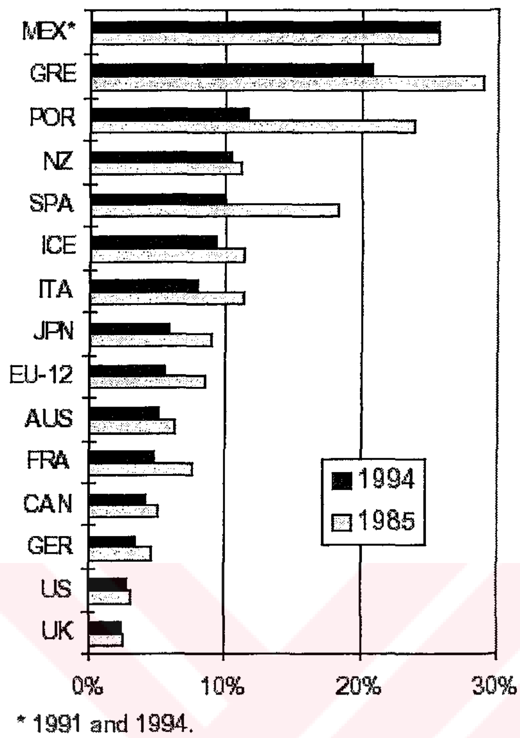


Figure IV.6. Share of Agriculture in Total Employment [146]

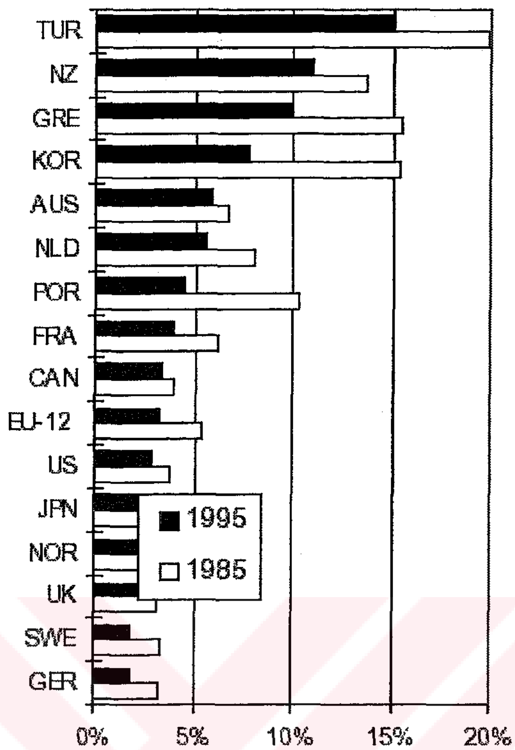


Figure IV.7. Share of Agriculture in Total GDP [147]

Structural change, especially the decline in farm labour, has generally reduced the influence of primary agriculture but linkages with related upstream and downstream industries have maintained the socio-economic influence of the agro-food sector for many rural areas. The sector is an important source of income and employment in many rural areas and is critical in determining the rural landscape, even if the sector's relative economic importance may be declining at the regional and national level (Figures IV.6 and IV.7).

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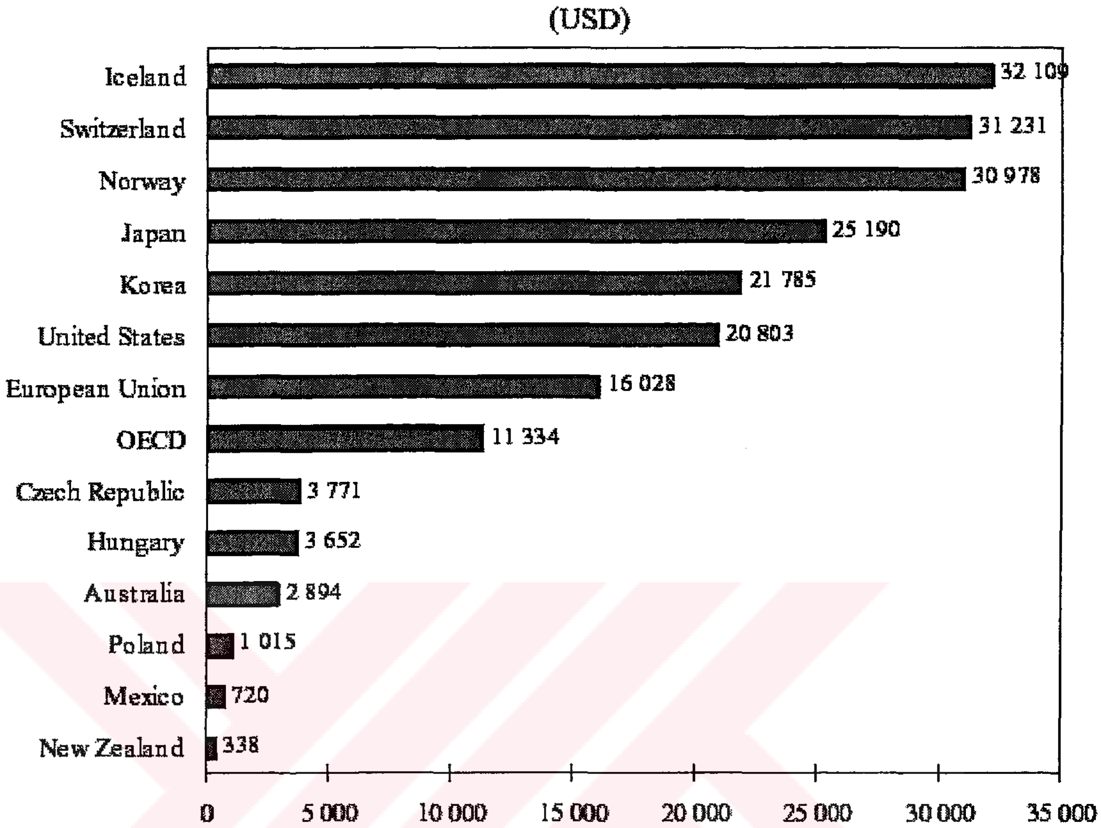
[146] OECD, Agricultural Policy Reform: Stocktaking of Achievements, Discussion Paper for the Meeting of the OECD Committee for Agriculture at Ministerial Level, (Paris: 5-6 March 1998, [AGR/CA/MIN(98)1]) 22.

[147] Ibid. 21.



***: Turkey: less than 1000 USD per company.**

Figure IV.8. Producer Support Estimate per Farmer: 1998-2000[148]

[148] OECD, Agricultural Policies in OECD Countries: Monitoring and Evaluation 2001, (Paris: 2001) 18.

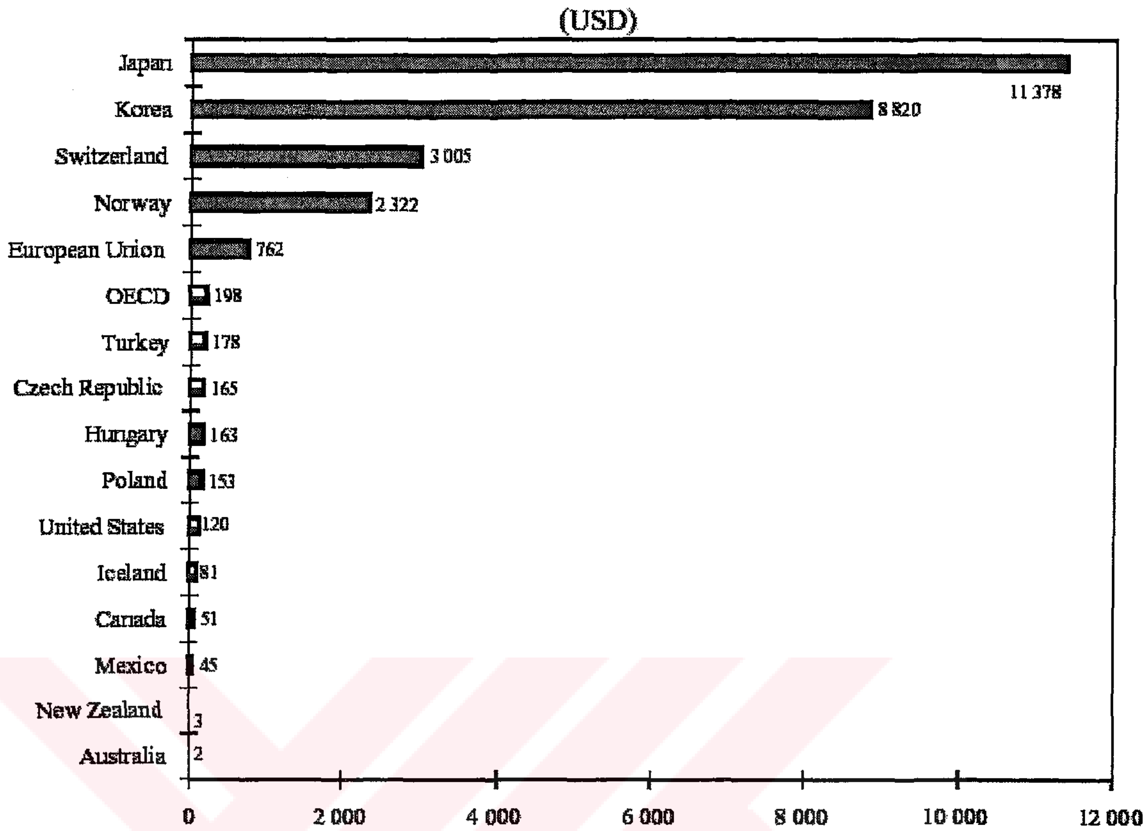


Figure IV.9. Producer Support Estimate per hectare, 1998-2000[149]

There are large and increasing differences in the levels of support and protection among OECD countries (Figures IV.8 and IV.9). This reflects not only the wide variations in farm structures, natural environment, socio-economic conditions and trade positions, but also different traditions or preferences on the use of certain policy instruments.

149 Ibid. 18.

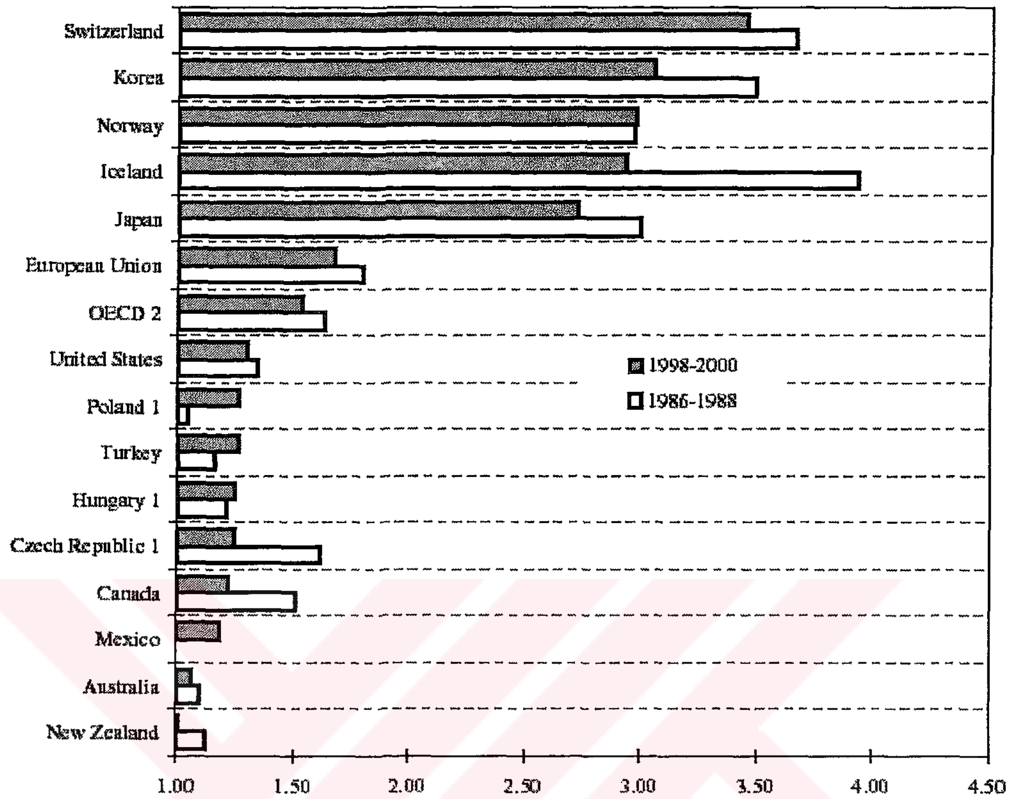


Figure IV.10. Producer Nominal Assistance Coefficient by Country[150]

The developments described above constitute an improvement in market orientation with an increased share of farm receipts generated at world prices compared with that created by government intervention. For the OECD as a whole, the ***nominal rate of assistance*** to producers, as measured by the producer NAC, decreased to 1.52 in 2000, 11 points below the 1986-1988 average (Figure IV.10). This indicates progress towards greater market orientation but it also shows that gross farm receipts are still 52 percent higher than they would be if entirely generated at world prices.

[150] Ibid. 23.

V. TURKISH AGRICULTURAL REFORM

V.1. Agricultural Policies and Structural Arrangements

The most interesting point in the examinations is that there are many laws and institutional variations in the agriculture sector. Whereas numerous laws are legislated and lots of commission or committee are formed, serious problems are prevailed in almost every stage of the agricultural production process. In contrast to the sincere workings of individuals and establishments placing in the system, either policies can not be executed or applications' cost surpass its income. Thus, it is commonly accepted that there should be alteration in the approach to the agriculture policies. This approach can be summarised as a source to the production increasing policies which have long-term perspectives[151].

According to this,

- Changing in the agriculture sector and its policies is inevitable.
- It will be hard for the sector to keep up with the developments around the world.
- The state should take measures in order not to cause social problems and to provide income guarantee for the rural population during this transaction.
- Institutional and legitimate arrangements which prove strengthening of the producers, should be handled as soon as possible.
- To shift the interest of the rural population on land and other agricultural production sources towards other sectors, educational attempts should be started.
- Taking the long-term effects of the obligations undertaken in the international or regional agreements into consideration, required researches should be made before the agreements.

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[151] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 1.

- In the mid and long term, agriculture sector is going to experience a great transformation. For reducing or eliminating the negative influences of the problems that are determined previously, exclusive and informative studies should be applied to the rural districts.
- It is certain that overpopulation employed in the agriculture sector can not be removed in a short period. For this reason, it is wrong to expect, in the short term, structural transformations within the agriculture enterprises.
- It will be, surely, a fantasy hoping appropriate enlargement of the agriculture enterprises for the short term. In the rurals, revenue increasing policies should be applied by the means of product dispersion or variation and direct income payments.
- In the long period, thanks to the fact that Turkey's lands have not polluted as much as developed countries' lands, it is possible for Turkey to enhance its competition power and rise up its prices by developing unpolluted land, unpolluted technology and unpolluted agricultural product production[152].

Agriculture sector had been the main element of Turkish economy for many years, but its relative importance has declined in the recent years because of priority's shifting to the industry sector. Beside its economic characteristics, because the agriculture sector produces 14.5 percent of national income and meets 40-45 percent of the employment (in 90s), it has a social sector aspect as well. Moreover, due to the fact that the sector produces basic need products, providing raw materials to other sectors, consumption expenses and its share in the export escalate the sector's socio-economical importance.

Furthermore, one more reason why the agriculture is indispensable for the world population is that the sector is based on nourishment.

The agriculture sector widely depends on the natural conditions. Connected with this reality, risk and uncertainity is, unfortunately, too much.

Demand and supply elasticity of the agriculture products is low, production period is longer compared to the other sectors and it becomes intensive in certain times.

For the characteristics emphasized above, and becauese of some other elements like contributions to the establishment and protection of social balances, hardship of the product preservation and its marketing opportunities and, finally, lower income level

[152] Ibid. 1.

when compared to the other sectors, the agriculture sector demonstrates some differences in each country. Yet, the sector is supported in several countries by the state through the production and consumption process, even the countries in which only market economy is valid. Beside the existing risks and uncertainities, slow payback of money, insufficient capital accumulation and, related to this, not enough investment sector reveal the need for support in the agriculture sector.

However, the support policies aimed at containing the economical balances and directing the agricultural production has lost its influence in Turkey and regarded as obstacles in front of the developing goals because supports have not been conducted to the target-masses entirely and objectives could not be realized.

In the recent years, while changing national and international conditions have been creating new possibilities, at the same time, they have revealed the neccessity for different approaches and reforms. Because the ongoing policies have lost their effectiveness, the sector barely struggle against the rules of WTO, its harmonization is getting harder day by day and it appears as a sector that should be improved in priority throughout the entegration with EU. Instead of applying the current "Suffeciency by itself" policy, it should be altered in the direction of required Agricultural Reforms which are determined in the multilateral agreements, it seems more rational to choose the policy of standing by itself only for the important products and also producing products that have comparative advantage. Policies that can increase sensitivity to the market prices should not be ignored as well[153].

In this broad perspective, goals at Agriculture Support Policies can be summarised as followings:

- Reaching adequate and secure nourishment level
- Increasing quality and efficiency in production
- Acquring stabilization at the income of producers and advancing the living conditions
- Improving the production appropriate to the market conditions and orienting it parallel with inner and outer demand
- Developing export and achieving adaptation to the multilateral world trade system

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[153] Ibid. 2.

- Assisting to the environment quality by founding substructure which is harmonious with the environment and protects the natural resources.

Inflation and the high interest rates have been a major constraint in the development of agricultural sector. The unstable exchange rate increases the degree of price uncertainty faced by farmers, both in the export and domestic markets. Reassuringly, the Government has embarked upon a deep and wide-ranging reform process, which will include and benefit the agriculture sector on a priority basis.

The Government has had a wide range of programs aimed at supporting agricultural production through the establishment of large-scale irrigation schemes, the provision of cheap credit, the subsidisation of inputs, the provision of extension services and the financing of research. The Turkish Government has traditionally intervened in the agricultural sector in order to support producer prices, to subsidize inputs and credit and to reduce the consumer prices of staple food. Although producer price support has been very costly to the government, it has failed to stabilize farm incomes. As a result, procurement support has been substantially reduced in recent years, while the production, importation and marketing of fertilizer, agricultural chemicals and farm machinery, except seed supplies, have all been fully privatized.

Turkey joined the Customs Union with the EU in January 1996. However, agricultural commodities were exempt from this Union, while processed products were included. Ultimately, unrestricted trade in primary agricultural commodities is a possibility, but this would require considerable adjustment of Turkish agricultural policies. Turkey's agriculture will face severe problems and difficulties, unless radical reforms are made to improve productivity and quality, to bring about overall stability, to ensure that prices are internationally competitive. The Turkish Government signed a stand-by Agreement with IMF in December 1999 committing itself to gradually phase out existing agricultural support and credit subsidy to farmers and replace them with Direct Income Support system targeted at poor farmers and to meanwhile rationalize the agricultural policies commensurably.

Other important agricultural policy reforms include the establishment of agricultural producers' unions, adoption of agricultural insurance system, privatization of State Economic Enterprises, development of agricultural commodity exchanges and to strengthen research and development activities. In the long run, the goal is to face the inevitable reduction of a rural population dependant, mainly on farming, from the present 35 percent to 10 percent and to promote agro-industry, as well as the adoption of international standards for agricultural commodities in the process of integration with EU in the near and medium term.

Planned economy started in Turkey in 1963 and it was taken as a principle developing of the agriculture and industry sector hand in hand (balanced way) in the first five-year Progress Plan (63-67), then, industry sector was choosen as a pioneer in the second five-year Progress Plan. While deciding the policies or principles devoted to the agriculture in the first three planned period, it is not forgotten that the technology was not advanced one, output was in a low level except certain products, infrastructure was inadequate and public services were not enough. Except the first planned period, although its importance were emphasized, the agriculture sector was considered as a secondary one which provides input for the industry sector and compensating the hidden unemployed people in the country in the other planned periods.

If the agriculture sector and its problems are thought from a narrow perspective and apart from other realties, then, a kind of irrational and inefficient consideration emerges and this absolutely hinders the progress.

Especially in Turkey, a healthy democratic structuring is closely related to removing the prevailed problems in the agriculture sector which forms, according to official figures, still 33 percent of the population and 35 percent of the employment[154].

Some of the basic problems of Turkey's agriculture are about producers' organisation, education and publication issues. These unsolved problems has impeded developing of the country's agriculture. On the other hand, problems experiencing in the agriculture sector led economic and social problems all around the country. To determine future-oriented policies and put them into practise, firstly, social policies concerning the villagers shold be distinguished from the agricultural polices and producers who really deal with farming should be selected as target-mass.

The agricultural population, should be diminished to 20 percents in the short period and 10 percents in the long period. After doing so, overpopulation should be

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[154] Ibid. 3.

gradually transferred to tourism and service sectors within the framework of policies which can provide structural changings, such as Regional and Rural Development Projects and Soil Reform[155].

V.2. Agricultural Reform Offers Possibilities for Greater Efficiency and Equity

Concerning the system of *agricultural support*, it is larger, in relation to GDP, than in the OECD as a whole by a wide margin: 3 percent (average of 95-99), against 1.5 per cent. This reflects mainly the far higher share of agriculture in national output in Turkey, as subsidy rates are similar. However, at its present income level and production structure Turkey can not afford such a generous scheme. Most of it takes the form of price supports, which push up inflation and hurt the urban poor for whom food is a major expenditure. The politicized decision on year-to-year price supports distorts and destabilizes agricultural activity, while direct budget subsidies for inputs encourage their inefficient use. Moreover, richer farmers are most able to benefit from the scheme's largesse. Consistent with previous OECD recommendations, the government has embarked on a radical overhaul, which seeks to consolidate all forms of agricultural support into a targeted lump sum transfer by the end of the stabilisation programme. The planned speed and reduction in the overall level of support, to under 1 per cent of GDP, represents a severe adjustment, which the government will need to cushion with appropriate training, support, and extension services for farmers. As with the other components of structural reform, it will be more important to secure a viable system of support than to achieve abrupt reductions in financial dissavings. But if compensatory payments are needed they should be fully transparent and strictly temporary.[156]

For the economy of Turkey, it is considered as a compulsory act making extensive reforms in the agriculture industry that has long been a target to continual critiques for its running mechanism. In this means, the Law concerning "Board of Agricultural Reconstruction and Supporting" which was formed by the Decree of Council of Ministers

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[155] Ibid. 4.
[156] OECD, Policy Brief, Economic Survey of Turkey, 2000-01, Jan. 2001, 9 May 2001, <http://www1.oecd.org/publications/pol_brief/economic_surveys/turkey-e.pdf> 8-9.

on December 10, 1999 under **"Reconstruction and Reformation Program in Agriculture"** of Ministry of Agriculture and Rural Affairs applied since June 1999, was put in to force by 23913 numbered Official Gazette with repeated issue on December 21, 1999. The Board was formed to increase the activity and productivity on agricultural supporting policies and to accelerate stability of the industry by working in coordination with representatives of other related institutions.

In the frame of mutual agreements with World Bank and IMF in year 2000, it was stated that the current policies should be rationalized and infrastructure works have begun. Transferring to **Direct Income Support** system, which was suggested in this scope, was put in to practice in four pilot zones with 72 villages on April 26, 2000 with the announcement in Official Gazette numbered 24031. Furthermore, "Farmer Registry System Project" and works on establishing a "Database" which were announced in the same bulletin are still in process. This system will allow following the critical data such as who are active in agriculture fields, their production areas, production volume, inputs used by them and the costs in a centered registry system.

Another project included in the agricultural reform, namely "Alternative Products Project" is aiming to encourage farmers to use lands for plants like sunflower, soybean, feed plants, red lentil rather than continuing over-production of tea plant, tobacco, sugar-beet and hazelnut. Financial support is expected from the World Bank for this project of estimated cost is US Dollars 350 million.

The most important program that was put in to practice as of year 2000 was in stock farming area. In order to develop the stock farming industry, "Decree Concerning The Development of Animal Production" which was prepared by the Ministry of Agriculture and Rural Affairs was put in force by Official Gazette on May 10, 2000. A budget of TL 45 trillion for the year 2000, and TL 450 trillion in total was suggested for supporting program in question which, will cover the years 2000-2004.

In fact, a reform process in agricultural supporting system has started together with disinflation program of year 2000. According to this, prices of the supported products were put closer to world quotations at the first stage. Secondly, interest rates of agricultural credits by Ziraat Bank were put closer to market interest rates. And thirdly, instead of supporting purchases, Direct Income Support System was started in some pilot zones.

A new agricultural reform package was announced in Turkey together with stand-by agreement of year 2000. This program is planning clearance of the current agricultural supporting in a wide range till the end of year 2002. In this frame, supporting purchases will be removed; variable subsidies such as credit and fertiliser will be finished. Agricultural product markets will be liberalized with arrangements like Tobacco and Sugar laws, prices will be determined by supply and demand. Direct Income Support to farmer is planned to take the place of this system subject to clearance.

V.3. General Terms Concerning to Reform

In the first stage of the reform, a project credit was obtained from World Bank with US Dollars 600 million. Furthermore, allocation of TL 500 trillion is assigned to budget of year 2001 for Direct Income Support that will begin in this year.

Current supporting system will be completely altered in the first stage of reform program. Thus, a transparent and effective supporting system will be established that directly hits the target.

Components of Agricultural Reform Project are gathered in four headlines; Direct Income Support, Alternative Products, Reconstruction of Agricultural Sales Cooperatives Unions (ASCU's, TSKB), and Campaign for public promotion and supporting services.

Purpose of the reform program is to remove current supporting policies in several stages and alter with Direct Income Support system.

Agricultural supports will not be stopped as misunderstood by public. To the contrary, agriculture will be supported perhaps with more resources. However, form of the supporting will be altered.

Within this reform process; input support and subsidized credit support will be removed, all measurements will be taken for reduction and/or privatisation of agricultural State Economical Enterprises.

Through Alternative Product Project, farmers will be orientated to produce crops, which are in supply deficit, particularly instead of hazelnut and tobacco which are in surplus.

Particularly in hazelnut, approximately one fifth of 550.000 tons production is in surplus

Revenue loss of hazelnut producers will be paid to cover the costs of up rooting, input support and maintenance, and reaping expenses.

Farmers in Eastern and South-eastern Anatolia Regions will be paid for only once in order to cover the costs of input support and maintenance, and reaping, if they end cultivation of tobacco.

Tobacco raisers will both benefit from Direct Income Support and through Alternative Products Project they will be orientated to raise crops that are in supply deficit.

Through "The Law Concerning to ASCU's" numbered 4572; a reconstruction plan was formed for ASCU's to become autonomous institutions in financial and administrative means. Purpose of the Law and reconstruction program is to prevent the Unions from purchasing products over the market prices because of high wages and over-employment and, to completely remove these institutions' heavy burden on public budget.[157]

V.4. Privatization of SEE's During Reform Process and Related Laws

V.4.1. Sugar Law

Sugar Board that holds a public legal identity was established in order to make regulations in sugar markets.

Each year, quotations based to factory prices will be set by the Committee of the Institution for five year periods to maintain a stability in production and supply of sugar.

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[157] T.C. Basbakanlik, Hazine Mustesarligi, Yapisal Reformlar: Tarim Sektöründe Reform Nedir-Nicin Gereklidir, Ankara, 21 May 2001, <www.hazine.gov.tr/tarim_web.pdf> 5.

Currently implemented supporting system will also continue in the year 2001 however, as of period 2002-2003 supporting quotations and purchases will not be implemented and first quotas will be distributed.

Each year, sugar-beet prices will be set according to agreement between real and legal bodies and producers and/or their representatives.

Sugar sales prices will be set freely by real and legal bodies who are operating sugar factories. State will resign from sugar production. Thus, markets will have been liberalized.

Stocks problem with unaffordable costs and which, can not be consumed even through high costed exports will be dissolved by setting the sugar production quotations according to country needs.

Considering US Dollars/Tons 650-750 sales cost of sugar in Turkey whereas it is US Dollars/Tons 200-250 in world markets, Treasury's duty loss from exports to eliminate the stocks will have been removed. Institution's duty loss in 2000-2001 is around 400 trillion TL.

Together with the implementation of law takes start, production volume will be most fitting to country needs and prices will be in a level that keeps farmer to continue production, so that price and production balance is expected to be provided.[158]

V.4.2. Tobacco Law

Turkey is the world leader with 42 percent share in producing oriental type of tobacco. Tobacco is an important export product for Turkey.

However, when the realized exports and consumption needs of the country are considered, Turkey's production volume has been 285 thousand tons in 1998, 260 thousand tons in 1999 and 210 thousand tons in 2000, although 180 thousand tons of production would be sufficient.

Approximately 70 percent of this production is purchased by TEKEL (State Monopoly of Alcohol and Tobacco Products). However, the amount of purchases by

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[158] Ibid. 6-7

[159] Ibid. 8.

TEKEL (these are named as "re-purchases") for its own 7 tobacco factories is around 50 thousand tons.

As known, supporting purchases result a considerable duty loss and this amount has reached to TL 1.5 quadrillion as of the end of year 2000. And current tobacco stocks are over 500 tons, which is a level to cover the country's domestic consumption needs for another 6 years. Both duty loss and stock amounts reached to a non-continuable level.

Calculations indicate that, public undertook a cost of US Dollars 4.7 per every -1- US Dollar spent during 1995 – 2000 period.

In the scope of implemented structural reforms, since the supporting purchases will be stopped and transferring to Direct Income Support will be realized, it is necessary not to interfere the production areas and volume as of the year 2002. [159]

Essentially, there are three main subjects in Tobacco Law approved by TGNA (Turkish Grand National Assembly):

V.4.2.1. Re-structuring of TEKEL: (Legal Barrier Against Privatisation of TEKEL is Subject to Removal)

"Board of Tobacco, Tobacco Products and Spirits Market Regulations" will be established and, any and all powers attached to TEKEL by laws will be transferred to this Board.

V.4.2.2. Tobacco Production

By this law, after year 2002, no production quotations will be set and no prices for supporting purchases will be announced. The tobacco trade will be done by agreements and auction systems, so the production is to be realised in demand-supply balance.

V.4.2.3. Tobacco Products Production and Exports

Ones who are planning to produce tobacco products in Turkey have to establish factories equipped with the latest technology including tobacco preparation units with annual production capacity not less than two billion pieces of cigarette and fifteen tons of other tobacco products in one shift. Ones who fulfill these criteria will be able to freely fix prices, sell and distribute their own produced tobacco goods freely. Processed tobacco importation, even if intends exporting can only be done by tobacco products producers limited to production needs. Exportation of tobacco products produced in Turkey is free. [160]

V.5. Conclusion

As a conclusively statement, Turkish agricultural reform aims to abandon the supports based on political decisions, avoid a support to be done without a resource, determine the agricultural policies to be the policies of the state, not the government, maintain all the institutions and associations to work in a strong coordination, and to straighten the structure for possible defects of new system without losing time.

Furthermore, there have to be reforms also in different areas of agriculture in order to make its burden on public finance sustainable. As a result, this reform is the first stage of a series of reforms.

VI. INTERNATIONAL DEVELOPMENTS, COMMON AGRICULTURAL POLICY OF EU AND TURKISH AGRICULTURE

VI.1. International Developments Affecting Turkish Agriculture

VI.1.1. Standby Agreement with IMF

Some alterations on agricultural supporting policies were suggested in the stand-by agreement signed with IMF. In the scope of this agreement essentially, alteration of the current system in a short period by transferring to implementation of Direct Income Support oriented towards target producers, reduction on budget expenses, reduction on credit and input supports with autonomy of Agricultural Sales Cooperatives Unions were suggested.

It should be considered that Turkey's agricultural infrastructure is not appropriate to immediate policy alterations. Considering that, only 65 percent of cadastral operations have been completed in rural region in a country where, there are approximately 4 million agricultural enterprises and each enterprise's average size is less than 6 hectares, improvement of necessary infrastructure and completion of registry system seems quite difficult in a 2 years transferring process.

When the experiences in other countries are considered, this process was determined as 15 years in Mexico and a 7 years implementation period was suggested in the USA. However, necessities of this system must be fulfilled; finance guarantee has to be obtained firstly for payment amounts in direction of the set principles and as happened in European Community, this have to be in a level that will cover the losses of farmers arising from removal of supports. Entirely privatisation of institutions responsible with the purchases of some important products may lead to new economic and social problems in the rural region where, infrastructure is incapable and there are intensive marketing

[160] Ibid. 9.

problems. The matter of re-structuring of these institutions in a way that they can continue functioning in these regions should be considered. On the other hand, the subject dwelled upon insistently is the approach concerning transferring all supports to implementation of direct income payments.

It is observed that, direct income payments are used together with other political instruments in developing and developed countries. [161]

VI.1.2. Customs Union Decision with the European Community

Besides realization of Customs Union and Common Market, the Treaty of Rome that established European Community is also suggesting Adaptation to some certain common policies.

Common Agriculture Policy; established for acceleration of agricultural production in the Community, creating better life standards for producers and obtaining stability in the markets, and based on three main principles as community preferences, establishing a market and financial solidarity. In this scope, policies are determined concerning to agricultural production, supporting and trade through the Common Market Regulations determined for each sector. Today, there presents four markets consisting 23 product groups in this concept.

Orders Providing Interference and Foreign Protection: These kinds of regulations cover 70 percent of agricultural production and also cover applying to interference measurements in the domestic market and protection systems against exports from third countries. Intervention purchases are in question to grains, milk and milk products, meat and some other sectors.

Regulations Providing Protection Against Foreign Effects: These regulations cover 25 percent of agricultural production. In the frame of this application, market regulations are limited to foreign protection. Egg and poultry meat, wines of good quality,

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[161] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 50.

drinks, some vegetables and fruits are included in this group. There is no price guarantee for such products. Foreign protection appears to be as in types of reference prices in import and deficiency taxation.

Products Benefiting From Additional Production Aids: The regulations cover 2.5 percent of the agricultural production.

Products Benefiting From Flat-Rate Aids: Based on the principle of aiding per hectares or per the amount of production. There are linen, hemp, silkworm and specific products like seeds in this group.[162]

In general view, Common Market Regulations contain some variety of policies. Most important ones of these policies can be enumerated as follows:

1. Price and Intervention Policy

According to this policy, interference institutions are subject to purchasing the products from farmers that are conforming to set quality standards at "interference prices" in order to obtain the formation of producers income at target price level.

2. Free Circulation In The Community

By this application, the followings are prohibited within trade in the Community; tariff barriers such as custom duties, taxes with equivalent effect, Levy and deficiency taxation and non-tariff barriers as well such as quota limitations and measurements with equivalent effects.

3. Trade Policies with Third Countries

In the imports of agricultural products of Community countries from third countries out of Community quota limitation and measurements with equal effects are suggested except several exceptions.

Tariff barriers include three instruments on agricultural products imports. First is the Levy System (variable taxes were converted to tariff and stabilized after Uruguay Round). Second is the Customs Tariff and the third is deficiency taxation system.

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[162] Ibid. 45.

Furthermore, in order to accelerate the competition facility of the products in exports to third countries by the Community, differences between world prices and Community prices are paid back as exports return.[163]

VI.1.2.1. Relations between Turkey and Community on Agricultural Fields

Agricultural relations between European Community and Turkey are executed in the frame of Partnership Council Decisions numbered 1/80, 1/95 and 1/98 together with Ankara Agreement of 1963 and Additional Protocol that was put in force on 1973.

In the Additional Protocol, it is stated that obtaining of free circulation of agricultural products is conditioned to Adaptation of Turkey's agricultural policies to Common Agriculture Policy in commercial and economic relations during transition period.

However, expected improvement in Adaptation of Turkey's agricultural policies to Common Agricultural Policy was not recorded up until today. Basic reasons of this are financial problem, the agricultural structures of both sides and social and economical differences.

For instance, while although some of the measurements applied in the scope of Common Agricultural Policy are aiming to reduce the production, Turkey is considering agriculture sector under her own conditions and increasing the production for many of the products is being set as the most basic political targets.

Despite this contradiction, according to Article 33 of Additional Protocol, Adaptation of Turkish agriculture to Common Agricultural Policy is a necessity and on related studies mentioned policy rules have to be considered. That Turkey is a great agriculture country and indicates differences from the Community's agriculture requires the Adaptation to the Common Agricultural Policy to be realized in several stages. Like Turkey's situation, Adaptation to Common Agricultural Policy was necessary for other countries such as Greece, Spain and Portugal who joined to the European Community afterwards and the last two countries succeeded this Adaptation in 10 years and Greece in 5 years.

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[163] Ibid. 46.

Customs Union was realized through Decision of Partnership Council dated March 6, 1995, which is a natural result of European Community agreements. By this Decision, it was suggested that Turkey will assume measurements of Common Agricultural Policy and adapt her policies accordingly, and Community will consider Turkey's agricultural benefits in policy developments. Classical agricultural products were excluded from Turkey - EU Customs Union. According to Articles 17-21 of the Agreement, merely processed agricultural products were included in the Agreement. Consequently, agriculture sector will be indirectly affected by the Customs Union. It should be considered that European Community is supporting and encouraging the exports of products providing raw material to food industry such as grains, sugar, milk and milk products.[164]

By Turkey's fulfilling the necessities of Customs Union Decision, the protection rate in Turkey's industrial products towards EU and EFTA countries is reduced to 0 from 5.94 percent and same rate to other countries is reduced to 6 percent from 10.79 percent. [165]

Basic agricultural products are not included in the Customs Union. However, the removal of industry portion on trade between parts by fixing the agriculture and industry portions of the protection on processed agricultural products that include basic agricultural products, usage of Community's industrial protection by Turkey on purchases of such products from third countries and drawing a closer agricultural protection to Community's depending on the product latest in three year period are suggested.

Customs Union (CU) should be understood as a sign to the end of the transition period through the way to full membership. However, it is obvious that current CU is rather limited than the CU suggested in Additional Protocol on 1973. Free circulation of people and services was not realised and agricultural products were excluded from the cover of CU. Despite this, agricultural products will be directly and indirectly affected by

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[164] Ibid. 48.

[165] Gökhan Günaydin, Küresellesme Kosullarinda AB Ortak Tarim politikasi ve Türkiye Tarimi (Hububat Örnegi), Ankara, T.C. Ankara Üniversitesi, A.T. Arastirma ve Uygulama Merkezi, 6.Dönem OTP Kursu, 2000 23.

CU. Indirect effects of CU to agriculture can be observed on imports of duty-free agricultural inputs from European Community.[166]

As well known, the decisive target of Turkey is the full membership to European Union. As a result, at the Helsinki Summit held in December 1999, Turkey was accepted as candidate member to the Union. In this frame, it is compulsory of the consideration of adapting agricultural policies to the Common Agricultural Policy. There are responsibilities of Turkey during the adaptation process but also European Union.[167]

VI.2. Adaptation of Turkey to CAP

Most important problem with Turkey – EU relations on agricultural fields is the adaptation of Turkish Agriculture to CAP. Agriculture is a vital sector for Turkey on social and economic means. Turkish Agriculture with its structure far different from EU standards and rationality and even then its great potential on one hand is causes adaptation more difficult and on the other hand is forming a threat for EU countries.

CAP is one of the most important policies in EU. CAP, in a short period from its foundation, obtained sufficiency in a lot of agricultural products for EU countries that were domestically insufficient before however, its success brought a depression. CAP is in a continuous change either to find solutions of its internal dilemma or to resist the pressures of U.S.A in the frame of GATT. Even though the direction of change can be observed, the adaptation to such a dynamic structure is possible only through a support obtained with full membership rights and a strong financial aid. It is rather difficult for Turkey to adapt herself to such a comprehensive and detailed agricultural policy without being a full member and financial aid. Another problem is that, if the policy alterations of CAP through GATT directions would result in positive for Turkish Agriculture. Because the policies formed in the frame of New World Order are concerning to body structure problems of highly technical agricultural potentials and competition policies. The current situation of Turkish Agriculture which yet could not solve its infrastructure

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[166] Ibid. 24.

problems against liberal policies can be liken to the war of unequal powers. However, another reality is that, the direction of alteration in the world is obvious, Turkish Agriculture does not have a force to affect or change it, so it a necessity to try to benefit from this trend in the most effective way.[168]

It is obvious that, it will not be easy to adapt Common Agricultural Policy which, was formed as a result of years of studies by EU, which is complicated and was altered through important reforms. In addition to this structural difficulty there is also another difficulty that, EU is not accepting the same conditions to candidates in new expansion process, like it was for Greece, Spain and Portugal regarding the adaptation process to CAP during transition process.

Agriculture is one of the most important headlines that Turkey has to fulfill in the frame of candidacy responsibilities. However, when considered from the viewpoint of action mechanisms, institutional structure and importance in the economy, EU agriculture sector and Turkish agriculture sector are different.

VI.2.1. Necessary Measurements and Regulations for Common Agricultural Policy: Adaptations

The studies during Turkey's candidacy period was determined in the scope of Europe Commission's "Report on Europe Strategy for Turkey" and a three-staged process for adapting agriculture sector was suggested in Cardiff Summit in 1988. First stage is the information flow and appraisal relating to agricultural policies in practice; second stage is the meetings on European Union Common Agricultural Policy and Turkish Agriculture Policy; and the third stage is, summarizing of policy differences.

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[167] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 48-49.

[168] Gökhan Günaydin, Küresellesme Kosullarinda AB Ortak Tarim politikasi ve Türkiye Tarimi (Hububat Örnegi), Ankara, T.C. Ankara Üniversitesi, A.T. Arastirma ve Uygulama Merkezi, 6.Dönem OTP Kursu, 2000 31-32.

In this means, Turkey has to take some measurements on the matters mentioned below to obtain adaptation to Common Agricultural Policy.[169]

Agricultural structure alterations, improvement of production activities, adaptation to Community pricing policy, to trade policy inside the Community and to third countries, to Community's competition policy, to Community's finance policy, to Community agricultural products marketing services and to Community agriculture law is required.

Turkey is now a candidate country for full membership to European Union. As a condition of full membership, agricultural supporting policies that will be implemented in Turkey should be adapted to supporting policies of European Union. In this respect, the most appropriate supporting system should be a supporting system based upon the combination of interference purchases and compensatory payments to producers as similar in EU.

In order to analyse the effects on Turkey and EU arising from adaptation of Turkish Agriculture to EU Agriculture in the frame of a mathematical model and to determine the adaptation measurements relating to structural body, a project was executed under the coordination of Secretariat of the State Planning Organization, SPO, (DPT) and with cooperation of Middle East Technical University and London University Wye Collage which, was financed by UN Developing Program, and results of the project was published by SPO on 1990 with the heading of: "Turkish Agriculture and European Community Policies, Issues, Strategies and Institutional Adaptation."[170]

Mentioned model was defined as "TEAM" (Turkish-European Agricultural Model). This model was operated based on the years between 1988 (TEAM-90) and 1995 (TEAM-92), and the results of becoming a full member vs. not becoming a full member were compared. The possible effects of assumed realized adaptation during these years on country prosperity, producer revenues, consumer expenses, input usage, EU budget and production, consumption and trade of agricultural products were calculated.

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[169] DPT, Sekizinci Bes Yillik Kalkinma Plani (2001-2005) Tarimsal Politikalar ve Yapisal Düzenlemeler Özel Ihtisas Komisyonu Raporu, Ankara: DPT, 2000, 8 Jun. 2001, <http://ekutup.dpt.gov.tr/tarim/oik534.pdf> 49.

[170] Gökhan Günaydin, Küresellesme Kosullarinda AB Ortak Tarim politikasi ve Türkiye Tarimi (Hububat Örnegi), Ankara, T.C. Ankara Üniversitesi, A.T. Arastirma ve Uygulama Merkezi, 6.Dönem OTP Kursu, 2000 24.

VI.2.1.1. General Economic and Social Policies

There are important differences between Turkey and European Union both on general economic and social means and agricultural indications. It appears that, when considering criteria such as high population and inflation, insufficiency of national income per person, unfair income distribution, and unemployment rate, Turkey's adaptation will not be easy.

The possible prosperity effects resulting from adaptation to CAP were examined in TEAM-90 and TEAM-92. In each study, it was understood that, for the year 1995, prosperity of producer and consumer would be 23 percent and 24 percent higher than if Turkish Agriculture were in the coverage of CAP.

However, from the study dates till today, because of the both parties' agricultural policies, there is a negative process for a possible adaptation of Turkish agriculture. First of all, EU, by Agenda 2000 has changed her policy against new partnerships and reduced her funds as much as possible. On the other hand, Turkey has not taken an important step to form a healthy infrastructure. This picture shows that, insufficient competition power of Turkish agriculture is going to be the main problem during adaptation.[171]

VI.2.1.2. Agricultural Structure

The leading problem in Turkey relating to agricultural structure is that the agricultural enterprises are small and multi-pieced. This "dwarf" body of agricultural enterprises is a barrier in front of technology, usage of appropriate components and making rational agriculture, and as a result, productivity can not be increased and revenues of producers are continuously decreasing.

While, agricultural population decreasing and enterprises are getting larger as a result of studies in the EU, in Turkey the dividing process of enterprises is continuing.

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[171] Ibid. 25.

Table VI.1

EU and Turkey Agricultural Enterprises

COUNTRY	Processed Area (1000 ha) 1994	Number of Enterprises (1000 Units) 1993	Average Land Size (Ha) 1993	Active Population Employed In Agriculture %
Belgium	1.380	76	17.7	2.5
Denmark	2.739	74	37.0	5.7
Germany	17.162	606	28.1	3.0
Greece	5.741	819	4.3	20.8
Spain	29.756	1.384	17.9	9.8
France	30.217	801	35.1	4.8
Ireland	4.444	159	26.9	12.0
Italy	17.215	2.488	5.9	7.9
Luxembourg	127	3	42.3	2.8
The Netherlands	1.977	120	16.8	4.0
Austria	3.962	267	12.9	13.3
Portugal	3.983	489	8.1	11.6
Finland	2.605	192	14.0	8.3
Sweden	3.607	92	36.5	3.4
United Kingdom	15.878	244	67.1	2.2
EU TOTAL	**140.553**	**7.815**	**16.4**	**5.4**
TURKEY (1991)	**23.451**	**4.068**	**5.9**	**41.0**

Source: European Commission, The Agricultural Situation in the European Union 1995 Report, Brussels, 1996

As will be seen with the inspection of the Schedule, Turkey, as an individual entity, has more than half as many the number of enterprises as the 15 EU nations have. In terms of the area utilised by the enterprises, the EU average is more than three times above the average of Turkey. The comparison that aggravates even more the results put forth by these data comes out in the ratio of the active population working in agriculture. This ratio, for Turkey, is around 8 times of the EU average. Hence, the demographic results that add on to bad agricultural infrastructure, speed up the process of becoming poor of the Turkish producer.

Turkey must enter into an effort to solve its agricultural infrastructure problems, fore mostly the enterprise sizes. With the prevalent structure of Turkish agriculture, it is not possible neither to provide competitive power through the formation of productive production conditions, nor to ensure the Adaptation into the CAP. [172]

VI.2.1.3. Production Policies

Although the rich agricultural potential of Turkey is in a position to challenge the agriculture of EU members in the case of a possible partnership, the low level of competition will be able to put Turkey in the position of an importer of agricultural products. Today, the products that the European Union does not produce are either those of which the ecology of the Union does not permit the growth; or those whose production has been ceased because of the price/cost relationship. Turkey, after providing its own food safety and with its ecological structure unique to that of the EU, should incline towards developing a production pattern that supplements EU agriculture. Moreover, with the existence of EU policies striving to melt down access production and budget costs, it is "uncontinuable" to go on to the production of products that are beyond Turkey's own needs, and those that can not be marketed to other regions of the world.

According to TEAM-90 (TURKISH EUROPEAN AGRICULTURAL MODEL-90) and TEAM-92 results, while Adaptation to the CAP does yield a production increase in some industrial crops, fruits and vegetables, but animal production, leguminous plants and tea will be negatively influenced by these developments.

It will be useful for Turkey, the selection of, "during the first stage, fresh fruits and vegetables, processed fruit and vegetables (raisins, dry figs and tomato paste), oil seeds (sunflower, soy beans, linen, and rape), grain, (especially pasta wheat, corn, and seeds) and products such as sheep meat from stockbreeding" as product groups, and taking their support balances into account, having them taken under the Adaptation span of the CAP.

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[172] Ibid. 26.

VI.2.1.4. EU Prices and Market Policies

The meaning of Adaptation to EU prices and market politics is EU support and foreign trade agreements to be applicable also to Turkey. While the EU norms bring a certain discipline to the Turkish support systems, the export with subsidies of goods protected with EU measures against the foreign environment will be enabled to be realized.

It is an important problem for Turkey that EU support system is more centred on animal products and COP (Cereals, Oil seeds, Protein crops), whereas fruits, vegetables, and cotton which hold an important place in Turkey's production are supported less, and even hashish, tea and nuts receive no support at all. The success chance of these negotiations that will be executed in these areas are not very high after considering CAP' s developments inclinations.

The EU price and market policies will change the production design of Turkish agriculture, and plant health and marketing services will play foremost roles. Also, it is compulsory condition that the bureaucracy should be activated to be able to govern fairly complex CAP applications.[173]

VI.2.1.5. EU Foreign Affairs Policy

According to TEAM-90 results, the Adaptation of Turkish agriculture into CAP will lead to an increase of 269 percent in the export of Turkish agricultural products, and 938 percent in import.

Products whose export will increase will be industrial crops (oil seeds, cotton, and tobacco), grain (pasta wheat and corn), leguminous plants (lentil), and fruits (seedless raisins, apple, and hard-shells)

To a great extent, animal products will compose import; the increase in import will be able to bring the domestic production of white meat and egg to a halt. Tea is also a product that is a candidate to leave the production design. Also olive and olive oil import is expected to rise.

[173] Ibid. 27.

VI.2.1.6. Technology Usage and Productivity Policies

The degree of agricultural technology usage and the productivity in Turkey are way beyond the EU average. The greatest factors in this manner are the "dwarf" enterprise sizes and financing problems. This result limits significantly the competitive power of Turkish agriculture.

TEAM-90 and TEAM-92 results display that CAP Adaptation will increase input usage in plant products, while it will decrease it in animal products. [174]

VI.2.1.7. Income Policy

Adaptation to CAP will also affect to a significant measure the price level, production design, rural and agricultural structure, technology usage, productivity, production costs, and linked to these factors, producer incomes. Yet, when the present price and market policies of CAP provide great benefits to large enterprises, as well as the direction of the continuing CAP reform is taken into consideration, there is a risk for the agricultural income per capita to decrease in Turkey if it can not rationally organize its agricultural infrastructure and decrease its agricultural population.

In this context, the agricultural income per capita in plant production is expected to increase whereas income per capita in animal production especially in cattle production to decrease.

Meanwhile, the direct income support form being considered by the contracts of the IMF Letter of Intent, that sees agricultural support policies as a mere mean of public treasury and claims to bring a discipline to this is foremost very different than the present application of the EU and when Turkey's agricultural land status is taken into account, is far, at least for now, from being a support mechanism that will be able to protect the preset income level of producers.

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[174] Ibid. 28.

VI.2.1.8. Fiscal Solidarity Policy

In the case that the CAP Adaptation is realized, the support of the Turkish agricultural products will be provided through the Guarantee section of the FEOGA (Europe Guarantee and Guidance Fund). Even if the Guidance sector expenses of FEOGA are essentially required for Turkish agriculture, it is know that only a very small portion of the FEOGA funds are separated as Guidance Fund.

Yet, as mentioned before, under the Agenda 2000, CAP has determined its stand on new participation and has gone for limitations on the usage of financial funds. In other terms, the funds that in particular Greece and Portugal use extensively will be possibly used in lesser ratios in the Adaptation of Turkish agriculture. It seems rather difficult for Turkey that has a rather large agricultural area, a very insufficient infrastructure, and an agricultural population 8 times that of the EU average, to transform its agriculture and conform to the fiscal solidarity politics without using EU funds. [175]

VI.2.1.9. Regional and Social Policies

The characteristic of the Turkey-EU integration during the Adaptation process is the main indicator, as in all other areas, also in the Adaptation to regional and social politics.

With the exception of certain large settlements, Turkey will be under the span of EU's regional politics. One of Turkey's preferential problems is planning / directing / adapting itself to the present and future regional policies in the direction of the EU principles and by taking into consideration the social structures.

The issue of Turkish agriculture's Adaptation to CAP can not be separated from the concept of urban development. Agriculture, which is a main sector in the development of the nation due to its traditional structure and potential reasons, must be directed towards Adaptation with development acceleration. Approaching to the adaptation as a sole "technical" subject and application and selection of incorrect policies toward

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[175] Ibid. 28.
[176] Ibid. 29.

adaptation disregarding the sectoral development may create inevitable negative impacts on both sector and producers.[176]

VI.2.1.10. EU Competition Policies

Turkish agriculture can take its place in the CAP through a development open to competition increasing productivity. Despite the agricultural structure that lower agricultural production costs in EU, the infrastructure in Turkey puts forth effects that decrease the competitive power of agriculture. For this reason, Turkey must fore mostly overcome agricultural infrastructure problems. Then, starting with products with high competitive power, the ways to realize a highly productive, low costed production adapted with Union quality and standards should be applied.

VI.2.1.11. EU Agricultural Acquisition

The CAP implementations will be much harder than assumed with its detailed, continually improving, 22,000 paged body consisting the greatest part of the EU Acquis and even creating some problems with its arrangement and translation.

Judicially, the EU agriculture regulations under the subjects of the CAP, and the Turkish agriculture regulations under subjects outside of this span, will be simultaneously legit. For this reason, the providing of Adaptation to the regulations is a technical and complicated issue that falls under various professional disciplines.

In the "European Strategy for Turkey Report" published by the European Commission on March 4th, 1998, a 3-staged process for Turkish agriculture's Adaptation into the EU CAP has been foreseen. The stages of the strategy can be summarized as follows:

In this respect, the first stage of the process has been started by the exchange of the legitimacy on field plants and fresh fruits and vegetables.

- Mutual exchange of information
- Mutual discussion on politics

- The determinacy of differences among politics and the presentation of Turkey with a calendar for the elimination of these differences

VI.2.1.12. Organizational Structure

During the process of Adaptation to the CAP, public organizations that provide the agricultural support function will transform into CAP organizations, and their expenditures will partially be covered by Turkey and partially by the EU.

Cooperatives will embrace a more independent characteristic that functions in conjunction with the activities of its own members. And, public organizations that provide input to agriculture will transform into organizations that function under the competition conditions of EU industry products.

Under this framework, the unification of authorities, previously divided into various organizations, of the Ministry of Agriculture and Rural Affairs that will run the process of CAP Adaptation, the Ministry's increase of qualified personnel to run business and procedures related to this highly complicated area, and a working form that brings out expertise are all musts. [177]

VI.3. The National Program According to the Document on Accession Partnership of Turkey by the European Commission

Agriculture, between Turkey-EU relations, will be one of the greatest problems and the topic of the most debate in the case of full membership. The CAP in which the Adaptation of Turkish agriculture is foreseen is in a constant phase of reform. One of the characteristics of CAP reforms is that these reforms realized usually in the periods before the accession of the new members and that the support amount decrease with each reform. So that, The Green Paper (1985) has been realized before the accession of Spain and Portugal, while the Mac Sharry Reform (1992) was applied so before the accession of Austria, Sweden, and Finland. On a similar basis, a new phase of reform has been begun

[177] Ibid. 30.

under the framework of Agenda 2000 parallel to the enlargement process of Central and Eastern European countries (CEEC).

In the Agenda 2000, which is the most recent wave of reform and which has gained significance of for Turkey, these arrangements have been foresaid:

-The implementation of institutional prices at lower levels for the development of competitive power in markets inside and outside of the EU

-The providing of a fair living standard for the population working in agriculture

-The strengthening of the EU in international trade (the formation of a market structure in Adaptation to free competition)

-Focus on quality

-The unification of environmental goals with the CAP

-A non-central management

According to the Accession Partnership Document, Turkey must do the following in the short term:

- develop a functioning land register, animal identification systems, plant passport systems and the improvement of administrative structures in order to monitor the agricultural markets and implement environmental, structural and rural development measures.

- establish an appropriate alignment strategy for veterinary and plant health Community legislation with first priority the harmonisation of legislation to combat animal and plant diseases and upgrade enforcement capacity, in particular of laboratory testing, inspection arrangements and establishments.

According to the Accession Partnership Document, Turkey must do the following in the middle term:

- complete preparations for the acquis in agricultural and rural development policies.

- modernise food processing establishments (meat, dairy processing plants) to meet EU hygiene and public health standards and further establishment of testing and diagnostic facilities.

As will be seen from the afore mentioned explanations, Turkey, in its process of Adaptation to the CAP, will complete all necessary and institutional arrangements, foremost the veterinary and plant health conditions, within the next few years; and by the end of this term, it will have completed all conditions necessary for the Adaptation.[178]

VI.3.1. Projects that must be Undertaken in the National Program Framework

Under the framework of a project, the union agricultural and the Turkish agricultural law must be evaluated (including topics related to plant health, animal health, food control, and product quality); and the preparations for the Adaptation of Turkish agricultural law to the Union agricultural law must be competed.

Organizational Structures, Public Institutions, Civil Society Organisations and enterprises (agriculture, industry, trade, service) must be strengthened in a way to provide and implement Adaptation to the CAP.

Rural and agricultural activities under the responsibility of the government, must be executed with the CAP in mind and by a single and central institution (Ministry of Agriculture and Rural Affairs).

Rural and agricultural civil organisations (cooperatives, unions, professional institutions, enterprises, etc.) must be strengthened in a way as to conform to CAP law.

Besides agricultural production, agriculture based industries and marketing channels, especially a stock exchange system and market places, must be developed; competition power in national and union markets must be increased.

Natural resources and environmental and rural landscape must be protected and developed in national, regional, and basin basis, taking into consideration the Agenda 2000

In rural areas, agriculture based industries and non-agricultural economic activities must be supported.

An "Information Bank" that will provide the opportunity to receive accurate and sufficient data on all aspects of the agriculture sector, must be formed that will also provide the transition into a "Recording System." In the transition into the Information Bank, legal and institutional arrangements necessary for the Adaptation into the

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[178] "Gündem: Tarım Alanında Yapılması Gereken Düzenlemeler," Cine-Tarim Magazine, Issue: 33. 25 Jun. 2001, <http://www.cine-tarim.com.tr/dergi/arsiv33/gundem01.htm> 1 .

agricultural information system of the union (Integrated Administrative Control System:-IASC) should be completed.

On the issues of food safety, plant and animal health, and quality control, Adaptation to the union system is being provided at a fast pace in the national, sectoral, and entrepreneurial basis.

Stockbreeding, which is in serious productivity and competitive problems, must be strengthened with special projects.

Special support and protections systems must be developed through co-operations with the Union for products such as tea and the Angora goat that will be essentially negatively impacted by the Adaptation to the CAP.

In the framework of the above mentioned points, opportunities must be forced to have financial and technical support needed for Turkey's Adaptation into the CAP provided by the Union.[179]

The Turkish government has engaged in activities to have its agricultural policies adapt to the CAP in its 1998 form. Article 8 of the Partnership Council Decision No. 1/95 foresees the elimination of technical barriers on trade under Turkish law in five years. An inventory of the Adaptation status has been prepared. Technical committees have been formed; and these committees, examining the different components of the CAP, have prepared a comparison table indicating the needs for Adaptation in EU and Turkish politics. This point is of interest especially to the documents related to the farm plants, and fruits and vegetables that have been forwarded to the European Commission in the framework for the implementation of European strategy for Turkey.

The foremost priority for Turkey must be the installation of the main management mechanism of the Common Agriculture policies and executive structures. The meaning of this is for Turkey to especially form a land identity system, to further improve agricultural statistics, to revamp inspection and control mechanisms including foreign borders, and to form the financial mechanisms of the Common Agriculture Policies. The improvement of the producer organisations should be encouraged according to Union laws. The improvement of the general quality standards and safety of Turkish products is also very important.

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[179] Ibid. 2

Taken into consideration of the number of the agricultural policy related units, it may be advised of regrouping of different agricultural institutions. It is also necessary to improve the coordination of the different characteristics of agricultural politics.

VII. DIRECT INCOME SUPPORT SYSTEM

VII.1. Definitions

In the past, to support their farmers, many countries have implemented the system of input subsidies and price support also used in modern Turkey. The formation of large scales of excess products as a result of the expenditures, due to the politics implemented, reaching high levels, have caused countries to switch to policies focusing on income payments that will not induce production increase rather than price policies.

Traditionally, most farm support policies have involved maintaining domestic prices above world levels by using tariffs, other import restrictions and production and export subsidies.

Such measures reduce aggregate incomes in the countries providing the support by maintaining or drawing resources into agriculture where returns would be low in the absence of support, and away from more profitable sectors. This leads to increased production, and in many cases lower domestic consumption, reduced imports and increased exports. In turn, this depresses world market prices, penalizing efficient producers and reducing global income. [180]

Basicly, support policies are mainly in two types:

a) Direct income payments,

b) Other supports (subventions, credit, Research & Development transfers and education and infrastructure services.)

Direct income payment types can be classified as :

1-Deficiency payments,

2-Compensatory payments,

3- Insurance and catastrophe payments.

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[180] OECD, Decoupling Farm Income Support,(Paris: 26 Oct. 1998,[COM/AGR/CA/TD/TC/WS(98)125]) 3.

Or according to another classification, Direct Income Support includes two types:

a) Decoupled (or decoupling) payments,

b) Deficiency or compensatory payments.

In recent years, methods used to support agricultural incomes in developed countries, in particular the United States and the European Union have been changing toward so-called 'decoupled' arrangements. Decoupled payments are direct payments through budget non-related with target group, production, input and income level.

By decoupling support from prices and production, these arrangements are intended to be less market distorting than previous arrangements.[181]

Direct income support payments are direct cash transfers paid upon the cultivated area or produced products. It is applied to compensate the losses due to lifting or decreasing of input or price supports.[182]

The move to decoupled support has been encouraged by WTO (World Trade Organization) rules and has been occurring in parallel with the application of the WTO Agreement on Agriculture. Efforts to reduce distortions to world trade by implementing decoupled support arrangements can have many benefits in principle. The goal of future WTO negotiations is to advance the benefits of trade through reducing market distortions imposed by farm income support policies. Decoupling may be a means toward this end but it is not an end in itself.[183]

Direct Income Support (DIS) is a policy tool implemented as transfers from public resources made in attempts to affect target agriculture producers.

On a general sense, with these politics,

- Transfers not related to the present and future production quantities, targeted group, input usage, income levels, (pure decoupling or decoupled payments) or,
- The payments done under some conditions forwarded upon the targeted groups (compensatory payments) and the payments given for the difference between market price and targeted income level (deficiency payments or premium payments). These are the conditions related with the target group, input, income and production.

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[181] Ibid. 3.

[182] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 2.

[183] OECD, Decoupling Farm Income Support, (Paris: 26 Oct. 1998, [COM/AGR/CA/TD/TC/WS(98)125]) 2.

Direct income payments are cash transfers paid to compensate the losses generated by the lifting the input and price supports and having a non or less distortion affect on income distribution.

In all, direct income support payments emphasized in broader terms are implemented, in reality, in two ways. These are implementations of decoupling or compensatory payments.

The system or political tool that is defined in Turkey as Direct Income Support payments takes places as flexible production agreement payments in USA agricultural law.

While the system implemented in the USA before 1996 was in the form of deficiency payments, it has been begun to be implied as decoupled payments after 1996. While, in EU nations, deficiency or compensatory is taken more into account, systems those are mix of the two systems mentioned do exist.

Decoupled payments require the income payments to be made independent of market prices and production. With the implementation, farmers determine production decisions on expected market revenue.

VII.2. Requirements of Direct Income Support

3 conditions are required not to affect the production level:

1-Direct income support payments independent of production must be made to rely on a fixed harvest area and productivity not to increase harvest areas or productivity through inputs of higher quantity and quality.

2-In order to enable the formation of production decisions to bases market prices (marginal production cost), -payments must be independent of the production quantity of the present year.

3-The amount of payment must be pre-determined and independent of fluctuations on productivity and market prices. [184]

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[184] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 2-3.

VII.3. Advantages of Direct Income Support

The main advantage of decoupling is that it promises to be less distorting than other forms of support. As some governments providing highly distorting support might be reluctant to withdraw the support quickly, they may prefer to reorient it to decoupled support that would distort markets and depress world prices much less.[185]

In respect of theory, the profit maximization of the farmer depends on marginal cost and marginal income. By thinking that the fixed costs will not effect to short term raising decisions, it is expected that the payment to be made in fix and in advance does not effect the decisions of the farmers. This matter explains the theoretical situation, which lies under the fact of providing advance income for the farmers without taking into consideration the size of the enterprises. A payment paid in this way means the most basic way of decoupled payments.[186]

With fully decoupled support, farmers receive payments that are not linked to their current or future production decisions, their input use or to world prices at all. They receive it even if they do not produce anything. An example of such support is predetermined, fixed lump sum payments.

Farmers' decisions about what and how much to produce are determined by two things : a) the returns from additional units of production (marginal returns) and b) the costs of producing additional units (marginal costs). If income support is independent of these two variables, then production and selling decisions will be determined by world market prices for outputs and inputs. This is the conventional theoretical reasoning behind claims that decoupled support is non-distorting or minimally distorting.

Another advantage of decoupled payments is their transparency. Since decoupled payments involve budget outlays, information on them would be open to public scrutiny, thereby exposing governments to further pressures to limit farm support.

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[185] OECD, Decoupling Farm Income Support, (Paris: 26 Oct. 1998, [COM/AGR/CA/TD/TC/WS(98)125]) 4.

[186] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 4.

The conventional theory of decoupling implies that it is possible to disengage farm production decisions from support.[187]

Decoupled payments, in a general mean, affect all of the raising decisions in relation with the free-market conditions. These are:

- The prices and incomes obtained by the farmers,

- Input prices and expenses paid by the farmers,

- Distribution of used input components.[188]

Some other advantages of the DIS can be stated as:

-Increases the Input-output efficiency by the powerful market signal that brings the efficiency in the usage of inputs because of the fact that it is theoretically independent of the production and consumption decisions.

-Can decrease the amount of support by focusing on some groups of producers. Can be applied on the targeted group, which can consist small and medium scaled producers.

-Lessens the income distribution distortion.

VII.4. Pre-conditions of Direct Income Support

Some pre-conditions should be provided for direct income support payments. The conditions were given in below:

-The target groups or target regions are determined is the first.

-The target variables should be determined. These can be effecting of incomes of farmers, an environment contended policy, struggle against erosion and social criteria.

-The application period of the program is determined.

-The necessary conditions that should be complied by those benefiting from this program.

-Necessary conditions in order to participate in the program can be depended on specific conditions of farmer or it can also be in regional or local position.

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[187] OECD, Decoupling Farm Income Support, (Paris: 26 Oct.1998,[COM/AGR/CA/TD/TC/WS(98)125]) 4.

[188] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 3.

-The limits should be determined carefully.

-The arrangements of the payments should be defined

-The aims of the application should be announced: These can be: a) supporting a specific group b) supporting all farmers c) to compensate the losses of lifting the other support policies d) addition to existing support tools.

-DIS should be kept in fix or kept out of control of farmers (for example in accordance with one base year), if it is related with a production variable. Obtaining necessary improvements as the time passes; the quantity of this should be decreased. Direct income support may require the fact that the government retreats from agricultural researching, publication, environment contented programs, rural development, infra-structure investments and from all of its other policies in future phases and in long term. When this occurred, it can be subject that advance income aid programs are applied.[189]

VII.5. Newness of Direct Income Support

-In this respect, decoupled payments application can be perceived as a great opinion and newness in minds of farmers, organizations of farmers and the institutions responsible from the budget. However, it is useful that 3 points should be stated for the fact that his application is accepted by the producers.

These are:

- The producers can think that the application is a mean that can eliminate completely their price and income supports. The acceptation of the application depends on the position of the fact that the supporting level before the application is equal to the incomes after the application.

- In case of income aids depending on advance payments; it can be resulted that the producers use this new source for purchasing of new field and machinery. However this will both increase the prices and the cost for the producers of fields and machinery, and on the other hand, will increase, in respect of the productivity in the unit area, the

[189] Ibid. 3.

production of the farmers with the advantageous position comparing with the other producers without advantageous position.

The advance payment increases the risks of the producers. The market price difference risk passes from government to the producers. However, protecting the producers from price risk is one of the main goals of the agricultural policies. A certain payment limitation (for example USD 40.000) per producer joining to USA agricultural programs can be seen as a form of this application. The producer, when reaches to this payment limit, will use market price in place of target price as indicator in order to determine the level of production. [190]

VII.6. Shortcomings and Deficiencies of Direct Income Support

Wise use of decoupling can reduce distortions and therefore provide benefits. However, there remain practical concerns.

- Even with care to minimize them, distortions from decoupled support arrangements can be appreciable.

- Most current efforts to decouple support in line with WTO arrangements fall well short of full decoupling.

- There are potential dangers in countries claiming that their support arrangements are decoupled when in fact they are not fully decoupled and therefore remain substantially market distorting.

These concerns highlight the need to design strict rules, definitions and monitoring arrangements for decoupling. [191]

VII.7. Disadvantages of Direct Income Support

In practice, however, it is virtually impossible to break the links between income support and marginal costs and returns - which, in turn, influence production and create

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[190] Ibid 4.

market distortions. This is because of the additional effects on production of farm policy induced change to farm income, wealth and risks - often ignored by commentators. All of these effects are influenced by decoupled payments in ways that increase production.

Decoupled payments increase farm incomes and farmers' wealth over returns from the market alone. Given a farmer's specialized skills and knowledge in farming, and the absence of perfect capital and information markets, significant amounts of decoupled payments are likely to be invested in the farm. These payments would increase farm input use and allow access to improved technology, which would increase production and distort agricultural markets.

The payments increase income and wealth and, depending on how the payments are structured, can reduce risks from income variability. If, for example, the payments are large and stable relative to market earnings, aggregate incomes will be higher and less variable than from market earnings alone.

The reduction in income risk can reduce costs of borrowing by exposing lenders to lower risks of loan default, thereby increasing farm investment and production.

Further, based on past experience, farmers may be justified in believing that establishing a basis of high production may provide the basis for higher payments under future support arrangements. This would give them an incentive to expand output. Expectations about the impact of current production decisions on future support could therefore reduce the extent of possible decoupling and lead to market distortions.

Another disadvantage with decoupled payments is that they involve costs of collection, administration and policing. More importantly, they add to costly distortions in resource use through the need to raise additional taxes to fund the payments.[192]

Some other disadvantages can be listed as:

- can create a cost affecting the whole economy by the additional taxes because of the fact that DIP will be directly provided through budget.

- Producers face more price risks due to the fact that fixed payments are not related with the market prices.

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[191] OECD, Decoupling Farm Income Support, (Paris: 26 Oct.1998,[COM/AGR/CA/TD/TC/WS(98)125]) 3.
[192] Ibid.5.
[193] Ibid. 8-9.

- Additional reforms are required in order to increase the efficiency of the payments.

VII.8. Changing Forms of Support in the World

The United States and the European Union were key players in the Uruguay Round, and are expected to remain so in future WTO agricultural negotiations.

The European Union significantly reformed the Common Agricultural Policy (CAP) for cereals, oilseeds, protein crops and beef in 1992. The EU Commission has proposed further reforms in *Agenda 2000* (European Commission 1997), which were refined in a proposal in March 1998 (European Commission 1998).

The United States, in *The Federal Agricultural Improvement and Reform* (FAIR) *Act of 1996*, introduced changes toward decoupled support for some major crops.

The European Union's Agenda 2000 proposes strengthening the 1992 reforms by extending them and by extending domestic support measures such as environmental and regional payments, which might be construed as green box measures.[193]

VII.9. Direct Income Support in European Union

European Community has formed Common Agricultural Policy (CAP) four years after its establishment. During the period following the establishment of CAP, through the intensive supporting policies that it applied both in local and foreign trade, European Community has moved to a net exporter position from a net importer position in agriculture products and become self-sufficient in many products and in some of them come face to face with the problem of production surplus. By means of CAP applications, developments in European Community caused EC to become the largest exporter in world agriculture and decreases in export of the USA. As a result of this situation the USA began to put pressure on for taking the trade of agriculture products into the GATT negotiations. Although EC opposed to this for a long term, since the CAP application put an increasingly burden on budget, it accepted to place the trade of agriculture products in the negotiations under the scope of Uruguay Round negotiations (1986-1993). [194]

Under these developments, when the supporting devoted to agriculture sector in EU is examined, it shall be noticed that agriculture sector has been handled in an integrated way and besides increasing productivity in agriculture and ensuring the stability in agricultural product prices, also increasing farmers' incomes and conveying the agriculture population to a higher standard of living take their places among the most important targets. And with this aim, almost in all products, Common Market Orders have been established in EC. With in the frame of these arrangements, a price and intervention policy has been traced, thus agriculture sector and producers have been continuously protected. In recent times, reform needs arise time to time due to both internal and foreign effects and the most significant reform had been realized under the scope of Mac Sharry Reform that had been put into practice in 1992 and Agenda 2000 which may be considered as the supplementary of the first one. [195]

Mac Sharry Reform that had been put into practice in 1992, had projected new arrangements in products, included in Common Agricultural Policy, such as Cereals, Oilseeds, Protein crops- (COP), tobacco, milk, beef and mutton. Following the offer that European Community Commission has made in 1991 regarding Cereals, Oilseeds, Protein crops-COP, Council agreed on a legal arrangement resolution in 1992.

The basic elements of this reform;

-Decreasing the price supporting,

-By means of direct payments, compensation of the producer income losses that may occur due to the low prices.

-Direct control of supply by measures that shall restrict the usage of production tools (arrangements regarding the subjects such as leaving the lands unplanted and putting the animals out to pastures (set aside policy))

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[194] Tayfun Özkaya, and Oguz Oyan, "Türkiye'de Tarimsal Destekleme Politikalarinin Dünü-Bugünü-Gelecegi," TZOB, TÜSES, Türkiye Sosyal Ekonomik Siyasal Araştırmalar Vakfi, 2001, 17 May 2001, <http://www.agr.ege.edu.tr/~teder/sonrapor.htm> 17.

[195] Tayfun Özkaya, Turkiye ve Avrupa Birligi'nde Tarim Sektörüne Yönelik Desteklemeler, Ege Universitesi, Ziraat Fakültesi Tarim Ekonomisi Bölümü, 25 Jun. 2001, <http://www.agr.ege.edu.tr/~teder/Sonuz5.html> 4.

Also the program of partial arrangements of supports according to the scale of agricultural enterprises, that is projected to be applied in a restricted way, is in question.

The aim of this application is to regulate the supporting distributions in the benefit of small-scaled producers and its reason is that when the supporting distributions are handled, eighty percentages of the supporting reach only the twenty percentages of the agriculture enterprises in the current situation.

In order to compensate the decrease or annulment of supporting prices, for each product in question, practice of payment per hectare has been initiated. In this application, past term productivity had been taken as essential in the basis of regions and it has been projected to make the payments, except producers owning small scaled enterprises, in return of leaving a land in specific rate out of production. It had been taken as essential to make payment for the uncultivated area also. [196]

Practice of dividing into regions demonstrates differences according to each country. Region productivity has bee frozen in 1993 as the constant reference productivity in the practice of dividing into regions.

Together with reform, European Community total basic planting area had been determined as 53.5 million hectare. Each year, member countries compare the basic planting areas with the paid areas and when there shall be any surplus, it is being decreased within the same ratio in question to the payment per producer in the current year. And for the following year, regional producers, included in the *general scheme*, shall have to execute the requirement of *extraordinary non-planted area* practice, in the amount of exceeding ratio, without any compensation payment.

In response to these measures, Community basic planting areas have not been exceeded and member country basic areas rarely gave superfluity.

Every COP products producer who wants to benefit from compensatory payments has to make a preference between "Basic" scheme and "General" scheme every year.

In "Basic" scheme practice, for producer to benefit from direct income payment, he should not exceed planting area that equals to 92 tons of cereal production (approximately 20 hectare) in his own yield area. In this case, it is not required to leave

[196] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 8.

this planting area without being planted and appropriate COP products benefit from the payments given to cereals for the entire of the planting areas.

And in "General" scheme practice, producer shall leave the specific percentage of his stated planting area non-planted, in addition to the payment on product basis, he may benefit from the compensatory payments for the area he left non-planted.

In this different practice, small-scaled enterprises have been protected. As a result, producers may transfer their rights for leaving their planting areas non-planted to the other producers under some specific conditions. [197]

Transition to direct income payments practices in the result of reform, development of Integrated Administration and Control System [IACS] has been required to ensure the efficient management and control of the system and in order to evaluate the producer statements. IACS, includes both of animal and vegetable products. System has been anticipating that the producers shall apply only once in a year and state the number of their animals and their planting area and to enter these data obtained (national and regional) to computer media. Remote sensation has been encouraged by the Commission since it facilitates to controls and it is widely used for this purpose.

There are some claims in question, querying that the compensatory payments in European Community are not decoupled payments or as they are deficiency payments. When the effects of reform on budget expenses and producer incomes shall be examined, regarding the Cereals, Oilseeds, Protein crops-COP, increase in gross added value had been realized respectively as 22 percent, 27 percent and 29 percent and budget expenses had been increased to 16.4 billions of ECU in 1996 while it was 10.2 billions of ECU in 1992.[198]

In the result of the realized reform, regarding the production surpluses and burden on budget, steps were taken backwards. For example, when there was an examination in the cereals, it is seen that production has decreased and usage of cereal as a fodder has increased (BML, 1997). Besides these, while the income per person in agriculture has been demonstrating differences among member countries, it has increased annually in the amount of 4.5 percent. Along with the transparency of supporting to the producer, the positive results of the reform have been observed also on consumers. Decrease in price

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[197] Ibid. 10.

supporting and drawing back the prices to world level, has been in the benefits of the consumers (Agenda 2000). By means of these developments, among the total transfers made to consumers, price support that was 95 percent in 1979, decreased to 55 percent in 1997. In return of this, share of direct payments increase to 30 percent in 1997. (OECD, 1998).

At present, it has been applied on 13 products in European Union (wheat, corn, barley, oats, rye, rape seed, sunflower, soybean, dried beans, bean tobacco and etc.)[199]

Reform brought some problems together with itself. These are the complexity of the system, nonconformity between the arrangements in some respects, large enterprises getting shares from payments in great ratios as it was before the reform and the risks caused by instability in market conditions and the negative impact and image in the mind of public generated by the payments done to the farmers not producing or producing inappropriate products.

When the reform is assessed as a whole, from 1992 to 1996, the producer incomes demonstrated a 4.5 percent increase; the prices converged to world prices, the consumer prosperity rose, public stocks reduced, and the budget expenditures became more transparent. The strategy document, *Agenda 2000,* issued by the European Commission in July 1997, focused on three fundamental points. These include the expansion of the Europe Union by 11 new countries, more effective utilization of the Structural Funds with the expansion process also considered, and finally, the new reforms to be implemented into the Common Agricultural Policy. The objectives of Common Agricultural Policy include the augmentation of competitive power by lower prices, supply of reliable and quality food to the consumer, inclusion of environment-related goals to the means of politics and finally the development of alternative income and business opportunities for the farmers. [200]

Within the context of Agenda 2000, it was stated that the reduction in the price support for particularly the basic agricultural products should be continued parallel to the

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[198] Ibid. 11.
[199] Tayfun Özkaya, and Oguz Oyan, "Türkiye'de Tarimsal Destekleme Politikalarinin Dünü-Bugünü-Gelecegi," TZOB, TÜSES, Türkiye Sosyal Ekonomik Siyasal Araştırmalar Vakfı, 2001, 17 May 2001, <http://www.agr.ege.edu.tr/~teder/sonrapor.htm> 17.
[200] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 12.

reform and the loss of the producers caused by this reduction should be compensated by direct payments. [201]

As a result of all these arrangements, the lower prices are said to increase the competitive power of the products and cause an increase in exports with no refund. In addition, it is also stated that the exporting countries will gain benefit on significant agricultural products as the studies conducted on market research reveal. The expectations indicate for the next decade that the developing countries will have limited opportunity to increase their own production and therefore the global commerce will be refreshed with the global prices remaining constant. In addition, one of the most significant factors that will increase the demand for food is indicated to be the increase in the world population and income. It is emphasized that the world population is anticipated to have an increase by 85 million between 1995-2005 and the economic growth particularly in under developed countries will boost the demand for food. (Agenda 2000)

Within the context of Agenda 2000, it is stated that the establishment of an effective regulation on environmental protection considering the increasing worries about safety and quality of food, protecting the environment and animal health and assurance of the life standards of those involved in agriculture, the augmentation of EU's competitive power in foreign trade and the replacement of income supports by direct payments constitute the primary objectives of CAP as well as the expansion of EU and the effective utilization of structural funds within this context are included in the significant issues of Agenda 2000 (Agenda 2000).

The total transfers made by the EC to agriculture equaled to ECU 102,180 million between 1986-88 where this amount became ECU 123,308 million between 1991-93, and finally as estimated by the OECD, ECU 127,156 million for 1998. During the period from 1986 to 1988, total transfers increased by 24 percent in 1998 (OECD, 1999). As a result, EU continues its intense support to agriculture sector as USA does. [202]

In general, as a result of the reform, significant improvements in market balances have been achieved, significant reductions in the stocks of the products, on which the

[201] Tayfun Özkaya, and Oguz Oyan, "Türkiye'de Tarimsal Destekleme Politikalarinin Dünü-Bugünü-Gelecegi," TZOB, TÜSES, Türkiye Sosyal Ekonomik Siyasal Araştırmalar Vakfi, 2001, 17 May 2001, <http://www.agr.ege.edu.tr/~teder/sonrapor.htm> 17.
[202] Ibid. 18.

reform was implemented, have been provided and grain production has been taken under control by limiting the planting area (Agenda 2000).

The reform had also environmental impacts.

Another impact of the reform is indicated to be on the consumers. The reduction in price supports and the introduction of direct payments has widely resulted in consumers' favour.

In accordance to the reform made in 1992, within the context of Agenda 2000, further replacement of the price support policies by direct payments and the continuation thereof have been highlighted. The objectives of the Common Agricultural Policy have been described below.

- The augmentation of competitive power by lower prices; here, with the harmonization of the new members of the EC, it is emphasized that the compliance to the provisions of WTO as well as consumer benefits will be achieved.

- Increased reliability and quality of food,

- The assurance of the life standards of those occupied in agriculture and the provision of a stable income,

- Inclusion of environment-related goals in the Common Agricultural Policy; use of environmental methods and enhancement the manufacturers' role in this issue.

VIII. CRITICISM FOR AND COMMENTS ON THE AGRICULTURAL REFORM

In the preparation of the agricultural reform, generally, the conditions of formations of organizations with an economic and political structure such as the World Trade Organization (WTO), the European Union (EU), International Monetary Fund (IMF), the World Bank (WB) and OECD are taken as the basis. Before making an evaluation asking "What's Turkey's problem, is it true to accept these conditions unwillingly on grounds of development of agriculture, what can be done if this is true?" statement that is required to fall in line with the projections of external conditions is not considered as sufficient with regards to the agenda of the domestic agricultural sector.

VIII.1. Assumptions Taken as a Basis for Reform Need to be Discussed

1-The first of the assumptions that need to be discussed is the acceptance that "countries with a highly developed agricultural sector such as the USA and EU countries should be referenced for Turkey as well and that what they do today in the agricultural sector is also valid for Turkey". Yet, the needs of the agricultural sectors of these countries are different than those of the agricultural sector in Turkey.

- These countries succeeded in protecting their soils.

- More importantly, they have improved and developed their soil and water resources.

- A step further, they validated production processes that utilized the soil in a productive manner.

- They developed their optimum-size enterprises of economic quality on the protected and improved soil.

- After having realized "a structural reform" containing this entirety, they achieved "the highest productivity with the least cost" through the use of "superior technology and correct input". At the end of such a development process, they increased their production extraordinarily, but this time the stock costs of the surplus products became an item of the agenda. To solve this problem, on one hand they developed the exportation possibilities of the surplus products through the WTO while on the other hand they began to implement direct support methods in the sense of "I'll pay so do not produce" not to produce much.

- The percentage of those earning their lives through agriculture has come down to 3 and 5 percent. That is to say, the agricultural sector is not a societal sector concerning a big producer group, but an economic sector for these countries. Whereas the agricultural sector is a sector with economical aspects and a sector with dominant social aspect due to a group of 33 percent living in the rural areas and a group of 35 percent employed in agriculture.

2- The second acceptance that needs to be discussed is the view that "the consumer suffers most from agricultural sector supports".

- Even if it is assumed for a moment that the prices the consumers pay for agricultural products in Turkey is high compared to world prices, agricultural supports are not the only reason for this. Because, according to the studies made, the producer earns only one third of the price that the consumer pays for agricultural products. An important part of the price is formed of unearned Market chain incomes.

- In addition, the consumer subventions in practice and the exportation subventions that have reached to large amounts have a great role in the formation of world prices that are stated as being lower than those of Turkey are. Furthermore, this is caused by the share of industry in the basic foodstuffs that the consumer paid for.

Meanwhile, one needs not forget that the consumer is not formed only of the urban people and that 35 percent of the consumer group is rural people.

3- Another assumption is that "the rate of supports is too much and they need to be decreased".

Analyses made with the OECD standards illustrate that the Estimated Produced Support is 15625 dollars in the EU and 13275 dollars in the USA while it is around 1400 dollars in Turkey.

- The same analyses reveal that the Producer Support Estimate (PSE) per producers per producer area was 196 dollars per hectare in Turkey 1999 while it was 360 dollars in the OECD.

As you may see, net supports for the agricultural sector has decreased in real terms and in percentage by time. One will observe that upon distribution of the 2.7 billions of net support in 1999, only a net support of 600 dollars per year falls to each agricultural sector producer families of about 4.5 millions. If one keeps in mind that such a small amount is paid to the producer months later in this inflationist environment, the picture will become clearer.

- In some evaluations made regarding the subject, it is set forth that the above-mentioned finance is provided from banks and similar resources over high interest rates and therefore the cost of support is much more. However, one needs to notice that the responsibility of this is not the agricultural sector but the general economic and financial picture.

Another issue that needs to be mentioned at this point is that the agricultural sector is not the only group being supported in Turkey and that many other groups are also being supported.

VIII.2. Proposals Forwarded for the Reform Need to be Discussed

1- To achieve the realization of "technological development" proposal, ensuring a structural development in the agricultural sector is absolutely necessary. Implementation of a proposal such as a technological development depends on the formation of a physical, economical and social structure within agricultural sector enterprises to be able to productively use such economic development.

2- Second basic proposal is the "development of production resources". Improving soil and water resources is not a process that could only be achieved through physical investments. As long as the people living and earning their lives on that soil are not moved to an environment where they can produce economically and productively, it is impossible to develop these resources only by the possibilities of the government. It is believed that without implementing a 'structural reform scenario' projecting the obtainment of soil reserves for enterprise optimization and integrating this to the organization of producers, it is impossible to solve the problem only by physical investments to develop soil and water resources.

3- A third proposal is the "lessening of price interventions". When making this proposal, it is projected that the 'deficiency payment system' named as the "Premium" system in Turkey will be implemented, but the main solution is the implementation of 'Direct Income Support to the producers system'.

This approach is based on the logic to "provide cash directly to the producer in need without using agriculture". This approach, which is valid in countries with a highly developed agricultural sector where large amounts of production is made through productivity, does not fall in line with the development requirement of the Turkish agricultural sector. Because, the Turkish agricultural sector needs structural reforms first. It needs to provide the production that may be ensured by Turkey's production potential both qualitative and quantitatively. Turkey should avoid from producing what it should not, and head towards what it should. Turkish agricultural sector producers need democratic and realistic organizational structure of producers for many reasons. Therefore, proposal of the methods (such as direct income support) valid for the agricultural sectors of developed countries, can not be correct for the Turkish agricultural sector requiring correct supports for development. The method of saying to a group of people who do not make agriculture willingly and with excitement "I'll give you money if you forget about agriculture" will lead to giving up of a group of people already inclined to escape from rural areas and break off from the agricultural sector. Moreover, since the direct income support payments made will go to consumption instead of the agricultural sector, achievement of allocated resources and their contribution to the agricultural sector will be impossible.

4- Proposals that irrigation, rural development, infrastructure and development of Research and Development investments and environmental policies' gaining importance during the period are very useful proposals in the event of validation of "restructuring strategies" formed of "structural reform – new production line- development of organization and market structures" axes.

Due to the stated reasons, it is believed that immediate removal of price supports and input subventions, and replacing them by direct income support is not correct.

For the development of agriculture, it will be useful to maintain the supports of important inputs such as irrigation, quality seeds and quality animals for breeding that are as important as the fertilizers and the investments that will produce them. [203]

Average amount of subventions in OECD generally per agricultural enterprises was 15.372 in 1992, and became 14.493 in 1996 demonstrating a decrease of about 6 percent. This value is at the level of 575 dollars per enterprise in Turkey. When the said OECD values are examined with compared to the cultivated areas, support amount of 298 dollars/hectare in 1992 has decreased by 15 percent in 1996 and went down to 254 dollar/hectare; and 96$ /hectare in Turkey.

As a result, the subventions practiced in Turkey are very insufficient against the subventions in OECD countries. Productivity is low, and thus the costs are high in Turkish agricultural sector. This requires agricultural supporting. The governments make improvements aimed at the agricultural sector in developed countries and improves the infrastructure possibilities (such as land consolidations, roads, water, electrification, drainage, irrigation, transportation, technical know-how assistance and marketing). These possibilities increase productivity while on the other hand they cause the decreasing of costs and therefore increase of incomes of producers.

Practices to this date show that the aim of support policies is not clearly stated.

With the agricultural support policies being implemented, not all of the resources transferred reach to the farmers. Therefore, an increase fitting to Turkey's potential in agricultural production and exportation is not provided. And the producers' market knowledge that will let them make decisions regarding production is not sufficient. In the support system in practice, price differences arising in some products due to product variation and regional differences prevent the producer from heading towards quality

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[203] Mahir Gürbüz, "TÜSIAD Adina Yapilan "Tarim politikalarinda Yeni Denge Arayislari ve Türkiye" Konulu Rapor Calismasina Iliskin Tema Vakfi Görüsleri," TEMA Vakfi, 7 Apr. 2000, 7 May 2001, <www.tema.org.tr/tema/kampanya/tema_haber/tarim_politikalari.html> 1-5.

product, production and technological innovations. Moreover, lack of coordination between the organizations prevents the effective conduct of activities relating to implementation.

For the agricultural support policies to be successful, one first needs to determine its aims and means very well. On the other hand, one needs to consider together the price policy practiced to ensure that the price policies in Turkey demonstrate a long-term and a stable structure and the policies made to improve agricultural structure in Turkey.

Today, the prices of products within the scope of support purchases is determined and announced at a date close to harvesting time. This prevents both the production of the demanded product and the producer's production decision. If the prices are announced before October, the producer will be able to arrange its planting area accordingly.

As a result; the government's role as the regulator should be maintained and its interference with the market gradually decreased. Agricultural support policies should be structured based on the development of production in accordance with the conditions of the market in free competition conditions and taking into consideration more productive utilization of public resources allocated for this purpose. However, support through prices only does not bring a solution to the producer's problems. If structural, functional and economic-situational agricultural policies are implemented together, effective use of the finance allocated for support in the agricultural sector will be ensured.[204]

VIII.3. Reform Proposal in IMF- Letter of Intent dated 9 December 1999

The ideas mentioned in the Letter of Intent dated 9 December 1999 are completely on the axis of "Support policies" and are based on completely decreasing or removal of supports accepted having been given to the farmers. However, Turkey's priority problem regarding agricultural and rural land is not the excess, non-necessity or usefulness of supports. Turkey has two basic problems in this field. First is the inability to make agricultural production with internationally competitive prices in Turkey, and second is

[204] Serpil Yılmaz, "Ülkemizde Uygulanan Tarimsal Destekleme Politika Araclari ve Getirilen Yenilikler," Tarim ve Köy Dergisi, Issue: 133, May-Jun. 2000, 21 Feb.2001,<www.tb-yayin.gov.tr/tarimkoy/sayi133/m07.htm>2-5.

that the Turkish farmers, who are poor in general, need loans for production. Both issues demonstrate the need for supporting the farmer, and show the insufficiency of the support made or accepted as being made. The dollar equivalent of subventions paid per farmer in OECD countries is 14 times higher than than that of Turkey.

The Turkish Farmer ended the year 1999 with significant losses. The preceding year, the price of wholesale goods increased by 62.9 percent throughout Turkey and the Consumer prices increased by 68.8 percent. Price increases were 76.7 percent in industrial products while they were only 30 percent in agricultural products. All these indicators showed that domestic trade issues developed against agriculture.

In this negative environment that the Turkish Farmer and agriculture is in, a Letter of Intent has been given to the IMF. Commitments relating to agriculture made in articles 40 and 41 of the Letter of Intent contain very important missing parts and inaccuracies both with regards to the logic of preparation and with regards to the determination of problems and creation of appropriate solutions.

1 – The Letter of Intent has been prepared by not being discussed agricultural sector organizations and institutions.

2 – In the Letter of Intent, "Direct Income Support System" is committed instead of the existing support system.

As for the EU, she keeps on implementing product price support; in addition she covers the produced losses forming as a result of decrease of domestic agricultural products to the level of world prices together with the 1992 reform by "Compensatory Payments". Direct Income Support (DIS) is not an agricultural support but a social type of support gradually decreased. It has no wrong aspects if implemented in countries with necessary infrastructure and which have solved its agricultural problems in the sectoral sense. In some countries where development of agriculture is out of scope and production reduction is targeted just to the opposite, protection of the income of the agricultural sector comes out as a basic approach. Direct Income Support is a means of policy perfectly suitable for this purpose.

As per this edict; maximum amount to be paid for each farmer in pilot areas is 199 decare * 5 $ = 995 $, in other words about 600 millions TL (by 2000 prices). The World Bank already wants the existing agricultural support of about 3.5 billion dollars to be decreased to 1.4 billion dollars in 2002. USA, in addition to the 5.8 billion dollar Direct Income Support it was required to pay in 1998, has paid 4.5 billion dollars. Total support the USA gave to the agricultural sector in 1998 15 billion dollars while the support of EU was about 45 billion Euros.

3 – Turkish agricultural sector has priority problems that need to be solved.

Turkey has very important agricultural infrastructure problems. With its current structure, it is impossible that the agricultural sector become a technical sector.

4 – Policy measures required urgently for the solution of these problems are;

Agricultural population and number of agricultural sector enterprises should be reduced, for this purpose;

a) Land reform should definitely be carried out.

b) Producer unions organization should be established and a producer identity open to innovations and supporting the solution of its own problems.

c) An optimum production pattern should be created for Turkey.

d) Rural and agricultural infrastructure (transportation, communication, electrification, mechanization, potable and irrigation water supply, training, publication etc.) need urgent improvement.

5 – However, the undertakings in the Letter of Intent is making a mistake of diagnosis in the determination of and taking measures for the urgent problems of the agricultural sector.

6 – There are undertakings regarding the grain support system to be practiced in the year 2000 before passing to the Direct Income Support in the Letter of Intent.

When taken into consideration the increase in production costs and inflation, it becomes evident that the agricultural sector is not supported but rather taxed.

7 – Important problems that may arise in Turkey should the Direct Income Support System undertaken to be put into effect in 2001/02 are summarized below;

a) As in all world practices, direct income payment not connected to production will be decreased in years and the misery of producers already in extreme poverty will increase more.

b) Direct income to be paid to the agricultural sector with a per capita income of less than 1.000 Dollars per year will cover eating-sheltering-dressing needs of producers who struggle to survive under the level of living and the finance gap of the agricultural sector will increase.

c) In the Direct Income Support system, there is no need for intervention organizations. Within this frame, all agricultural public enterprises will be privatized and the common people who are both producers and consumers will suffer most the chaos that will occur in the production–marketing–consumption network.

d) With a Direct Income Support system having no connection with production, implementation and realization of production planning, which is one of the most urgent needs of the agricultural sector, is impossible. Support practices to be paid per agricultural area will lead the producer to products where he can get the most productivity with the least cost, and there will be product stock on one side while shortages on the other.

e) Practices regarding some important products are mentioned in the Letter of Intent while the practices regarding other products are undervalued. However, all products are interconnected to each other due to parity and the products should be taken as a whole. In addition, when measures regarding support price policy and agricultural loan and the input (fertilizer) subventions mentioned in the Letter of Intent are implemented together with other means of agricultural policies, they may render meaningful solutions. However, other means of agricultural policy that may be available are not mentioned in the Letter of Intent.

f) Contrary to what was set forth by the IMF and the World Bank, again the landlords will get the biggest share from the payments to be made on the basis of agricultural land owned.

g) Taken into consideration that still no cadastral surveys are made in a very important part of the country, it is impossible that the registration system, which is the must of the system, be realized until the targeted date. From an unhealthy registration system, again the politicians and landlords will benefit and small producers who will be unable to cope with the bureaucracy will be unable to get its already small share from the system.

h) Again contrary to what is being defended, it is not possible to decrease the burden of the Treasury with the Direct Income Support made on the basis of all agricultural assets of the country. This has two methods; either the payment amount will be kept at low level or the planting areas of certain products in the past will be determined and Direct Income Support will be made only for those areas. Taking into consideration the economic situation of the country, it is impossible to achieve them healthily; in addition, it is obvious that product distinction will be unjust taking into account that the country is formed of different ecological regions.

i) Because in the DIS system the burden is on taxpayers; agricultural and non-agricultural sectors will be brought unjustly face to face.

j) Termination of the input (fertilizer) support with the DIS system will cause immediate falls in agricultural production and in the incomes of producers who are not within the scope of DIS. It is obvious that the termination of support will cause utilization values that are insufficient as the country average and that this will result in agricultural production losses.

8 – How should a support system aiming to develop the agricultural sector and raise the welfare of farmers in this frame be?

Within this frame, works aimed at the implementation in Turkey of 'Deficiency payment system', which pulls the prices of Turkish agricultural products to the level of World products, and covers the producer losses forming at this time directly should be accelerated.

With the Deficiency payment (compensatory payments) to be made with this respect;

a) Domestic prices should be pulled to the level of world prices.

b) With the target price to be announced before the production year, efforts should be made to orient production and the difference between the target price and market price should be paid to the producer as income support. In price formations under the intervention prices to be determined, the government should purchase the products.

c) In order that the processor and the producer start purchasing at the harvest period, possibilities to purchase government stocks with lower prices should be removed parallel to positive macro economic policies.

d) The government's support for agriculture should be increasingly maintained. However, the priority in this support should be used for the formation of rational agricultural policies within the frame of agriculture and land reform.

e) Technical infrastructure, which is still unable to overcome the spot market plane, should be formed enabling the "exchange" system work in "forward" system. For this purpose, product standardization should be made throughout the country, and analysis and storage facilities suitable to the system should be created.

9 – In order that the Deficiency payments system becomes effectively operated in the agricultural sector wherein the agricultural infrastructure is improved;

a) Agricultural problems may first all be solved by macro policies that will be implemented in the axis of Turkey. Multi-headedness results in the "inability to manage" chaos. Legal regulations should be made to ensure that the Ministry of Agriculture is responsible from all agricultural products and all other relevant subjects and this Ministry should be organized so that it can conduct this duty with its personnel and organizational structure.

b) The government should provide all sorts of research and supports services aimed at the variation of rural incomes. Keeping the population in the rural areas as much as possible, causing them to have an income with which they can live humanly and keeping it as far as possible from basic agricultural activities is a rational political option.

c) One of the most important reasons of low producer income is the problem in marketing channels and its settlement passes from breaking of the food market mafia. Producers are able to market their products in big cities through the producer unions.

d) Results of privatization efforts in agriculture have been destruction for the agricultural sector. Therefore, privatization of agricultural public enterprises should be stopped, however they should be brought to a situation where they will be away from political influences and work autonomously and rationally.

10- It is stated in the Letter of Intent that the loan interests will be kept high and Ziraat Bank loans will be restricted.

The idea of not decreasing the loan interest rates and restriction of loans is never realistic for Turkey. One of the basic properties separating agricultural production from trade and industry is the low speed of rate of return of capital. For this reason, there is no chance to make agricultural production by commercial loans. Such an approach will take the farmers out of agriculture.

It is stated that the Board of Agricultural Support and Orientation, and Booard of Restructuring in Agriculture and Support formed of representatives of various organizations have been set up. Formation of such Boards means the maintenance of the existing system just to the opposite of what is said and that the Ministry of Agriculture accepting that it shared its powers that should be under its responsibility with other organizations finding itself insufficient. [205]

VIII.4. Agricultural Sector in the 8th Five-Year Development Plan

Long-term Strategy and 8th Five-Year Development Plan (2001-2005), was approved in the 119th seating of the Turkish Grand National Assembly (TBMM) on 27.06.2000 and published in the Official Gazette with date 05.07.2000 and repeated volume number 24100. The text consists of 10 Chapters, 266 pages and 2088 articles.

VIII.4.1. General Agricultural Policies

In the first Chapter titled "Current Status", macro indicators relating to agriculture are mentioned, it is stated that the pilot project aimed at the implementation of Direct Income Support Aimed at Farmers in the year 2000 for the partial removal of negative aspects in the agricultural support system, and also the enacted and non-enacted laws were mentioned.

1. *Direct Income Support System aimed at Farmers* is not a policy tool that can remove the negative aspects of existing support policies as mentioned in the Plan, and it is already not aimed at this. With this system, the connection of supporting is broken from production, and the agricultural support system is transformed completely into a poverty

[205] "IMF'ye verilen niyet mektubunun tarimla ilgili hükümlerine iliskin TMMOB Ziraat Müh. Odasinin Basin Aciklamasi," TMMOB, Ziraat Mühendisleri Odasi, 10 Sep. 2001, 1 Dec. 2001, <www.tmmobzmo.org.tr/imfniyet.html> 1-4.

payment. And these payments will be decreased by time and then completely removed. This system is an instrument implemented by USA and EU, which have liberalized agricultural trade by GATT Uruguay Round, for all countries against the obligation to increase their exportation shares in order to get rid of traditional agricultural competition and make surrounding countries agricultural product buyers destroying their agricultural productions.

2. Governmental Decree in the form of Law regulating the trade of Fresh Vegetables and Fruits has a content breaking the chain between the producer and the consumer and increasing the commission rates of intermediaries exploiting the efforts of masses of people on both sides. Law on the Agriculture Sales Cooperatives tries to privatize the processing/utilization units that have been caused to suffer losses with political decisions under the name of autonomization although they belonged to the producer by transforming them into Joint Stock companies, and more clearly to make a present of it to some people. As for the Board of Restructuring in Agriculture and Support, it means the legalization of its reduced role in the determination of agricultural policies of the Ministry of Agriculture and Rural Affairs.

3. One of the most important and first activities of the Republic Turkey regarding agriculture was to take TEKEL out of the control of the Regie administration. The process demonstrates that a development on the contrary will be performed in a near future. As for the Draft Law of Producer Unions, although it has positive provisions as a text, in practice they inhabit the risk of being used as non-governmental organizations by-passing the public and being added to the international capital or to formations alternative to cooperatives.

4. The Plan accepts the fact that domestic factors lost their significance in the determination of agricultural policies. Agricultural policies are now being oriented within the frame of Direct Income Support Payment agreements whose principal actors are the USA and the EU, and the countries with no effects in the formation of these policies are given the role to 'adjust to these policies'. Undoubtedly, these policies are not to the benefit of surrounding countries that will adjust to them, but of the actors who have formed them.

5. Taking the public sector out of the agricultural sector that has a rather bad and insufficient infrastructure, that is unable to utilize finance and technology sufficiently, where input costs are continually increasing and where there are very big problems in marketing channels and leaving the villager alone with the capital and targeting food safety by such an agricultural sector is impossible. One should not undervalue that the countries pioneering in liberalization policies in the agricultural sector give corporate support to the agricultural sector using any sort of instrument possible to reach this strong structure, and that these supports are still continuing although their structures have changed.

6. Turkey's experiences have proved that project supports to be given directly to the producer will not be long breathed. Not the producer but the production itself should be supported.

7. Contractual agriculture in Turkey is conducted not within the frame of contractual relationships but on the basis of commitment. With the promissory notes and undertakings the producer signs at the contract, a production in exploitation form is being made and formulae is being made that where all benefits will be reflected to the industrialist and all probable damages to the producer.

8. The Plan projects the privatization of agricultural public enterprises in an implied manner.

9. Measures such as making of detailed soil studies, support of animal raising etc. the plan targeted are not works that may be succeeded without having resorted to public organizations aimed at these targets.

10. The Framework Agricultural Law should be in the form of an 'agricultural constitution' that can be referenced by all laws that will be formed in relation to agriculture. In this respect, it is rather significant for the future of Turkey that the framework law is produced by democratic participation of all groups of people.

11. For the Union of Turkish Chambers of Agriculture evidently in need of a change of law, not mentioning the enacting of a law despite the demands of the organization, and mentioning indefinite "arrangements that will increase activities" strengthens the general opinion that "no effective pressure group is wanted for the farmers".

12. Sentences beginning with "Restructuring of agricultural public enterprises" refer, as concretized in here, to the privatization process that has been started against these organizations.

13. More important than who is in the Board of Restructuring in Agriculture and Support is the question that who has the decision quorum. In these boards, the producers for whom decisions are being taken and the organizations representing them should have the power.

14. Before the commencement of "agricultural reform" years, seeds required by the Turkish agricultural sector were produced by "General Directorate of Agricultural Enterprises" (TİGEMs) and distributed them to the producer. But later TİGEMs were taken out of this scope and most of this area was left to the importing private sector.

15. With the support of TMO (Soil Products Office) in the 1980s, fallowing lands were lessened by bean planting. However taking TMO out of this field prevented the said development.

16. Particularly the coastal strip of the country has ecological conditions suitable for planting a second product. As a second product, plating of oil vegetables (corn, sesame, sunflower, soy) the country is short of need to be supported.

17. There are wide insufficiencies in the struggles against insects by the public sector. With the reorganization in 1985, dissolution of Agricultural Struggle organizations and the trained personnel has created a gap that is impossible to fill in this area.

18. In EU countries, which have achieved very important increases in agricultural product values with the Common Agricultural Policy they have implemented, use of fertilizers have increased three times between the years 1960-90. In this regard, fertilizer consumption per hectare of 295 kg in France and 170 kg in Greece is 83 kg in Turkey. In this respect, Turkey is not in a situation to made a reduction in the use of fertilizers and agricultural drugs that are of the most important determinants of production with respect to quality and quantity at the rate targeted by the two giant agricultural potential on both sides of the Atlantic.

19. In recent years, there are black clouds over the sugar industry and sugar beet producers. First the sugar stocks were increased by uncalculated (perhaps calculated) imports, sugar production costs of sugar factories with non-renewed technology used in

wrong fields with political decisions have increased, and as a remedy of this process, quota practice for sugar beet has started.

20. Although Turkey has made so much import of breeding-animals, these activities had no positive effect on the cattle population. First of all, trying to make a sensitive importation such as "cattle for breeding" in short periods of time made a negative effect on the price and quality of the breeding-animals. Furthermore, an important part of breeding-animals, which have been distributed to producers without setting up a physical infrastructure and training the farmers, have died or used as butchery. As a result, a process resulting in the wasteful expenditure of public resources has been experienced.

Despite her undertakings, Turkey does not make butchery cattle import since 1997, and it is known that big amounts of smuggle animals are brought into the country and public authorities too confess this fact. As a result, this importation ban does not benefit the producer, and the consumers are being obliged to endure the gradually increasing meat prices.

21. Animal husbandry is a very important agricultural sub-sector for Turkey from the point of two basic views. First of all, in the wide fields of Turkish rural areas where the ecology restricts even vegetal production, stock raising is the most important source of income. Other than this, the most sensitive sub-sector in a probable Turkey-EU approaching is stock raising.

22. In this frame, work for the determination of green lands and pastures should be completed as soon as possible, animal production costs should be reduced with the feed capacity increased with these works, which also contain improvement of these areas.

In addition, realistic works need to be done regarding 'increasing the production areas of feed plants'.

23. Turkey has to improve its water products policy not for increasing production but for protecting it.

24. To prevent EU's using hygiene terms as a non-tariff barrier, sufficient technical knowledge should be formed and keep prepared.

25. Within this context, no ecological and limnological studies about Turkey's whole internal water resources have been made.

26. In the same manner, the amount of the size of the stocks and the annual hunting capacity of the seas that Turkey has the coasts of have not yet been found out. Without these findings, it is clear that no continuous water-based products management can be realized.

27. The deficiency of marketing infrastructure of water-based products should be overcome with the understanding of formation of cooperatives. However, there are great deficiencies in this field. The water-based products market share of cooperatives is in the levels of 5 percent.

Accepting the Letter of Intent that was written only with the "participation" of the treasury bureaucracy as the main axis, the Plan said to have applied the principle of participation during the preparation stage, contrasts with both planning and democratic participation principles that must be used as the method for the preparation of a plan like this.

17th article of the mentioned letter with the heading "Structural Reform":

"... Privatization process will continue in the year 2001 and in this manner, the portfolio of the firms that will be transferred to the Privatization Office by the end of August have been determined. This portfolio contains **TŞFAŞ (Sugar), ÇAYKUR (Tea)...** etc. Additionally, it is intended to privatize some sections of TEKEL"

In the section of the letter with the heading "Agriculture Policy",

- Credit subventions have been abolished,

- Support prices have been increased in accordance with the mechanism described in the Letter of Intent dated December 9,

- the Law of Agriculture Sales Cooperatives have been enacted

It is stated that in the year 2000 three new laws will be enacted "to apply reforms within TEKEL and to abolish tobacco support price mechanism".

Agricultural public enterprises are the conduction aims of the agricultural policy of the public. State Planning Organization creates the plans of the determined targets. In contrast with this, in a process where State Planning Organization does not take place, doing some dated definitions relating privatisation of Agricultural public enterprises makes the Plan an empty (or emptied) text.[206]

VIII.5. Mentioning on Agriculture in the Stability Program Packages

Despite the history of economic stability packages over half a century in the Turkish history, the place of agriculture in stability packages is too new for the time being.

Agriculture is a sector no country may renounce due to the fact that:

* it is a sector producing needed goods for both humans and animals,

* it has a continuous demand

* it does not require as much qualified labor force as the industry, so lower costs of labor,

* it absorbs hidden unemployment,

Due to these features, it is a sector no countries may renounce whatever the level of their development. Likewise, it is supported by all countries whatever the level of their development by premium, support purchases and low interested credit policies. However, underdeveloped countries have no chances to catch the competition in international markets as strong agricultural countries even with the support of the government. Because, the prices of agricultural products with lower added value compared to industrial products in the international markets are always under industrial products. Therefore, increasing of export incomes based on agricultural products is not the issue for any country.

The story of agriculture being included in stability programs starts just at this point. Big risk of repayment of foreign debt loans given subject to the purchase of agricultural machinery and equipment for the industrialization of agriculture create the countries going into debt to pay its debt. At the end, the country becomes a permanent practiser of the stability program proposed by the World Bank and the IMF. During crisis periods, developed countries reduce importation of agricultural products and put more emphasis on domestic production. Or, as was in the last crisis process, the

[206] Gökhan Günaydin, "Sekizinci Plan'da Tarim sektörü," www.tmmobzmo.org, TMMOB, Ziraat Mühendisleri Odasi, 11 May 2001, <www.tmmobzmo.org.tr/docs/8.plan.doc> 1-7.

governments of underdeveloped countries are pressurized to reduce support agriculture and leave it to the market competition conditions.

The 2000-2003 Stabilization Program is the last stop for this model to become real.

In The Letter of Intent dated December 9, 1999 and defining the Stabilization Program covering the years 2000 and 2003, the 57th Government, under the heading of "Structural Reform" aimed "to decrease the load of interest payments relating public sector, increasing transparency and economical efficiency and reducing the public sector's obligations that will likely occur" and to reach this they stated that they will firstly deal intensely with:

-Agricultural reform

-Social security reform

-Public finance management

-Transparency and tax policy and management

If looked in attention there is only one sector among these four fields relating real production, and it is: Agriculture.

VIII.5.1. Aims of Abolishing Support

The aim with enabling market economy's conditions to prevail by abolishing supports on agriculture is:

1. Pressure relief on public resources,
2. Shaping the agricultural polices in compliance with international market,
3. To open markets for the new industrial goods,
4. Reducing the agricultural population,
5. Reducing employment in agriculture.

VIII.5.2. The Effects on the Producer Side

1. With the abolishment of the supports on the agriculture sector, all the agricultural production input prices, beginning with soil, seed and credit will be

determined according to the market economy rules. However, the intermediate mechanisms and institutions that will provide farmers to adapt this process have not been established. To pass over from the state supported production type to production with providing input in market conditions will bring especially small and medium size farmers across with adaptation problem.

-Input subventions: The producers showing adaptation to the market prices will sustain and the rest will leave the market. With a more open statement, they will give up agriculture.

-Supporting Prices: Not only will the government not decide the base price to support the farmer, but also it will not be able to do supporting purchases to protect the producer from the third party countries. When the state will have withdrawn as the buyer, the small producer that has no bargaining power will have to sell his product with the price that the collectors offer.

- Limitation of the crop fields: Growing something else in the fields that crops like sugar beet, tobacco, opium and tea are grown is usually impossible. In this case, the fields will either be opened to construction or become desert. In either case the producer confronts with loosing his job.

2. State's withdrawing from the seed production and sales areas and leaving them to the market economy will have an increasing affect on the production costs.

3. Instead of revising the supporting system, transferring complimentary income to the farmer with "Direct Income Support system" will not correct the income distribution. On the contrary, it will have a dissuasive affect on production. Furthermore, the income distribution that is in favour of the landlords will, this time, work in favour of the domestic and the foreign big scale agricultural firms.

4. Because of the large period between the planting and product supply, it is almost impossible for the farmer to work with cash money. Thus, he will have the difficulty to provide input in market prices in all areas.

5. Like nature the external factors that can not be controlled and too much uncertainty makes agriculture different from other markets. Because of this difference, they will have the difficulty to find credit within the market rate of interest. Although Ziraat Bankası will continue to be an agricultural bank, it will not continue to give low

interest credits to the farmers. That will direct the farmer either to borrow from the market price or to give up.

6. The producer will have to supply his product to the market under its real value because he lacks an organization.

7. Because of lack of intermediate mechanisms and institutions, to provide the price balance between products will get difficult.

8. Giving up production of basic agricultural products will open market for the new industrial products, the time necessary for the domestic producer to recognize these new products and create competition conditions will be in favour of importing firms.

VIII.5.3. The Effects on the Consumer Side

Price effect: That the farmer produce with the market price will cause the increasing of cost and therefore the price of final product. Because the agricultural products are within absolutely necessary consumption goods, the consumer will have to accept the price on the market.

VIII.5.4. The Effects on the National Economy

1. In agricultural products, a self-sufficiency criterion is abandoned; and the country transforms into an importer of agricultural products.

2. Just as the privatization of TSEK (Turkish Milk Production Industrial Organization) EBK (Meat and Fish Organization) Yem Sanayii A.Ş. (Feed Industry Inc.) gradually caused stock raising to have a structure more dependants upon importation. Beyond the fact that they are supplementary goods of each other, as in the example of Tea Foundation (Çaykur) and Turkish Sugar Factories Inc. (Türkiye Şeker Fabrikaları AŞ) producing inputs in industrial production, privatization of companies processing agricultural products will also increase the foreign dependency in agricultural inputs.

3. That the government gets out of the production and sales of feeds and leaves this area to market economy makes agriculture dependant to foreign countries.

4. The soils become the 'trial area of genetically transformed plants' and 'crop-growing field trials'.

5. Foreign dependency of industrialization based on exportation will increase more and competition chance in products forming inputs for the foodstuffs and textile-apparel sector will completely cease to be. For example, foreign dependency in precuts such as cotton and linen, the basic input of textile-apparel industry -which has the engine function in Turkey's exports-, has increased since the Uruguay Round.

6. Increase of costs in the agricultural sector will result in the lands to be sold and be opened to improvement or industrial use. As long as the multi-pieced structure forms does not form combinations, it is inevitable to encounter with bankruptcies.

7. Since being passed from a structure supported with price policies to a structure supported with income policies, the direction of resource transfer mechanisms is totally turned towards big-sized entities.

8. Because the agricultural sector population and agricultural sector employment will decrease, rural unemployment will increase, migration to the cities will accelerate, and the fact that non-contributing persons too will demand city services will feed social problems.

9. Foreign capital entries will increase in the direction of agricultural sector production inputs. The increase in foreign capital inputs seems a positive development at first sight but its income will not cover the cost born because it will cause the strengthening of the structure of production dependant upon imports and the use of agricultural lands as laboratories.

VIII.6. Agriculture in the Stronger Turkey Program

With the provisions of the Uruguay Round ended in 1994, Turkey has undertaken that supports would be ceased in the agricultural sector by signing the agriculture agreement under the title 'goods trade' of the "Multilateral Agreements". In the 5 Letters of Intent since 1999, she has renewed the same undertakings. Therefore, the targets of

Stronger Turkey Program are the same as those in the former program.

According to the Stronger Turkey Program, in order to achieve a fundamental, structural change in agricultural policies:

* Making of production in competitive sectors,
* Decreasing of population employed in agriculture,
* Passing of direct income support policies,
* Elimination of small enterprises and its replacement with the contractual farm model is being targeted.

The process of opening up to the market beginning with the Sugar Act will continue with Tobacco and similar acts. The fact that the prices will be determined according to market conditions will negatively affect the competitive power of agricultural sector products not only in international markets but also within the country.[207]

VIII.7. Problems Arisen from Misuse of Support Policies

The resources allocated for the agricultural sector in Turkey is far from constituting a black hole for the country. The amount of resources used in agricultural sector financing within recent years is about 12 billion dollars, and this amount shows the average of OECD countries. However, it should be particularly stated that consumers half of which are formed of producers are paying 9 billion dollars of this amount, and the remaining 3 billion dollars is allocated from the public budget. The World Bank, one of the directors of the reform together with the IMF says that this 3 billion dollars need to be r...uced to 1.4 billion dollars in 3 years.

In fact, if a comparison is made based on only figures, agricultural sector productivity of the country is far behind of developed countries and is around the world average. However, if 'used input – obtained output' data are taken as the basis of measuring agricultural sector productivity, productivity of Turkish agriculture is not

[207] Türkel Minibas,"İstikrar Programlarinin Tarima Etkisi," www.antimai.org, 23 May 2001, 4 Aug.

behind that of Europe. Statement of "Agriculture is non-productive" is invalid since it is used without definition. It is also true that the agricultural sector production costs are higher compared to those of USA and EU. However, the expensive inputs the producers are obliged to use play a big role in these higher costs. When added the insufficiency of public investments in the agricultural sector and now become chronic infrastructure problems onto this picture, rising of costs of agricultural sector production is inevitable.

All of the above data, beyond the normal changes seen in normal economies, came to mean a regression/collapse in the agricultural sector in recent years. As for the collapse the **agricultural sector** is in today, it is the result of political submissive/collaborator process based on filling of the place of a production process that will be destroyed as a sector with agricultural imports.

VIII.7.1. Problems with Regards to Technical-Economical-Sociological Aspects

Population in agriculture and employment ratio is times of higher than EU averages. Number of firms in the agriculture is high compare to EU standards, and the sizes are small. The presence of patchwork lands added to this picture decreases the productivity of labor and restricts first the financial possibilities in agricultural sector production and then the use of technology and inputs.

VIII.7.2. Problems Regarding Public Investments, Planning and Auditing

1- While the fixed capital investment made to the agricultural sector from 1963 to 1980 was an average of 10,5 percent in all sectors, it has inclined to rapidly decrease after the 1980s and has realized respectively as 5.2 percent and 5.1 percent for the years 1998 and 1999.

2- The share of incentive certificates given to the agricultural sector between the years 1993-1999 among all sectors is 1.3 percent on the average.

3- Only 1/3, that is 8.5 million hectare land, of Turkey's lands suitable for the agricultural sector has the quality to be irrigated economically. As of the end of year

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2001, <www.antimai.org/blt/tminibas2305.htm> 2-6.

1999, the total area irrigated by General Directorate of State Hydraulic Works (DSİ), General Directorate of Rural Services (KHGM) and public irrigation was 4,6 million hectares and around 4 million hectare land needs to be open to irrigation. In return, average area of lands being opened to irrigation according to yearly programs is 100.000 hectares. If this speed is kept, water will be brought only after 40 years to the areas where irrigation is possible. Another problem in irrigation is being experienced in the GAP region. Only 300.000 hectares of 1.7 million hectares of land planned to be opened to irrigation in the region is utilizing irrigation facilities, and a fast salination and barrening process is being experienced.

4- Turkey has not yet prepared its soil maps. This too important shortcoming makes it impossible making a correct land planning and implementing it. There is a poverty problem in many areas of the country.

5- Turkey was not able to make an agricultural production planning parallel to her own requirement, exportation possibilities and exportation values. In a geography where ecology offers a wide variety of production range, due to wrong support policies imposed by ugly political preferences, while on one side unnecessary importation prices are being paid and stocks making product policies harder rise on the other side.

6- There is the problem of erosion in 62 million hectares of Turkey's land of 78 million hectares. Due to this erosion, Turkey loses 1.2 billion tons of productive land every year.

7- A very significant soil and water pollution problem exists in Turkey. On the one hand the industrial facilities, on the other hand residence areas and unconscious agricultural activities cause significant pollutions in the soil and water. Agricultural lands are being used out of their scopes: Turkey is one of the 19 countries with no land reserves in the world. Within the last 20 years, only the area of lands taken out of agricultural activities is 450.000 hectares.

8- In addition, ever-increasing costs of production and product prices far behind the inflation brought together the process of evacuation of agricultural lands. It is estimated that this amount is over 2.5 million hectares in the whole country.

9- Database and registry system in agriculture is poor.

10- Education and technical support in agriculture is insufficient.

11- Organizational structure of producers is lacking. Cooperatives and Unions are not operating efficiently and incompetent in marketing of products.

VIII.7.3. Deficiencies in the Use of Inputs

1- The process integrating the production of fertilizers –another important input- to market economy has disrupted the stability of the production of fertilizers and a gradually decreasing structure of production has come into being. In a country where agricultural lands and production pattern –save for very little deviations- is fixed, it is not possible to explain such change of production of an input that effects productivity most in connection with public interest.

Although an important part of agricultural sector supports in Turkey is made to the fertilizers, in reality the beneficiaries of this support are domestic and foreign capital groups that play tricks on fertilizers and their collaborators. In this regard, use of fertilizers of 428 kg in Germany and 170 kg per hectare in Greece is only 83 kg in Turkey.

2- There is also a similar insufficiency in the field of agricultural medication but further a misuse that has reached to significant levels. However, while there is an evident insufficiency throughout Turkey, companies in this field most of which are multinational go to the villages through their personnel and cause excessive use of drugs.

3- Raising and distribution of animals for breeding, which is an animal production material, develop lacking scientific methods and within the frame of obtaining political and economic unearned incomes, and the material brought to the country without first establishing an infrastructure makes no contributions to production.

In the process that has started with the Letters of Intent given to the IMF, utilization of agricultural loans will be completely removed in Turkey in a very short period of time.

VIII.8. Results of the Misuse of Support Policies

1- The average of annual agricultural growth rate, which has been 1.8 percent between the years 1963 and 1980, has regressed to 1.3 percent between 1981 and 1998, and has realized as –4.6 percent in 1999. There are increases only in the production of white meat, eggs, sea products, and vegetables.

2- Animal production is experiencing a collapse process in the real sense. Turkey, which was a traditional agricultural products exporting country for long years, rapidly loses her such position. The rate of coverage of imports by exports of agricultural products was 531 percent in 1980 and this percentage fell down to 274 in 1985, 120 percent in 1990 and 111 percent in 1995. As for the year 1996, for the first time in Turkey's Republic history agricultural importation amount exceeded the amount of agricultural exportation. Importation is especially in animal products, meat and dairy products. While agriculture's share was 57 percent in 1980, it has dropped to 10.2 percent in 1997 and to 10.0 percent in 1998.

3- According to the data of the 8^{th} Five Year Development Plan, absolute poverty –which is defined as 'the non-availability of the level of spending minimum amount for foodstuffs necessary for sustaining a healthy life'- percentage is about 8 percent as of 1994. According to the basic requirements approach that takes into consideration foodstuffs and other consumption requirements as a whole, the rate of population under the risk of poverty is about 24 percent.

In Turkey, annual meat consumption is 27 kg per person; and milk and dairy products consumption is about 160 kg. However, these quantities are 87 kg in meat and 350 kg in milk for European Union countries.

VIII.8.1. Dissolving of the Public Organisation in the Agricultural Sector

It can be stated that the changes dated 1984 and later regarding public organization in the agricultural sector aim at three basic targets that have consecutiveness relationship between them. The first of them is to disorder the administration organization of public organization and reduce its influence in the field and causing the creation of the impression in the public opinion that the agricultural sector public administration is "incompetent-ineffective". 1984 re-organization is the beginning of this stage. It the second stage, powers of the administration is distributed among traditional public organization to obtain duty-power conflicts and in the third stage, the powers of public administration will be eliminated in line with the principles of 'management-informatics' under the pretext of preventing these conflicts, the field will be left completely abandoned and opened to domestic and foreign exploitation.

Two Boards were constituted to administer the agricultural field. These are the Board of Restructuring in Agriculture and Support and the Board of Agricultural Support and Orientation. With these arrangements, restriction of the role of the Ministry of Agriculture and Rural Affairs in agricultural policies is based on a legal framework.

VIII.8.2. Losing of the Significance of the Domestic Factors in the Determination of Agricultural Policies

Domestic factors shaping the agricultural policies are the prices of agricultural products, producer incomes, level of prices of foodstuffs the consumers pay for, resources transferred to the agricultural sector form the public budget and the contribution of agricultural sector to the Gross National Product.

However, it is clear that domestic factors have lost their powers to determine the agricultural policies in Turkey. Parallel to this, national agricultural sector policies that have very different problems and that are naturally required to produce solutions for them are focused to the agricultural production capacity and its marketing problems between the love of the two sides of the Atlantic (USA and EU). Within this general plane, most important restricting factors on Turkey's national agricultural sector policies are the results of the Customs Union agreement made with the European Union (EU) and the General Agreement on Trade Tariffs (GATT) Uruguay Round.

Today, it is widely defended that Turkey's agriculture should use the same means with the European Union and the United States of America agricultural sector policies. Common solutions will give successful results only when they are applied to similar problems. Different problems need different solutions, therefore different ways of solution.

Today, the agricultural sectors of both the European Union and the United States of America have no agricultural infrastructure and production problems where about 5 percent of the population is employed in the agricultural sector. The main problems they seek a solution for is to widen the markets where they will market the excess agricultural production capacities and to find new markets. This target forms at the same time the main frame of supranational agricultural policies shaped by these two main actors. In this regard, it is obvious that the 'new' agricultural policies imposed by the global order do not offer convenient solutions for underdeveloped/developing countries Turkey is among.

VIII.8.2.1. European Union and Agriculture

When summarizing the agricultural conditions the Union was in the 1960s during the date of birth of the European Union Common Agricultural Policy, it was underlined that the patchwork structure caused by the abundance of number of enterprises in the agricultural sector did not allow the use of technology, that this structure resulted in low productivity, that the desired increases are not achieved in production and that the Union was not self-sufficient in many products, and that the high agricultural sector population added on top of this picture caused the incomes of producers become far lower than other social classes. The principles and scopes of the Common Agricultural Policy that has been formed were formed aimed at the solution of these problems.

It is really interesting that the problems/structure of the agricultural sector of the European Union in the 1960s are almost similar with those of today's Turkey. To overcome these problems, the Union allocated half of the budget of the Union to agriculture using all sorts of supporting instruments and protecting her producers against external effects by giving the priority to her own products, she has created an agricultural-rural development mobilization in the real sense.

With the implementation of Common Agricultural Policies, rapid improvements were recorded in all of the said practices. Improvement in agricultural sector structure has naturally brought together productivity and production increases. Recorded increases in productivity and the products caused that the Union become self-sufficient in almost all products except for a few product ranges.

In addition to the yearly increasing costs of policies followed to increase production, the requirement that the products not consumed in the domestic market be exported by paying export premiums after their storage by interference agencies has unbearably increased the burdens on the budget. Naturally, she develops and implements policy instruments aimed at the solution of these problems.

Customs Union Decision with EC has become valid and effective on 31.12.1995. The Customs Union, in the narrowest sense, means the removal of duties and restrictions on quantities and equivalent measures between the parties and practice of a common customs tariff for the importation to be made from third countries.

With the Customs Union Decision taken by the EU and Turkey, the agricultural products were left out of scope in fact, but the processed agricultural products with sugar, grains, milk ingredients (such as chocolate, candied fruit, baby food, biscuits, cream-cake, macaroni, ice cream) are included within the scope of agreement. These three product groups form the products where the rate of self-sufficiency of the EU is exceeded most. Thus, by including in the Customs Union the products in which the EU has production and competition superiority and net surplus, benefiting from a market of 60 millions is targeted. When the comparison of the export and import figures of 1996 (the first year of CU), with the ones in 94-95 average is made, the import of the products in the section 01-24, increased by 39 percent, while export to EU decreased by 1 percent in the mentioned periods.

VIII.8.2.2. GATT (or USA) and Agriculture

GATT is basically an agreement aimed at the removal of barriers put in front of the trade of industrial goods. For this reason, agriculture, textiles and apparel, and the service sectors were left out of the scope of GATT at the beginning.

That agriculture to remain out of the scope of non-restriction of trade projected by GATT was caused as a result that the USA caused putting an exception provision to GATT in 1955 provisionally. With the said provision, the USA rejected to remove the quota it was practicing for milk importation to protect her own producers from foreign competition. This exception has become widespread in the following years. Parallel to these developments, agriculture was encouraged and protected with complex methods in many countries. When the EU has started increasing her share in the trade of agricultural products against USA with the Common Agricultural Policy, USA has started defending non-restriction in agricultural products as well through GATT, and has succeeded in doing this with the Uruguay Round.

The results of GATT Uruguay Round serve the purposes of increasing of USA and EU exports. Changing of agricultural policy targets in the USA and the EU has naturally caused the changing of agricultural policies as well. Now, the agricultural policy target for the European Union and the United States of America is to consume the increasing product stocks and to ensure that the income of producers do not go down while ensuring the stability of supply. Instability of supply caused by the nature of agriculture is solved in these countries by high storage capacities. The producer loss that may form during pulling back the excess production capacity is closed by direct supports to the producer. As for the solution of exportation requirements is to increase the accessible markets through the liberalization of world agricultural trade insofar as it is possible.

VIII.8.3. Depletion of Income Possibilities in Rural Area due to Privatisation Efforts in Agriculture

Among the important privatizations in agricultural sector in Turkey are the Meat and Fish Organization (EBK), Milk Industry Organization (SEK), Türkiye Agricultural Supply Department (TZDK), Feed Industry (Yem Endüstirisi). It is time for TEKEL, General Directorate of Agricultural Enterprises (TIGEM), and the Soil Products Office (Turkish Grain Board) (TMO).

The most important source of income of Turkey's rural parts is agriculture. Privatization of agricultural public enterprises making supplying the inputs of plant and animal production and utilizing their outputs has first of all decreased the amount of production, then prevented that the production reaches its value, and increased the poverty in the rural parts.

In Turkey, implementation means of agricultural support are the public enterprises that are directly/indirectly related with agriculture and the agricultural cooperatives. Public enterprises such as TMO (Soil Products Office), TEKEL (Spirits and Tobacco Monopoly), Şeker Fabrikaları A.Ş. (Sugar Factories Inc.), Çaykur (General Directorate of Tea Establishments) directly related with the agricultural sector are at the same time the means of support that are at the center of agricultural support policies. A partial process of liquidation/de-functionalization and even privatization is started for relevant organizations.

As for the public enterprises such as SEK and EBK, which have smaller market shares and which ensure price stability in producer and consumer markets, unfortunately privatized without much resistance and with prices even not covering the worth of land. Thus, the destruction of milk and meat products, in short stock raising, has this been accelerated.

TİGEM, which has a role in the production of plant seeds and animals for breeding aimed at agriculture and whose place can not be filled in agricultural researches and publication with experimentation farms and TZDK, which has a role in the production and distribution of inputs, are the organizations that are most close to privatization. However, the function of particularly the first one should be developed instead of being terminated.

Public enterprises such as TÜGSAŞ (Turkish Fertilizer Industry CO.) and İGSAŞ play a role in the production of fertilizers, which is the most important input of the agricultural sector. Supplying 35-40 percent of total production of fertilizers in Turkey, these enterprises had a regulatory effect in fertilizer prices. Thus they formed the biggest barrier in front of private fertilizer monopolies to form fertilizer cartels in agreement with each other.

It is understood that the insisting demands of IMF/WB duet especially during the process of 22 November 2000 Financial Crisis for the inclusion of Ziraat Bank, which is the only financial enterprise aimed at agriculture, within the privatization program and its scheduling, have been useful. The liquidation of another important finance means in the financing of agricultural support, which has played an increasing role after 1995, Support and Price Stability Fund is also scheduled.

For years, "Premium Practice" in cotton is shown, with inflated prices, as an example of the high cost of agricultural support. However, it has come to scene that this had no grounds. Here, it is seen that the real support is not the agricultural producers but the Ziraat Bank.

Turkey has not undertaken to decrease domestic support or to replace all ongoing support forms with Direct Income Support neither in GATT coverage, nor in CU with EU.

VIII.8.4. Main Requirements of Turkey's Agricultural Policies

-A land reform should immediately and urgently put into practice, powers of the "millennium feudal lords" must be terminated, and the land should be distributed to who process it.

-A public investment mobilization should start in the agricultural sector, and infrastructure problems of agriculture and rural parts should be solved.

General Directorate of Agricultural Enterprises (TIGEM), should supply the producers with plant and animal production materials, and be transformed into an engine of national agriculture with its functions of regional research-development, information supplying and publication and broadcasting aimed at the producer.

The producers and the villagers should unite under cooperatives and the workers under the roof of syndicates, and the power of being organized should be reflected to the field. The entire process from production to processing-marketing should be managed by the organizational structure.[208]

In the rural parts where poverty has now become evident and obvious, there is no measure within the contents of the Plan that will stop/decrease the regression in the agricultural sector, which is their primary source of income. Prices of agricultural

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[208] Gökhan Günaydin, "Tarim Raporu, Türkiye Tarimi: Gercekler / Saptirmacalar," TMMOB, Ziraat Mühendisleri Odasi, 11 May 2001, <www.tmmobzmo.org.tr/tarimraporu.html> 1-8.

products are rapidly decreased, the public gets out of the market and the producer and consumer is left face to face.

VIII.9. Direct Income Support System

The justification that those who defend that the existing means of support should be renounced in Turkey put forth most is that they brought high costs to public finance. Exaggerated figures are spelled in order to strengthen this argument. However, the proportion of agricultural support in Turkey is between 1 and 2 in the Gross National Product. As for the proportion of public deficits to the Gross National Product, it is over 15 percent. The proportion of the interest burden created by public debenture to the Gross National Product is about 18 percent. The proportion of only the budget interest payments to the national income has gone over 15 percent in the year 2000. In return, the total amount of support allowance allocated for agriculture in the budget in 2000 and the Support and Price Stability Fund constitutes 1.7 percent of the budget and 0.7 percent of the Gross National Product.

The Direct Income Support system that is intended to replace the existing support practices is not being practiced alone in any country. While in EU countries Direct Income Support payments are partially allowed, these payments are being practiced together with the price policy, guarantee thresholds, production planning and other economy/finance means of policy. In EU, Direct Income Payment has a share of 30 percent in the total supports, market price support has a significance degree of 55 percent, and the input support continues to be at a level around 8 percent.

As for the USA, the significance of Direct Income Support in total support mechanism is restricted with 20 percent, market price support is 50 percent, and support based on use of inputs is at the level of 10 percent.

On the other hand, it is not only the EU example that will prove that Direct Income Support practice will bring more burden on the public finance at the beginning. The Mexican example where a more comprehensive Direct Income Support practice was passed after very long preparation periods also indicates the results relating to the fact that passing to the Direct Income Support system increased the support burden on the Treasury. However, domestic and foreign decision makers wishing to prefer passing to the Direct Income Support system wish that this would mitigate the agricultural support burden on the public finance.

Meanwhile, it is calculated that 70 percent of the burden of the agricultural support system in Turkey is on the consumer due to import protection and domestic price policies, and 30 percent of it over the taxpayers, that is the Treasury, and it is stated that this needs to be reversed just as in the developed countries. In such a case, it needs explanation how a system that will put more burdens on the Treasury instead of the consumer will be in compliance with the targets arranged to mitigate the burden of stability program on the public finance. Likewise, in the budget proposal of the year 2001, the Ministry of Agriculture and Rural Affairs have announced that it will not be able to allocate funds for the Direct Income Support, which is intended to be made widespread within the year 2001.

Neither in Turkey nor in any other country, Direct Income Support system, can alone, substitute all other support applications. In a sector, where in 35 percent of the employment is cumulated and in the non-existence of the Record system, the conditions of successful application are not present.

VIII.9.1. Problems Confronting the Application of DIS System

In such a short period of time and in the current condition of Turkish agriculture, such compliance is impossible. In a country where there are 4.5 million family enterprises in a patchwork structure, where the record system is insufficient, where cadastral surveys are not completed for tens of years, Direct Income Support system may not be passed; this system may be an addition to the existing support systems at the most. Passing to this system will lead to demanding of each of the family enterprises with a patchwork structure and with too many children demanding Direct Income Support; number of family enterprises will increase shortly; cause that the enterprises over 200 acres be divided even contradicting with the rational of capitalist development, those with a title deed and not producing or maybe living in a city will be able to benefit from the practice, while assistants (assisting a farmer in return for a share of the crop) and tenants will be left out of the system, ground will be formed for new legal disputes on shared lands.

Likewise, that the applications in pilot practice areas such as Polatlı has increased by three times more than anticipated and that title deed owners having no connection with production demanding income support show the seriousness of this danger. It is possible that those acquiring agricultural land with purposes out of agriculture and those operating the land they own through inheritance by way of tenants/assistants or those leaving their land empty to benefit from the system, the same support with respect to quantity is being talked of regarding the villagers of Central or Eastern Anatolia and Aegean-Çukurova villagers where the difference of productivity is up to 10 times. On the other hand, those in stock raising using no land or less land based on pastures are unable to benefit from this practice. Since it is known that producers in stock raising suffice with lesser earnings than those producing plants, the argument that the Direct Income Support system protects small producers is unsupported.

Another fact from the first practices of Direct Income Support is that the practice of the system requires an important bureaucracy. According to the observations made, number of lots some farmers own is too high. There are many persons who are also partners of the same lot. It is understood that mostly the Provincial and District Directorates of Agriculture will conduct all these complex works. If title deeds are not taken as the basis, surveys will be necessary. As seen in Greece and Italy, two of EU countries, the Ministry of Agriculture will be in a state doing no other things other than this. How much damage the suspension of broadcasting and controlling services will bring is not calculated at all.

It is known that the EU Common Budget's 75 percent in the past and 51 percent today is allocated to the agricultural sector, and 46 percent of this amount is allocated to agricultural supporting, and that it is possible to use 'regional development fund' representing 25 percent of the Common Budget partly on behalf of the agricultural sector. The supports given to the farmer in OECD countries are at the level of 36 dollars on the average per decare. There are calculations that this support is 19 dollars per decare in Turkey (approximately 4 Billion USD /200 Million Decare) for the products supported under the existing practice. With The support projected by the Direct Income Support is at the level of 5 dollars per decare. In the event that the Direct Income Support system is widely practiced, it is estimated that even this will be impossible. Because while the existing support is made in selected products, all products need to be included as a requisite of the Direct Income Support system.

On the other hand, all producers of supported products do not benefit from the support in the existing practice; in the supported selected products, generally less than 50 percent of production and producers are included. Even not all the costs of purchasing and crediting of products within the scope are not on the government. Particularly the TSKBs provide about one forth of financing by their own resources. However, Direct Income Support is in a position to be implemented for all products and without repayment.

In Turkey, 68 percent of agricultural enterprises have areas smaller than 50 decares. In this case, for example, will it be possible for a 30 decare enterprise to survive on a 150-dollar funny donation support paid in two installments? It is among the lessons of the current practice that the micro hazelnut producers in the Black Sea region within the scope of pilot implementation found it unnecessary even to apply for the 50-75 dollar support they will receive for a land between 10-15 decares.

According to the 2000-2002 program, all support mechanisms aimed at the product and input prices of the existing system, making loans available for the sector, production of seeds and animals for breeding will be terminated within three years. Neutral bodies have a common idea that this will mean destruction for both the Turkish farmer and Turkey's agricultural product sufficiency and foodstuff safety, and that a new migration wave occurring will damage the entire social infrastructure.

VIII.9.1.1. "World Prices" Deception

As known, the difference between the prices the producer receives and the price at the exchange markets is covered by the governments. The producer is always able to sell its products over the prices in the exchange. The difference is very high particularly for the EU farmer.

This liquidation process that will cause groups of people hardly earning their lives with agriculture will be forced to migrate out of agriculture within a very short period of time such as two-three years will be able to double the existing rural migration speed. Even only its economic costs will be far higher than the existing supporting costs. Because the groups of people who have migrated to the suburbs of the city will not make possible the implementation of development plans, and Turkey will be obliged to be involved in the infrastructure problems this will create for tens of years. Taken into account that the public service demands of groups of people is much more than those in the village settlements, it is obvious that it will have higher economic costs even in a short period. On the other hand, growth of foreign trade deficits and increasing of the need for foreign currency should also be calculated as an additional economic price.

The results of this new migration flow that is anticipated to be in a short period of 3-5 years increasing unemployment, and making the disorder in the distribution of income and wealth more unbearable will show itself in crime rates and particularly in the increase of crimes at younger ages.[209]

VIII.9.2. Feasibility and Cost of Direct Income System

It should be clarified how the target group will be determined for the feasibility of such a policy will be in Turkey's conditions. When the structure of the agricultural sector is examined, one will see the excessive number of agricultural employment and enterprises, widespread nature of small producer enterprises and low level of agricultural income are basic features. With this structure, insufficiency of the farmer registration system and non-completion of cadastral survey activities in a wide scale will create serious problems in the determination of target group.

When the existing structure is taken into consideration, it may be discussed that an important part of producers in the agricultural sector are included within the scope of target group. In addition, taking the producer as the focus instead of product may create a cost-increasing effect over public financing. At the time being, an important part of the production of agricultural sector is out of the scope of support price policy, and these products benefit only from input subventions aimed at agricultural inputs. When the

[209] Tayfun Özkaya, and Oguz Oyan, "Türkiye'de Tarimsal Destekleme Politikalarinin Dünü-Bugünü-Gelecegi," TZOB, TÜSES, Türkiye Sosyal Ekonomik Siyasal Araştırmalar Vakfi, 2001, 17 May 2001, <http://www.agr.ege.edu.tr/~teder/sonrapor.htm> 9-14.

Direct Income Support system is passed, it will be inevitable that the producers of these products benefit from this support.

In addition to the problems in the determination of target group and the scope extension that may be brought by transition from product support to producer support, how the system will be financed is a basic problem facing us. When total transfers made to the agricultural sector are examined, mostly the consumers paying more compared to world prices ensure financing of the existing system, and the direct burden on public financing is thus restricted. The consumers were financing 54.1 percent of total transfers made to the agricultural sector in 1997-98 period. If Ziraat Bank, which can be discussed as to whether or not it has a support aimed at the agricultural sector, cotton premium interest is excluded, portion of total transfers financed by the consumers will rise to 75.3 percent.

Direct Income Support system is financed completely by taxpayers. In this case, all of the finance the system requires will be covered from the budget. It may also be discussed that the cost of proposed system is higher according to the existing system. Even if its cost is same with the existing system, direct burden on the budget and taxpayers will increase. Even if the rates between 1994-96 when the transfers made to the agricultural sector were at their minimum are taken into consideration, tax burden should be increased as much as 2.4 percent of the Gross National Product for the financing of the Direct Income Support system.

Instead of this method, using the option of increase in direct taxes by increasing the tax burden and financing the system gains importance. As the campaigns aimed at the latest tax regulation proved, when the resistance against direct taxes in the society is considered, practicability of this option will be open to debates.

As a summary, in addition to the possibility that the Direct Income Support system will increase the burden over public financing, financing of the system with indirect taxes might not result in an income increase in the welfare of lower income groups of the society.[210]

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[210] Zafer Yükseler, "Tarımsal Destekleme Politikaları ve Doğrudan Gelir Desteği Sisteminin Değerlendirilmesi," State Planning Organisation, Aug 1999, 21 Jan. 2001, <http://ekutup.dpt.gov.tr/tarim/yukselez/gelirdes.html> 17-19.

In the Direct Income Support system proposed and claimed to aim the poor farmers, the connection between support and production is intended to be completely removed through this sort of implementation. This approach is being imposed as if there is not a problem of increasing production in Turkey and as if the agricultural structure is as developed as in European Union and the United States of America. Although there is over-production in some products (tobacco, sugar beet etc.) in some years, there are many products in which production is needed to be increased. For example in oily seeds, feed plants, rice, and animal products, production is insufficient. Turkey is not a country where one can say let the producer get its income support and let him not produce anything if he wishes so. It is needed to use the support policy to perform many objectives such as decreasing production in some products, increasing it in many products, improving agricultural structure, supporting cooperative establishments, accelerating rural development, encouraging technological development, correcting the distribution of income, preventing environmental pollution etc.

On the other hand, when applied intelligently, some price supports may be lowest cost practices for the public. Premium practice in cotton is an example to this. Registered economy has expanded in a wide area from the production of cotton to textile, the government took perhaps more as tax than the premium it has paid.

Direct income payments independent from production has been proposed by Reagan administration in GATT Uruguay negotiations for the purpose of decreasing budget expenditures, increasing the effect of market powers in trade and production while protecting producer incomes, removing or decreasing the necessity of control over production and most important of all increasing the competitive powers and export levels of American agricultural products.

Imposing a policy being regarded as new in countries like USA and EU that have strong agricultural structures and that do not have any problem of increasing production, prohibiting all other means of policy is wrong in 2002 in Turkey. Moreover, it is hard to establish the necessary database system for the implementation of this system in Turkey where there are 4 million agricultural enterprises. It will also be difficult to prevent those wishing to exploit the system. The reason for these may be that USA and EU wish to export their large agricultural stocks to Turkey. When the price support system is terminated, with falling prices importation will be profitable rather than producing agricultural products. USA's cotton and wheat stocks will easily occupy Turkish market. [211]

Financial support system constitutes a heavy burden on the public finance, disorders prices and allocation of resources and makes social imbalance heavier, because artificially high prices for agricultural products affect the households with lower income more. So far, the government's new approach has been to decrease the support prices parallel to the inflation target and put an end to subvention loans aimed at the agricultural sector. The target of agricultural sector reform is to pass to the Direct Income Support system for farmers. Taken Turkey's resource equipment into account, this sector has an important potential. However, in order to increase the sector's competitive power and sustainability, the reform started should be carried on and be deepened.

A developed, industrialized Western part and an underdeveloped, mostly rural Eastern part, and regional inequalities are traditionally too high in Turkey. In addition, there are important differences with respect to the levels of income among the regions and among urban settlements and rural settlements and with respect to infrastructure. As a result of these wide imbalances, there have been strong migration currents from the East to the West and form rural parts to urban sections. These migrations lead to extensive use of urban infrastructure and important administrative difficulty at the municipal level. Government measures aimed at correcting increasing regional inequalities have not been successful so far.

Government intervention is decreasing. The Government has taken some first steps to decrease interference by starting the agricultural sector reform, and by liberalizing the electricity and gas sectors. Government subsidies too are being decreased. Privatization and reorganization of government enterprises are correct steps. However, the government is still able to exert its power through its Banks.

The most important factor behind the losses of public banks that the Treasury tries to close by domestic debenture bonds over 20 quadrillion TL.

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[211] Tayfun Özkaya, Turkiye ve Avrupa Birligi'nde Tarim Sektörüne Yönelik Desteklemeler, Ege Universitesi, Ziraat Fakültesi Tarim Ekonomisi Bölümü, 25 Jun. 2001, <http://www.agr.ege.edu.tr/~teder/Sonuz5.html> 9-10.

Agricultural support given both through the direct transfer of resources by the government and the direct and indirect transfer of resources has reached to an average of 8.5 percent of the Gross National Product in the second half of 1990s. This percentage has made Turkey one of the leading countries allocating most resources to agriculture. OECD and EU average for this percentage is below 2 percent.

About half of the transfers made to the agricultural sector in Turkey are formed of interest payments. A serious agricultural census is required for the Direct Income Support system to be implemented. One of the final objectives in agricultural support is Direct Income Support. When this is realized, the total support given to the agricultural sector will be as much as 20 percent of support given at the late 1990s. The effects of such a development will be dramatic in the Turkish agricultural sector.[212]

Support given to agriculture in Turkey is realized by four main methods. These are production price support, high duties, loan subventions and fertilizer subvention.

Change of number of supported products year by year explains the serious relationship between the political structuring and agricultural policy. Another important method of support given to agriculture is the low-interest loans. Agriculture Loan Cooperatives and Ziraat Bank have made these loans available. Loan subventions are another source of duty losses. What is worse is that at least one third of these loans went to sectors other than the agricultural sector as a result of utilization of loans without control.

Another support given to agriculture is the fertilizer subventions. However, today fertilizer subvention has had not much rationality. The farmers are sufficiently conscious about the use of fertilizers.

Although fertilizer subvention increases, level of fertilizer consumption does not change much. Fertilizer subvention has had an annual cost of 500 million dollars in the 1990s. Moreover, about 40 percent of this support reaches 5 percent of farmers.

Another support given to agriculture is provided by high duties. In developing countries like Turkey, share of food expenditures in total consumption is high. Therefore,

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[212] Erhan Aslanoglu, "Yeni Gündem Tarim Reformu Olacak," www.ntvmsnbc.com, 11 May 2001, 28 Jun. 2001, <www.ntvmsnbc.com/news/82088.asp>.

support provided to agriculture by way of protection is in fact like a sort of tax applied to low and middle-income households.[213]

Progress recorded in this reform package that was announced last year and anticipated to be completed at the end of 2002 is limited. It had been possible to reduce loan and fertilizer subventions only partially.

Pilot regions practices in the year 2000 have proved to be too unsuccessful. Lack of a reliable agricultural record/census system in Turkey has made this practice to be impossible.

If the existing system is to continue, it is not clear how the resource to be transferred to agriculture will be provided.

According to the sources of Treasury and World Bank, when this reform is completed, the resources transferred to agriculture will come down to the level of 1 billion dollar from its level of 5 billion dollars before the reform.

In developed countries, the share of forest products and animal husbandry is between 60-80 percent. This percentage is about 25-30 percent in Turkey. It is believed that the agricultural reform needs to carry out this structural transformation as well.

Behind this reform, policies aimed to increase the productivity should be implemented. Increase in agricultural Re-De and support, developments in the irrigation facilities, mid and long term strategies targeting the increase in the product quality and variety required to be performed. [214]

Two most important actors of world agricultural support policies are the European Union and the United States of America. Both giant agricultural powers, before reaching their current agricultural potentials, have used all sorts of support instruments abundantly. They used large funds in order to improve their agricultural infrastructures, supported their domestic productions, and brought high percentage protections on agricultural products with the foreign trade regimes they formed.

Change of agricultural policy targets in the European Union and the United States of America has naturally caused the changing of support policies as well. Now, the

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[213] Erhan Aslanoglu, "Neden Tarim Reformuna Ihtiyacimiz Var?" www.ntvmsnbc.com, 26 May 2001, 28 Jun. 2001, <www.ntvmsnbc.com/news/85051.asp>.

[214] Erhan Aslanoglu, "Nasil Bir Tarim Reformu?" www.ntvmsnbc.com, 1 Jun. 2001, 28 Jun. 2001, <www.ntvmsnbc.com/news/86093.asp>.

agricultural policy target for the European Union and the United States of America is to consume the increasing product stocks and to ensure that the income of producers do not go down while ensuring the stability of supply.

Instability of supply caused by the nature of agriculture is solved in these countries by high storage capacities. The producer loss that may form during pulling back the excess production capacity is closed by direct support payments to the producer. As for the solution of exportation requirements is to increase the accessible markets through the liberalization of world agricultural trade insofar as it is possible. Saying that GATT produces solutions for these basic trends in general will not be wrong.

Within this frame, with the Letter of Intent given to IMF, it has been committed that the present agricultural supports will be seated to the base of direct payment that is separated from production. However, the direct payments' being the most adequate supporting method for Turkey's realities is still being argued.

Thus, when the decisions about agricultural supporting policies are taken, the subjects like the size of the employed population in agriculture, structure of the firms, the lowness of per capita income, the migration problem, the inefficiency of employment in the areas other than agriculture must specifically be considered.

The supporting models that would be applied with hastily decisions despite the distorted structure of the Turkish agriculture and without constructing the necessary infrastructure would put Turkish agriculture into great difficulty. The dried bean example is a striking one for Turkey. In 1994 with the exclusion of dried bean products from supporting purchase campaign scope, 276,000 Hectares plantation of green lentil fell to 108,000 Hectares (60 percent decrease), and the production fell to 80,000 Tons from 220,000 Tons (63 percent decrease). As a result of that, while Turkey was an exporter of lentils, it then became an importer.

The producers and the cooperatives have no sufficient knowledge and experience on domestic and foreign marketing. The producer associations have not yet been established. Thus, with the consideration of lacking necessary mechanisms against sudden price changes, putting the direct payments model application into practice will create great difficulties in production and will put the food safety of the country into risk. [215]

Academicians and related environments claimed that the model would be effective for the countries that developed especially strong infrastructure, the application of that in Turkey will destroy the Turkish agriculture. They also expressed that the results of this application, which the academicians, the industrialists and the producers oppose will cause heavier expectations than "the supporting burden".

VIII.9.3. Drawbacks of the New Agricultural Program:

a) Takes the farmer away from the field,

b) Deteriorates the agricultural production from the amount and quality point of view,

c) The gap between rich farmer and poor farmer increases,

d) Direct income support works in favor of the landlords,

e) Because of the abolishment of the supporting purchases, the farmer is left to the mercy of the free market economy,

f) The agricultural import burden of Turkey raises so high,

g) Because of the fast increase in imports foreign trade deficit gap gets bigger,

h) Migration from towns to cities gets higher and this migration will cause a more expensive infrastructure requirements to merge than this "support".

VIII.9.4. Limitations to the Over Supplied Products

Meanwhile, the authorities stated that from the beginning of this summer they would start supporting the farmers with Alternative Product Project who gave up producing tobacco, sugar beet, hazelnut and tea with the Direct Income Support. $ 474.2 Million of $ 588 Million project will be received as project credit from WB. With the

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[215] Gökhan Günaydin, Küresellesme Kosullarinda AB Ortak Tarim politikasi ve Türkiye Tarimi (Hububat Örnegi), Ankara, Ankara Üniversitesi, A.T. Arastirma ve Uygulama Merkezi, 6.Dönem OTP Kursu, 2000 22-23.

project, the 65 percent of the difference and costs between the net income they would have got from the products they gave up to produce and the income from the alternative products will be given to the producers as a subsidy. Thus, the production of over supplied four products will remain within the limits of domestic and foreign consumption.

However, academicians emphasize that the support on this will only be for once and Turkey will be left alone in this and direct the attentions on the applications practiced in the European Union countries. Academicians ask "EU will support Spain with $ 30 Billion Euros and Greece with $ 27 Billion Euros until the year 2006. OK but who will support Turkey?"

VIII.9.5. Suggestions for the System

For the efficiency of the system:

a. Producer and non-producer must be separated,

b. Database infrastructure must be established (product, field, population),

c. Scientific approach must be maintained (GATT, EU and country conditions must be considered all together and an integrated target must be specified),

d. Solely social aimed supporting must not take place, production and income increase aims must be integrated.

According to the report of the Union of Chambers of Turkish Agriculture (TZOB), in the case of the agriculture to be opened to the market economy, with the abolishment of agriculture sector supports, the prices of all inputs, beginning with soil, seed, credit will be determined by the rules of the market economy. However, because the intermediate mechanisms and institutions that will provide farmers to adapt this process have not been established, small and medium scale farmers will confront important problems. With the abolishment of input subventions by the year 2003, the small farmers that could not adapt the market will give up production. With the withdrawal of the state from the supporting purchases and price interventions, the small producer will loose his bargaining power will sell his product with the price that the collectors offer. Withdrawal of the state from seed production and sale will increase the prices in the short term.

IX. CONCLUSION

Despite the fact that the agriculture sector is supported in various ways, the existing structural problems in agriculture still waiting to be solved. The main reason for this is that the chain outlined by:

- Human resources and education,
- Organization and coordination,
- Technological development, efficiency-efficacy,
- Finance, investment, and income-profit

does not operate in an active manner. As a result of the information and the indicators given, the vicious circle, the agriculture sector has been in, is revealed to be originating particularly from the wide oscillation that production exhibits from year to year, the decreasing trend of the agricultural value added in comparison to the high agricultural employment rate, the inadequacy of the investments on agriculture and insufficiency of the public investment allocations and the utilization pattern and distribution of the agricultural credits as well as the economical problems in general.

Public policies, "the new understanding of trade" that appears in compliance to the agreements and regulations of the World Trade Organization, Europe Union expansion process and regional integrations will result in an increased competition and decreased supporting in agricultural products market. On the other hand, biotechnology, information technologies and marketing channels as well as the enhancements in the international commerce require the appropriate orientation of production for demand, more coordinative establishment of marketing networks and competitive conduction of sectoral activities.

In addition, environmental consciousness and protection and enhancement of natural resources are gaining increasing importance. Particularly, it seems possible that a limitation in the international convention and agreements will occur.

Seeing the great differences between the agricultural structure of the developed countries and that of Turkey, and due to the relative portion of agriculture in general economy and high agricultural population and employment, the system of change should be initiated by the serious studies relating the possible impacts on product basis and on the economy as a whole as well. [216]

We cannot accomplish the agricultural reform merely by agricultural infrastructure investments or by conducting researches and publications as a public service. Besides supporting purchases create prompt incomes in the short-term and protects the domestic market, due to its implementation in Turkey, cause product imbalances and despite this, leads to no reform in the agricultural structure. Complete deprivation of the domestic market of support cannot be accepted from any aspect. Because, in those countries that intend to remove Turkey's supporting purchases and customs, the agricultural production and exportation of agricultural products are being supported.

Then, against this strategy, Turkey's domestic production of some products should be supported. The best way of achieving this in the long-term is to ensure the reformation of the agricultural structure in order to solve the problem by high efficiency and low costs. However, this can not be achieved in the short-term. The unprotected production will collapse and it will not be possible to rebuild it. For this reason, supporting purchases can be made without being overwhelmed by any complexes. However, it is essential that the supporting institutions are autonomized and liberated from the influences of the government. Agricultural SOEs should not be discharged gradually without substitution.

It can not be stated that the supporting purchases up to date were made for an agricultural reform or to protect small producers. Besides, along with the same process, the loss of importance of large and medium farming and wide-spreading of small and micro farming is a conflicting result of the demographical and technical processes (education, publication and inefficacy of consolidation of lands), although not of implementation. On the other hand, as a result of these carelessly applied policies, the lack or excess of some products occurred in some years instead of contributing to

[216] Aziz Babacan, Genel Tarim Politikalari Cercevesinde Dogrudan Gelir Ödemeleri Sistemi, Ankara, DPT, Dec. 1999, 8 Aug. 2001, <http://ekutup.dpt.gov.tr/tarim/babacana/gelirode.pdf> 20-21.

production-consumption balance. Even the supporting purchases could be used to protect the merchants/industrialists and exporters who operate in the commerce of these products.

From an aspect of planting area and production size to the agricultural products, excess in products like hazelnuts, tobacco, tea, and sugar beet as well as insufficient production of oily seeds and animal products can be observed. This is directly related with the lack of policy on agriculture as well as the implementation of the supporting policies without a vision of the future. Therefore, it will not be a consistent behaviour to propose to continue a supporting policy that does not suggest the production imbalances as an area of problem as if nothing has happened. However, the phenomenon of excessive production of some products in Turkey can not be attributed merely to an incorrect supporting policy.

But, the sustenance of this policy that causes excessive production of some products as well as insufficiency in others can not be accepted. The supporting purchases do not necessarily have to be removed either. The institutions to implement these supporting purchases (SEE or Agricultural Sales Cooperatives) can not be anticipated to make these rationalist supports remaining unchanged. As long as their administrations and budgets remain under Government's command, the sustenance of the negativeness is inevitable. These institutions should be autonomized. However, autonomization should not be regarded as an alternative to financial support.

First of all, better utilization of excessively produced products should be provided by research, completed product development, etc. For example, investments should be made to produce quality cigarettes, hazelnuts should be sold processed, and investments on sweeteners that will reduce out sugar beet production and depend on imported corn should not be allowed. These may not be enough or may not increase the demand for these products in the short-term. For this reason, quota policies should be implemented to avoid excessive production. This policy has been implemented in a variety of countries including Europe Union, and USA for several years. Those that will experience a loss of income as a result of the quotas should be encouraged towards new projects as well as new products. Direct income support should be introduced exactly with these purposes.

Direct income support payments have been directly attributing the supports that the consumers finance due to the price announcement of the government, to the taxpayers. In this respect, direct income support payments are not a target that has to be reached but is only one of the agricultural policy means. Also when direct income payments shall be put in forward in return of conforming to some specific conditions, it shall be necessary to audit that the attitudes of the new attendants according to the new situation conform with the selected policy variations. Both of the factors may bring high costs together with themselves.

As direct income support payments may not be the most proper means devoted to a specific policy target, they may not be a unique approach among policy alternatives. It is necessary to compare it with alternative policy means and as a result of this it should be considered as a policy means.

In a study that is performed by OECD, the effects of market price supports, deficiency payments, input supports and direct income support payments made according to the planting area had been evaluated and it is reported that, in comparison with direct income support payments made according to the planting area (and other supporting applications) the effects of the direct income support payment on production and net trade may be in a lower level and also it demonstrates the same effects on budget expenses and also it is reported that their effects on farmer incomes may be in a higher level.

Since agriculture sector come closer to the marginal limits in the developed countries, due to appropriate infrastructure coming from past and their competition power in the world markets make the direct income support decoupled from production as an appropriate alternative.

However in Turkey, to strengthen the sector's structure, it is necessary to perform the direct income support system in the frame of a policy bunch that aims the solution of the problems regarding the structural and environment-natural usage and also improving the income distribution and sector development by macro economical and inter-sectoral policies, shall be taken as essential.

Technological level, performing the comparison of the countries in respect of the efficiency and productivity of production factors after regulating them according to the level of other countries and constituting policies within this frame is seemed very important from the view of competitiveness.

On the other hand, supports made to fertilizers and other similar inputs ensure both large and small-scale producers to purchase these inputs from cheaper prices. However there were negative results of this policy. For example, fertilizer usage in some regions or for some products exceed the optimum levels so much.

However, since after 1997 subsidy amounts in fertilizer has been left to the corroding effect of inflation, it may be expected that contrary developments may occur. The greatest negative effect of increase in the share of fertilizer in production costs shall be the decrease in usage of manure in the regions and farmers that use manure insufficiently and due to this the regression in agricultural productivity that is already in low levels.

Against decreasing world prices, it does not seem possible that small-scaled enterprises shall have the ability to compete under the same conditions with the countries, which have high competition power in world markets. In a period wherein the difference between input prices and product prices have been kept narrow for many years and that profit margins decrease due to some structural problems especially such as inflation, annulling the input and production supports completely shall not give chance to the producers who mostly does not have commercial enterprises, to perform manufacture and enter into the international competition.

As a result of the above-mentioned factors, in the agriculture sector whose production cost structure became depraved, import requirement in high ratios may occur in some products (wheat, cotton). In the regions wherein transportation and other infrastructure besides geographical characteristics and marketing channels have not developed, it should not be expected that market conditions shall give sufficient reactions to such system that depends on free market basis. Without putting the mechanisms in use against the price and production risks, by pronunciations such as market signals, free market and globalization entering in to competition may cause country to enter into a difficult position in fundamental products in respect of food security. Structural problems in some regions regarding to land possession and usage, shall cause to the supporting of the owners of big lands. [217]

IX.1. Suggestions

 Due to the budget difficulties and restrictions in Turkey, it is not considered right to implement this system by a short-time and simple application only directed at decreasing the budget expenses. However it should not be late to determine a detailed application guideline. Direct Income Support may be used as an important tool in the agriculture policies reform since they have a less distortion effect on market prices in low levels, let to use a wide range policy variations set and able to be devoted to a specific target group.

 It is required to determine the agriculture policies before year 2004, due date of transition period for developing countries, projected by World Trade Organization Agriculture Agreement, and to commence the reform by issuing an Agriculture Code based on this.

 It shall be appropriate for this application to take place in a valid frame, an 'Agriculture Code', for a specific period in order not to deviate from its target and not to get results that shall be irremediable. It shall be ensured to determine fundamental targets in the code and to ensure each policy tool to be directed at a determined target and to decrease its negative effect on other interfering policies, to the lowest point and ensure that it shall not conflict with the targets of other policy tools.

 The Agriculture Code, wherein the agriculture policies and essentials also the policy tools shall take place, should deal with income and price supports together with direct income payments, usage of agriculture lands, loan-investment supports, product and income insurance, environment and natural sources, rural development, local and foreign trade applications, marketing channels and developing their infrastructure, food security and nourishment, import and export practices, research, training and publishing subjects in an integrated way.

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[217] Ibid. 22.

□ Before affecting this system that is dealt with the approach of targeting integration with the world and agriculture sector to perform in free market conditions, it should be required to constitute institutional structure in a competitive way. Making an arrangement in order to determine the methods and principles of training managers in the public institutions, practicing stabilized personnel policies and ensuring efficiency and rationality in public investments and general budget expenses deemed as a precedent condition.

□ Ministry of Agriculture and Rural Affairs and other institutions directly related with agriculture should be effectively re-constructed. It is required to rearrange the nonfunctional departments in the Ministry and in the affiliated organizations and these departments shall have to gain their functionality.

□ Organizations (like SPO (TMO)) responsible for the purchase of some important products should be reconstructed in order to perform their activities effectively. In the regions where marketing channels and infrastructure have not been developed; since the entire privatization of these organization or their annulment shall born negative results both for production and producer, except the regions where marketing channels and infrastructure have been developed, these foundations should not been annulled. Regarding the privatization of agricultural State-owned Economic Enterprises, negative effects of the privatization of Meat and Fish Association, Turkish Milk Industry Association and Feedstuff Industry CO., within the same term, on markets should not be forgotten.

□ The organizations responsible for the application of agriculture programs should be determined and they have to be structured in this frame.

□ Other organizations related with the agriculture supporting (Agricultural Sales Cooperatives Unions) also have to be constructed in direction with the cooperative principles.

□ It is inevitable to deal with public investments with an approach in conformity with their long and short-term targets and in a way that ensures ecological and economical balances. Practices such as restricting the great irrigation investments and allocating sources to other sub-sectors should be performed by taking the marginal effects into the consideration. In this context, regarding the development and application of Rural

Development projects, approaches or sub-projects should be developed. These should take the participation and responsibility of farmers as essential, provide finance directly to the producers and guarantee the repayment of the credits, In the same way precautions should be taken to ensure the farmer's participation in public investments financing in a specific ratio.

Being different from industry and services, regarding the agricultural production many investment that increase the productivity may not be performed in enterprise level but only in collective level and by public. For example many infrastructure investments such as irrigation investments, electrification, pasture improvement, land improvement, struggling with erosion may only be performed by public. Their effects on productivity are so great. Financial straits in public finance cause a great hindrance for these investments. Then, regarding to these infrastructure investments, it shall be very useful for everybody to transfer the incomes gained from the high-income groups (large agriculture entrepreneurs or rich farmers) by tax again to rural areas.

□ Producer Unions that shall be established should be effectively used in researches, training and publishing issues. Research institutes and the allocation of research funds should be rearranged and it is also required to ensure the participation of farmers in determining the research priorities.

No doubt that contribution of the government is included in the auditing activities in many areas such as research and publishing studies, food, seed, sapling, bud and cures for animals and plants, hormones, fodder, etc.

□ Sector priorities and the principle of continuity should be taken as essential in the allocation of Budget and Treasury sources. Approaches that take the budget expenses as basis and undervalue the long-term influences on sector, should be abandoned.

□ In the frame of stock management concept, a certain price interval between product (e.g.; cereals) purchase price and sales price should be determined. It is necessary to determine appropriate policy and encouragement tools that shall direct private sector and partially farmers to silo and warehouse investments and to give start to application.

□ In the same way, increasing the competition force of agriculture enterprises and for farmers' associations to perform their functions effectively should be perceived as a precedent condition.

□ Producer Associations and cooperatives devoted to agriculture those are independent in their management and wherein the democratic principles are valid, producers are influential in its establishment and operation and by an organization form that may serve to producers in production and marketing the products they deal with, in order to ensure them to take their place in agriculture sector should be considered as one of the essential points of the reform.

It does not matter, how successfully the short term rationalist supporting and speeding up the infrastructure investments, practices that shall improve the income distribution, research, publishing, control and similar supporting policies been performed, if they shall not bring producers to become organized in cooperatives then after a term, these may not prevent the rural areas to get poor and become stabilized. Increasing productivity have been decreasing the prices, due to the formation of monopolies input prices are increasing faster than the product prices, added value increase have been under the control of industry and trade sectors in the result that the products have been increasingly subjected to more manufacturing processes. However, thanks to cooperatives, added value increases may be under the control of rural sectors. But in Turkey, a significant government support to cooperatives can not be seen. In the Law d.d. 1st June 2000 regarding the Agricultural Sales Cooperatives Unions, assistance of government to cooperatives has been forbidden. But for a management that wishes to develop its agriculture, it is inevitable to support and assist its cooperatives.

□ Necessary legal and organizational arrangements should be performed for effective work of Union of Chambers Turkish of Agriculture.

Sources should be used mostly directed at structural alteration. In short term, since it is impossible to lessen the population and the current enterprises in agriculture and when the restrictions in the employment possibility in other available sectors are thought about; it is revealed that it is inevitable to improve industry and its services in rural areas by basing them on cooperatives and to make the part-time farming widespread.

Protection of Turkish production against foreign effects may also be realized by practices such as the premium practices applied on cotton, olive oil, sunflower and soybean. For some products this might be the best method. However, establishing such system entirely instead of supporting purchases is not useful from some points of view. First, cost of supporting purchases to government is less than the premium system.

Secondly, premium system is very open to misuse of authority. Third one is the alienation of the organizations to the producers whom they serve to since producers are bothered with getting certificates while these organizations that should issue these certificates have been failing in executing their duties.

Due to these reasons, in short term supporting purchase and premium system should be carried out in a mixed structure. Regarding the products those are over-produced, immediately quote system should be commenced and there should be no compensation. Income losses should be compensated by other ways. For example in stock producing products such as tobacco, in Southeast Anatolia, an alteration policy that ensures some producers to pass by the alternative products and stockbreeding should be practiced. With this aim, information may be provided to those who want to incline this and ensure them to purchase animals, make irrigation investments, purchase machinery and equipment by providing long term loans with low interest. These applications may be continued till these new production branches shall be approved and accepted (for example 5 years). The 8th 5 Years Development Plan includes proposals like this. But only by accepting Direct Income Support system by paying insufficient attention on these subjects, may cause more problems than it solved.

□ By taking a transition period as basis, in some significant products (wheat, cotton, sugar beet) this practice should be performed in form of compensatory payments or through alternative policies, mechanisms should be improved in order to protect producer and production against risks. Risk management tools such as product stock exchanges, agriculture products, insurance system, contracted agriculture and stock management should be efficiently put into practice. Also, it is required to commence studies about the practicability of income insurance system.

□ Regarding the application, monitoring and control of Direct Income Support system, organizational and legal arrangements should be performed. In the constitution of Ministry of Agriculture and Rural Affairs, a department should be constructed in direction of this aim for execution and control of the system. Also, as it is in European Union, applications such as remote sensation and Geographic Information System (GIS) should be quickly taken up and their organization and usage should be ensured in the shortest time with in this direction.

□ It is required to speed up the project, initiated in the structure of State Institute of Statistics in 1998, directed at establishing a 'Farmer Accounting Database System' being in conformity with the system used in European Community, to obtain the contribution of Ministry of Agriculture and Rural Affairs to the project and also it is necessary to make the databases of public institutions and organizations that make supporting purchases available for use, by immediately compiling them.

It is necessary to determine by whom the Turkish agriculture lands have been used, because since the 1/3 of agriculture lands are possessed by government, user of most of them is not known. (as it is in treasury lands)

Cadastre and Title Deed Survey studies should be accomplished in a way to meet the demands of day and the user of the land should have the chance to certify this.

□ It seemed as an important factor to benefit from the experiences lived in other countries in determining the target group, target product and target region that shall benefit from Direct Income Support system.

□ In order to ensure the 'multiplier' effect of documents such as check, coupon that shall be given in return of direct income support payments, it is considered as important to take measures in direction with the usage of a specific ratio of it (for example 30 percent) that shall be obtained in the result of calculation, to solve the infrastructure and constructional problems of the sector.

□ It is required to determine the farmer definition and concepts of small scaled enterprise and large scaled enterprise in product basis. Regarding to the producers that exceed a specific enterprise size, payments that shall be made to these should be restricted. When the payments are determined and restricted in accordance with the agriculture land size of the producers, it is required to take the necessary measures to prevent the artificial increase or decrease of lands.

□ Prior to application, it is required to determine the usage situations, at least for the last three years, of the lands that shall be matter of payment.

Regarding the "Inheritance Law", it is compulsory to immediately accomplish the arrangements that shall not ruin the structure of agriculture enterprises.

As a result, within the frame of a need in reviewing the agricultural supporting policies, without postponing the decisions required to be taken in short term, it is necessary to speed up the studies aimed at troubleshooting the problems that direct income support system shall create in the current structure. System may only give positive results by the improvement of registry system and transformation in agricultural structure in long term. Direct income support system to producer should not be used as a tool for postponing the urgent decisions that should be taken immediately in short term.

 Due to the elimination of regional differences and the importance of regional programs, the concept of 'Problematic and Precedent Production Areas in Agriculture' should be improved and studies for determining such areas should be initiated in regional and local levels. Giving priority to income, environment-natural sources, employment, agricultural infrastructure and marketing determining the variations regarding the ecological-economical, social and environment and applications such as production directing according to demands, improvement of stockbreeding- fodder plants production, forest-a forestation and establishment of long-term covering plants, improvement of alternative business and investment possibilities in sector and inter-sectors should be realized in direction with the targets through special programs for these determined regions.

Regarding the transformation of agricultural structure in medium and long term, through land reform in the regions such as East and Southeast Anatolia where the land distribution is so unbalanced and in other regions through a 'Land Organization', balancing of land distribution studies should be realized. In obtaining the necessary finance, it is possible to benefit from the better taxation of agriculture and for this to benefit from the taxes that shall be collected from owners of the big lands and/or from the prevalence of income tax stoppage collected at source from the sales.

 It is considered as more appropriate to gradually decrease or annul the fertiliser support among input supports, to regulate the loan supports within the frame of macro-economical conditions in time and to increase the individual loans that directly take the farmers as essential.

Decrease in the supports to inputs such as fertiliser and similar ones may only be meaningful by transferring the savings obtained from here to the new inputs (for example irrigation investments) that is required to be supported.

□ Regarding the products exceeding demands (tobacco), again within the frame of the above mentioned essentials, it has been considered to firstly initiate decoupled payments and for other products exceeding demands (tea, nut) to give start to the alternative programs (quota system, afforestration devoted to environment protection). In accordance with the cost calculation, that's one of the criteria among the others taken in determining the product supporting prices each year, thirty-percentage profit margin is taken as essential. Giving an income payment, in this or in a higher ratio, directly to the farmer as an annual rental contract and executing this contract in long term (10-15 years), long term afforestration of the land that needs to be protected due to the natural sources such as erosion especially or its allocation to covering plants may be evaluated as an alternative.

□ In direction with the measures that shall be taken following the necessary studies regarding wheat, cotton and sugar beet those have a balance of local supply and demand, although deviations have been observed from year to year due to the irregular price increases, but alienated from world prices due to the deficiencies in its production and cost structures and also have an important place in budget expenses, it is necessary to start the deficiency or compensatory payments.

Regarding the products lack of demand (sunflower, soy bean, corn), again within the frame of the above mentioned essentials especially the necessary organizational and marketing infrastructure and as a result of regional planting area cross supply elasticity, they might be slide to the areas wherein the plants that exceed demands have been cultivated. Duly replacing these policy tools that interfere each other and timing of them is considered necessary for development of agriculture sector in a healthy and competitive structure. [218]

The burden of current agricultural supporting policies on economy and public financing shall become heavier by delaying the decisions that have a political cost and should be taken in short term, by giving priority to a system that may be effective in long

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[218] Ibid. 23-27.

term and that the problems that it may cause to in the future are not clear. Therefore, in order to decrease the problems born due to the agricultural supporting policy, it shall be required to put the above mentioned proposals into practice within a frame of specific program by taking the characteristics of the products into consideration.

There is a consensus regarding the lowness of the efficiency of the current ongoing supporting system in reaching to agriculture as sector and real producer as target mass. In this context, the aim of agricultural supporting should be to protect the country's food security, to ensure an appropriate standard of living to farmer and to protect the consumer prices; the above mentioned deficiencies of Turkish supporting system should be eliminated. However while entering into a system alteration in supporting system devoted to agriculture sector, greater attention should be given than the other sectors. Because it would not be easy to return back from the possible faults that shall occur in this area. In Turkey, in the lights of past experiences in this subject, it is determined that it is impossible to turn back for the farmer who left his village and handed his production equipment out.

During this period, agriculture supports should be absolutely continued as it is in worldwide, it should be ensured public sector interferes to the markets and plays regulatory role when it is necessary.

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