

An Overview of Tobacco Economy in the World and in Turkey

¹Onur KOPRULU, ²Bora ALKAN, ³Isıl ALKAN

¹Ondokuz Mayıs University Faculty of Economics and Administrative Sciences
Department of Economics

²Ondokuz Mayıs University Terme Technical Vocational School of Higher Education
Department of Accounting

³Ondokuz Mayıs University Faculty of Economics and Administrative Sciences
Department of Economics

Abstract: Tobacco as a crop discovered four centuries ago, has first been used as a plant in religious celebrations. After the discovery of America and after its arrival to Europe, tobacco has come to the fore worldwide. Tobacco has been of the important export items for many countries such as China, Brazil, India, United States of America (USA) and Argentina. However, since tobacco has been introduced to Ottoman Empire, Turkish tobacco has gained a good reputation with its high quality in world markets. The aim of this study is to give information about the dimensions of cigarette consumption, tobacco economy in the world and in Turkey and also to show the importance of tobacco production and trade for producer countries. This study also proffers suggestions to policy makers about tobacco production in Turkey.

Key words: Tobacco production and trade, Turkey, policy.

INTRODUCTION

No agricultural product has attained prominence and become luctartive to the same extent as tobacco, a crop discovered four centuries ago^[1,5]. The plant, in its numerous varieties is known in every region of the globe from the equator to the sixtieth degree of latitude^[12].

The first genera of tobacco grew wild in the warm climatic conditions of Southern hemisphere. Before the exploratory expeditions carried out by Christopher Colombus and Amerigo Vespucci, tobacco was in use amongst the inhabitants of America, who would chew, smoke or snuff it^[15]. In other words, it is known that the native country of the tobacco is America. However, tobacco has come to the fore worldwide after the discovery of America and after its arrival to Europe.

Tobacco has first been used as a plant in religious celebrations. Later, it has been used as a healing medicine and finally it has been used as a matter which provides positive reinforcement^[6].

Tobacco has been brought to Ottoman Empire in the beginning of 1700's from English and Italian sailors. It has been cultivated in Macedonia in 1687 initially in the Empire boundary. Afterwards, the production has become widespread. By the reason of attentive cultivation, accurate agricultural methods and

proper ecologic conditions, Turkish tobacco has gained a good reputation with its high quality in the world markets^[9]. Besides, in this way a tobacco specie named as Turkish specie or Oriental specie has been occurred^[5].

Major part of the produced tobacco in the world is used in cigarette manufacturing and remaining is used in the production of other tobacco products like cigar and pipe^[5].

MATERIALS AND METHODS

Mainly figures in this study have been obtained from the sources of FAO (Food and Agriculture Organization) and WHO (World Health Organization). Furthermore, related literatures have been utilized. Statistical methods such as means and percentages have also been used in the study.

Cigarette Consumption in the World and in Turkey:

Cigarette consumption has showed escalation in parallel with the progress in cigarette industry and developments in tobacco technology from the beginning of last century. By courtesy of advertisements and marketing skills of big companies blend cigarettes has outspread worldwide and superseded domestic cigarettes.

According to World Health Organization (WHO), global consumption of cigarettes has been rising steadily since manufactured cigarettes were introduced at the beginning of the 20th century.

Table 1 explains the increasing cigarette consumption between 1880 and 2000. The consumption has been increased 110% since the 20th century until nowadays. However, the consequences of this increase have also brought about the health problems all over the world.

Turkey, among other countries, has become one of the largest consumers of cigarettes. Turkey's domestic cigarette consumption increased from 73,270 million tons in 1990 to 111,500 million tons in 1999. Per capita consumption of cigarettes was 136 packs per adult in 1999. Onder [7] in her article has pointed out Turkey, becoming one of the largest consumers of cigarettes in the world. Researcher, according to U.S. Department of Agriculture data, has expressed that while world cigarette consumption declined by 4 percent between 1990 and 1999, in Turkey, it rose by 52 percent; the third largest increase in the world after Pakistan and Bulgaria.

Table 1: Global Cigarette Consumption

1880-2000	Global cigarette consumption (Billions of sticks)
1880	10
1890	20
1900	50
1910	100
1920	300
1930	600
1940	1000
1950	1686
1960	2150
1970	3112
1980	4388
1990	5419
2000	5500

Source: (WHO, 2009)

World Tobacco Production, Export and Import:

Today, tobacco agriculture is performed in 128 different countries (especially in developing countries) of the world [11]. Major tobacco producers of the world are China, Brazil, India, United States of America (USA) and Argentina as seen on Table 2. These five countries realize 70% of the world total tobacco production as of 2007.

When tobacco import of the world is considered closely as of 2006, it is seen that Russian Federation (271.841 tonnes) is the premier importer. Germany (249.256 tonnes), USA (234.263), Netherlands (168.544 tonnes) and France (126.254 tonnes) follow her respectively. European Union (EU) countries actualize 38% of total world import on their own. Germany, Netherlands and United Kingdom are not effective on

tobacco production, their primacy on import can be explained with their entity of major cigarette producers and exporters.

Tobacco Production and Trade in Turkey, Policy Comparison Between Turkey and EU:

Tobacco is an important industrial plant that carries weight for Turkish economy. Generally blended tobacco is used in the world tobacco product markets and at definite ratios oriental tobacco must be used in these blends. Oriental tobacco is mainly cultivated in Turkey, Greece, Bulgaria, Macedonia, Moldavia and Kyrgyzstan, however quarter of total oriental tobacco production is performed in Turkey [2]. The share of oriental tobacco production is 96% in total tobacco production. Other tobacco species cultivated in Turkey are Virginia, Burley, Puro, Tömbeki and Hasanköy, however their share are the remaining 4% [8].

Tobacco cultivation is performed as family agriculture in Turkey. It is chiefly based on human effort. According to 2004 data, 280.000 producer (with their families nearly 1.000.000-1.250.000), in the field of processing and maintenance 18.000 and in the field of tobacco products industry and marketing 18.000 people make their living by courtesy of tobacco [11].

While being 568.121 in 1998, the number of tobacco producers has regressed to 282.548 in 2004. This situation also changes the production quantities. As seen on Table 1 Turkey's tobacco production has decreased to 74.584 tonnes in 2007 while it has been 133.913 tonnes in 2004. The principal cause of this decrease is the shortfall of accretion in tobacco prices. Escalation ratio of tobacco prices has get behind the escalation ratio of input prices. Furthermore, young people's orientation to more profitable sectors and more older people's retreat from tobacco agriculture are other factors effecting this decline [11].

Tobacco production is mostly performed on Aegean Region in Turkey. According to 2004 data, 62% of Turkey's total tobacco production has been performed by Aegean Region. Furthermore, 12% of the production is realized by Black Sea, %6 of it is realized by Marmara and 20% of it is realized by Eastern Anatolia Region [10].

Tobacco is one of the most important export goods which symbolizes Turkey's agricultural export product and it has a vital importance for tobacco farmers. As can be seen on Table 4, Turkey is in the sixth rank among major exporters. Turkey exports tobacco approximately to 50 countries. Mainly buyers of Turkish tobaccos are European Union countries and USA. The annually export value is just about 430 million dollars. This income corresponds centesimal of country's total export. Majority of exported tobaccos are Aegean tobaccos [8].

Table 2: Tobacco production of major tobacco (unmanufactured) producer countries of the world (tonnes) (FAO,2009a)

	2004	2005	2006	2007
China	2.411.490	2.685.743	2.746.193	2.397.200
Brazil	921.281	889.426	900.381	908.679
India	549.900	549.100	552.200	520.000
USA	400.060	290.170	329.918	353.177
Argentina	118.000	163.528	165.000	170.000
Indonesia	165.108	153.470	146.265	164.851
Malawi	106.187	93.598	121.600	118.000
Pakistan	86.200	100.500	112.600	103.000
Italy	117.882	115.983	110.000	100.000
Zimbabwe	78.312	83.230	44.451	79.000
Turkey	133.913	135.247	98.137	74.584
World	6.534.041	6.738.602	6.642.977	6.202.127

Tobacco harvested area of the world is 3.675.420 ha as per 2007. China has the maximal harvested area, she has 34% of the world total tobacco harvested area on her own (Table 3).

Table 3: Tobacco harvested area per country (ha) (FAO, 2009a)

	2005		2006		2007	
	Area	Proportion to total (%)	Area	Proportion to total (%)	Area	Proportion to total (%)
China	1.364.312	34	1.375.877	36	1.251.200	34
Brazil	493.761	12	495.706	13	459.481	13
India	366.500	9	372.800	10	370.000	10
Indonesia	198.212	5	168.692	4	194.517	5
Turkey	185.342	5	146.166	4	144.904	4
Malawi	141.527	3	136.527	4	118.551	4
USA	120.610	4	137.188	4	144.068	3
Others	1.091.515	28	1.017.779	26	992.699	27
World	3.961.779	100	3.850.735	100	3.675.420	100

Major tobacco exporter of the world is Brazil, she effectuates 23% of total world export on her own. Other important exporters are USA, India, Malawi, China and Turkey respectively (Table 4).

Table 4: Export quantity of major tobacco (unmanufactured) exporters of the world (tonnes) (FAO,2009b)

	2003	2004	2005	2006
Brazil	465.981	579.365	616.467	566.027
USA	156.894	165.781	152.978	180.064
India	120.637	135.383	142.702	158.254
Malawi	102.980	93.296	115.688	156.684
China	183.701	184.661	167.822	149.454
Turkey	113.711	114.774	134.276	112.307
Argentina	78.437	91.007	96.631	100.942
Italy	120.883	116.348	105.568	95.477
World	2.181.047	2.480.760	2.434.030	2.434.010

Despite being the top producer country, China is in the fifth rank among major exporters as of 2006. The cause of this situation is China's preference of being the utmost stockpiler of the world.

Table 5: Turkish And European Union Tobacco Sector

Turkey	European Union
Non-agglomerated land for production	Agglomerated land for production
Small scale farming	Small scale farming
Labor intensive farming	Labor intensive farming
Family farming	Fragile for production and price
Low level of price support	High dependency on price support

Turkey’s tobacco import is 32.462 tonnes concerning 2006^[3]. Turkey imports tobacco as raw-material due to the deficiency in production of foreign tobacco production. The required tobacco specie is Flue-cured and Barley in the harvest of blended cigarettes. Considering the high increase in the demand of blended cigarettes worldwide, Turkey’s production of these species is inadequate thence Turkey’s import shows escalation^[8].

In October 2005, the European Council, opened accession negotiations with Turkey. Following this decision, the arguments have arised on the potential impacts of Turkish membership to EU. The main focus of this chapter is to analyze tobacco sector of Turkey under the adjustment process to EU CAP. Following this, Turkey will be applying planned production and the premium system, according to Tobacco Common Market Regulation (TOPD) under the adaptation process of Acquis communautaire. This regulation will be conducted by Regulatory Committee for Tobacco, Tobacco Products and Alcoholic Beverages Market (TAPDK).^[11]

Ozkul and Sari^[7] emphasize the premium system, applied in tobacco sector in EU. The premium system differs according to 8 different tobacco products. However, the price formation has been left to bidding mechanism in Turkey.

We can briefly make a comparison between Turkey and European Union tobacco policy as shown in Table 5 below by Topçu^[13].

As understood from Table 5 above, the agglomerated land in EU and non-agglomerated land in Turkey appears as an important difference. In addition, Topçu^[13] in his research highlights the higher level of price support for tobacco producers in EU countries than in Turkey. Private Consumption Tax effectuated in 25.07.2005 by the decision of council of Ministers cabinet has shown similarities with EU adjustments. However, it is necessary to align Turkey’s Private Consumption Tax with EU policy for the compatibility of the accession process.

On the other side, as Cakmak^[1] mentions, “both in Turkey and in EU, policy makers intend to continue to use strict supply control measures for tobacco. EU is trying to take effective quotas and quota management

procedures to control the supply by taking into account the special conditions of tobacco farmers. Turkey is trying to enforce quotas with no specific control measures.”

Despite the fact that Turkey is one of the important tobacco producers and consumers in the world, its small contribution to GNP, governmental restrictions for cultivated areas, constraints for advertisements and general trend to decrease smoking in the world, have decreased the importance of sector both in Turkey and in the world.

Conclusion: Turkey, having sixth rank in the world is one of the major producers of tobacco. However, there have been many obstacles for the competitiveness of Turkey among other major producers.

One of the urgent and necessary adjustments to be made for tobacco sector in Turkey is to constitute a system to protect producers against risky situations such as disagreement of price between seller and buyer. Thus, buyers will not be the only decision-makers for the price and the producers will be involved for fairer price.

The supporting system of producers by government to provide competitiveness among other tobacco producing countries will constitute an advantage to Turkish tobacco producers. The absence of this system in Turkey after the “Tobacco Law” (Law Number 4377) engenders a disadvantageous situation while the other major tobacco producers are applying price support systems.

The absence of tobacco producers’ organization mainly for the EU accession process of Turkey also occurs as one of the important disadvantages. Therefore, the establishment of this organization with the leadership of the government will ease the compatibility of EU and Turkish tobacco sector.

Turkey is the major oriental tobacco producer, to maintain her position she has to follow the trends of consumer demand and market developments. New cigarette kinds which are manufactured from 100% oriental tobacco have to be enhanced considering the consumer preferences. Beside the oriental tobacco production Virginia and Burley kinds of tobacco production has to be increased under control.

The trade of fugitive and faked tobacco products has to be prevented. Government and producers have to contend with collaboration about this subject.

Taxes levied from tobacco products except cigarettes have to be in stable structure. This regulation will raise the tax revenues of the government and also fetch the product sold illegally to legal background.

Certificated and high-class tobacco seed production centers have to be established and this type of seed usage has to be encouraged.

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