

# tepav

Türkiye Ekonomi Politikaları Araştırma Vakfı

## US-Turkey Agricultural Trade

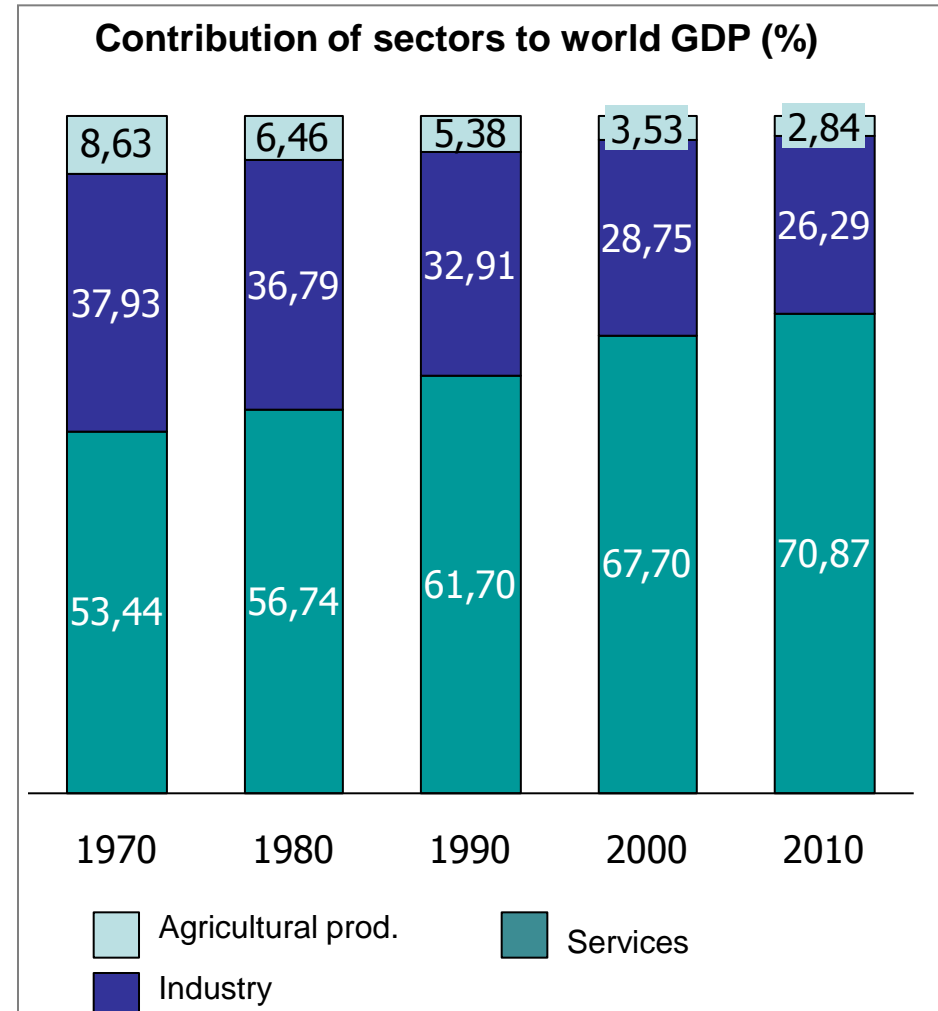
Sibel GÜVEN  
TEPAV|FAPRI

# Framework

- How similar and how different are Turkey and US agricultural sectors?
  
- It takes two to tango
  - What is wrong with Turkey's agricultural sector?
  
- How can TEPAV|FAPRI contribute?
  - We can contribute in the improvement of Turkey's competitiveness through policy analyses

# Contribution of agriculture to GDP is decreasing globally

- Contribution of sectors to global GDP is changing
  - Share of agricultural production and industry decline
  - Share of services increases

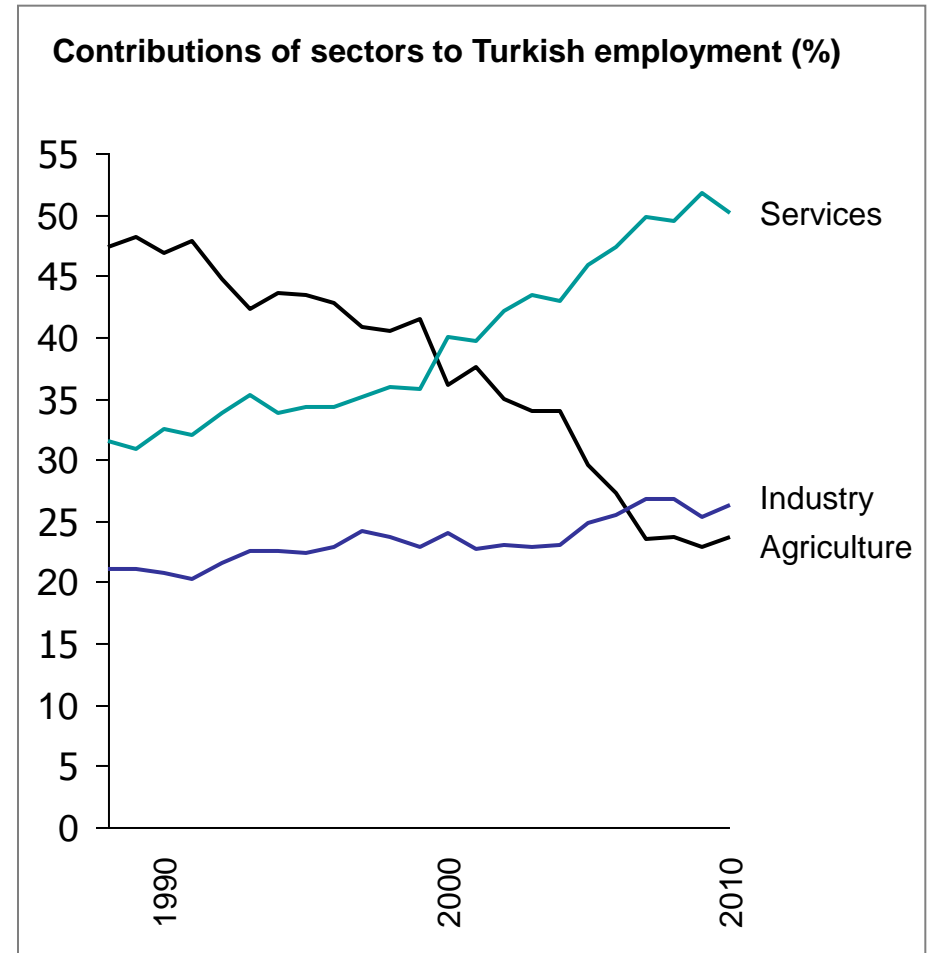
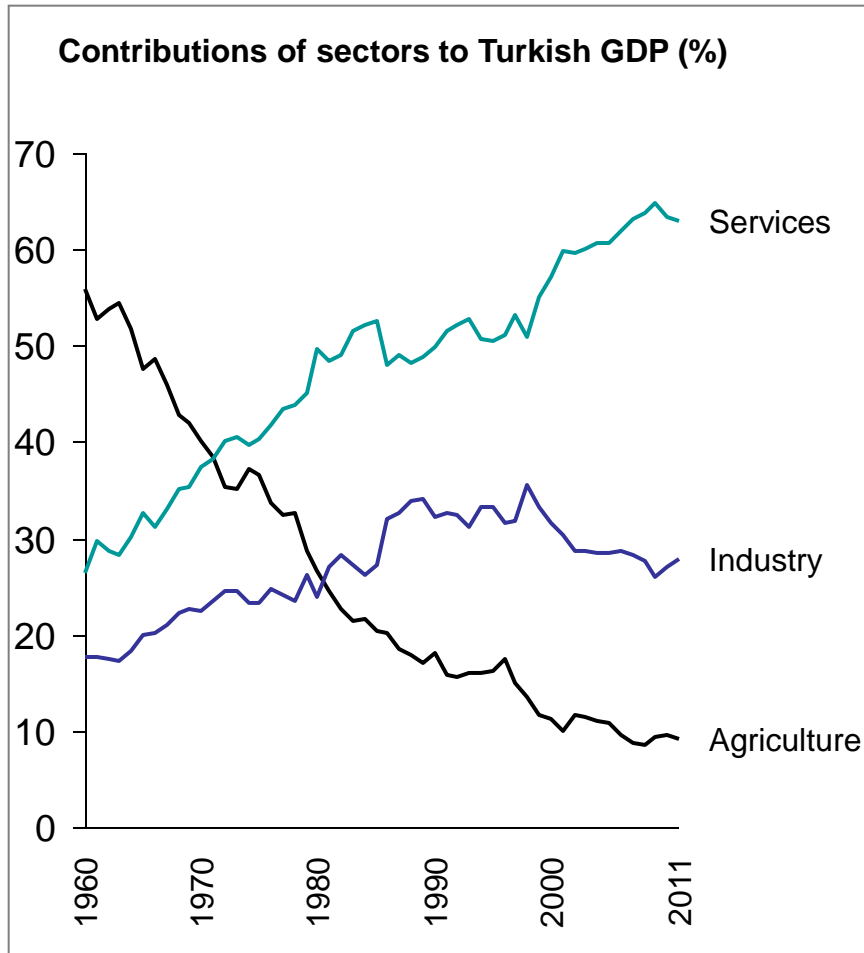


## Structure of agricultural sectors in US and Turkey

- The high share of employment in agriculture in Turkey creates a policy environment significantly different from the US

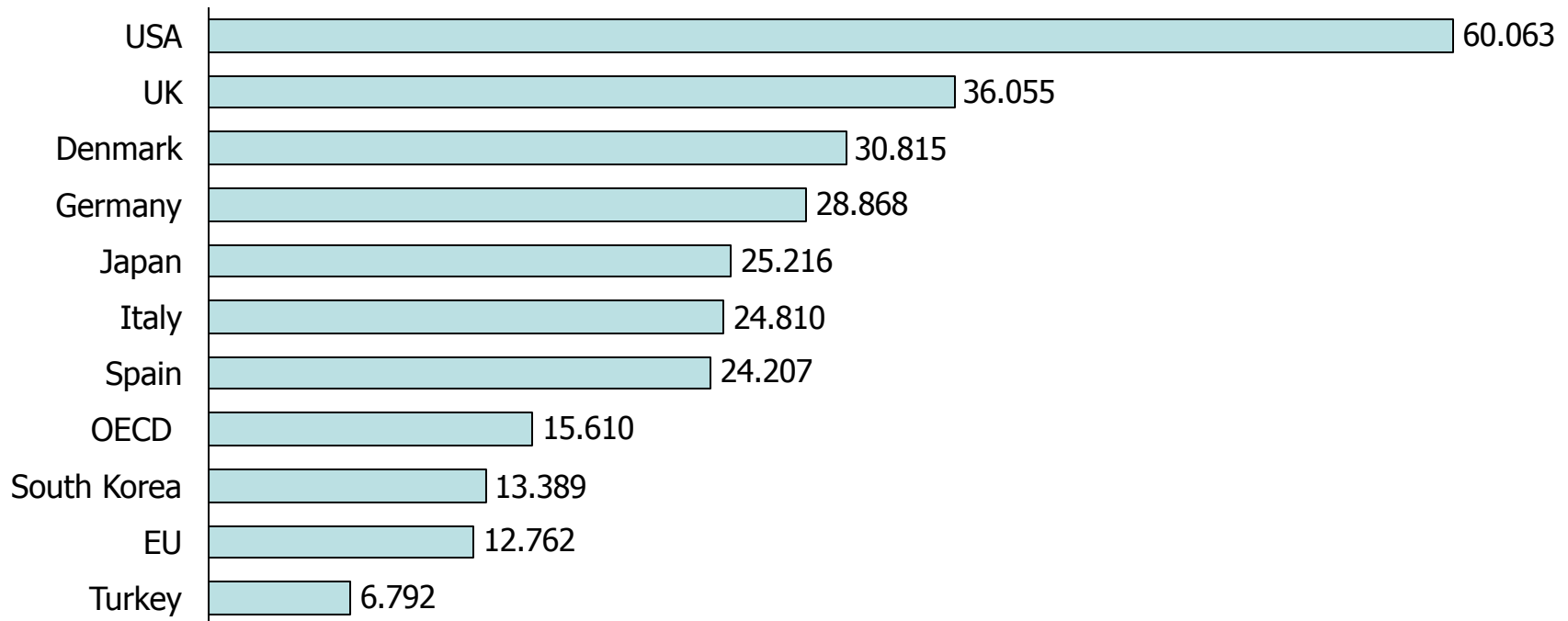
Countries	Contribution of agriculture to GDP (2011)	Share of agriculture in total employment (2010)
Turkey	9,65%	24%
USA	1,18%	2%

## Contribution of agriculture in GDP has declined faster than agriculture's share in employment

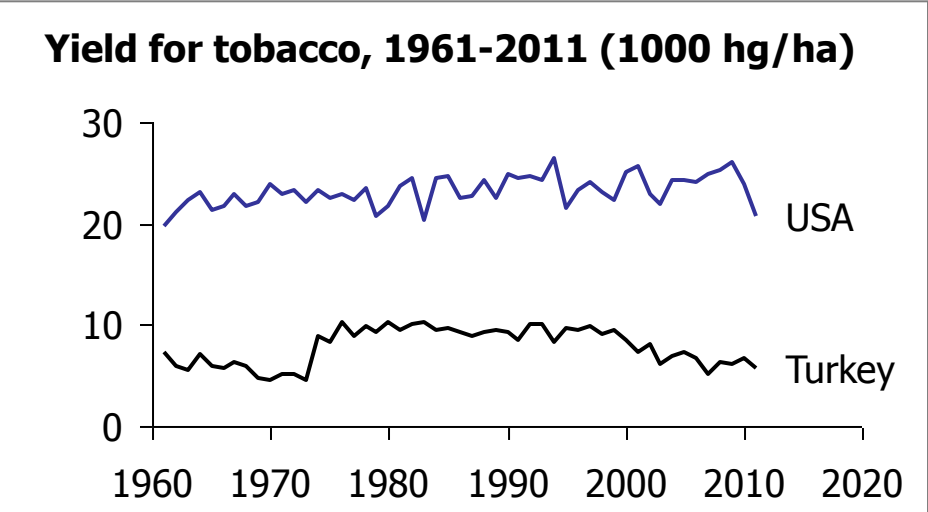
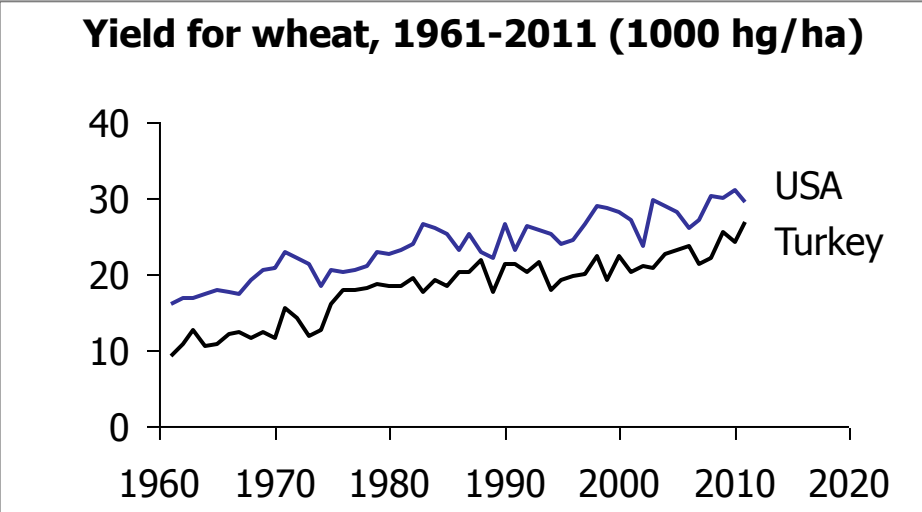
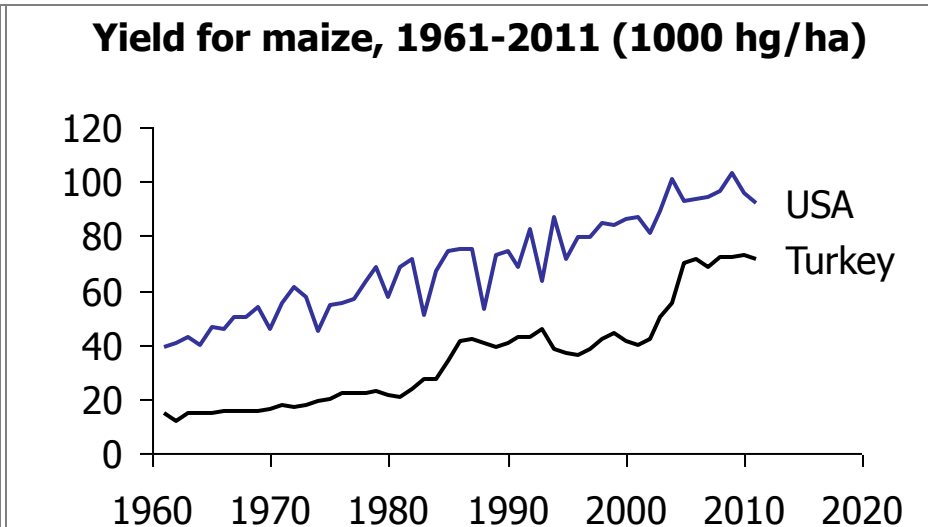
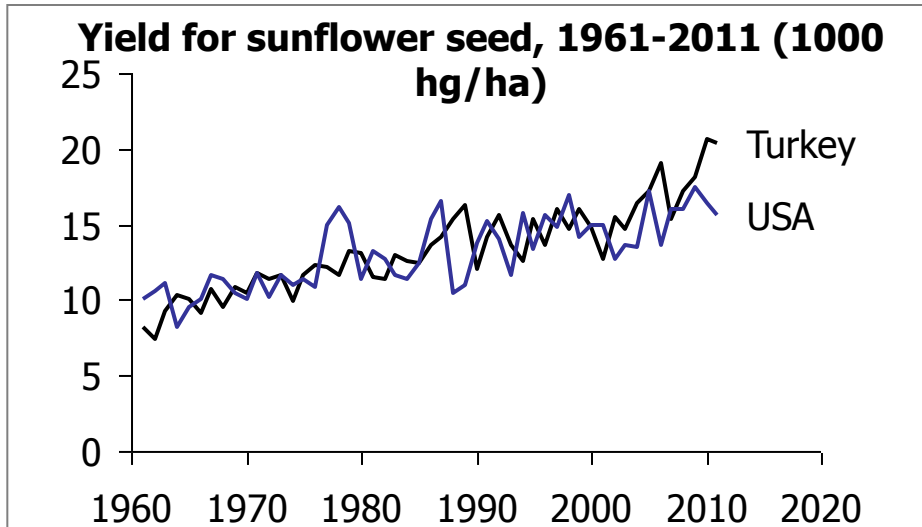


# High share of employment in agriculture causes efficiency problems in Turkey

**Agricultural value added by person employed (2000 USD)**



## Yields have increased over the years but are still below USA yields

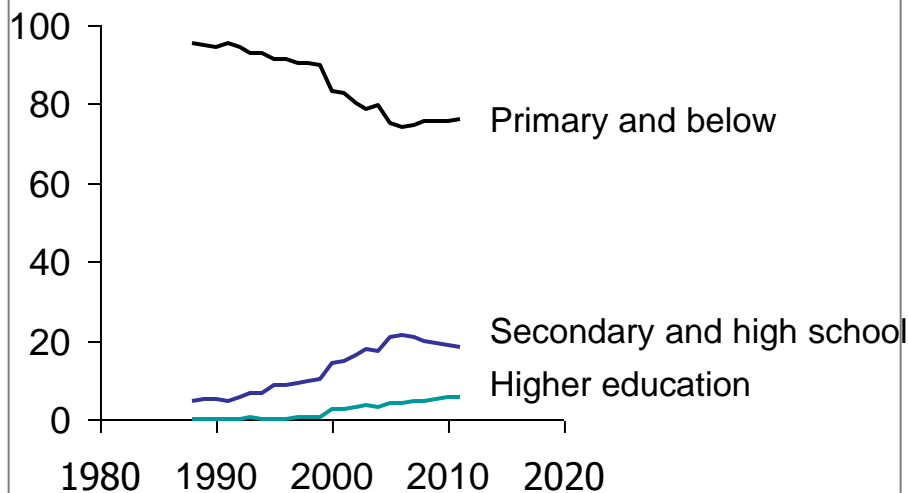


# Scale, policy framework and education are the main factors driving the low efficiency

## ■ Main reasons of low efficiency:

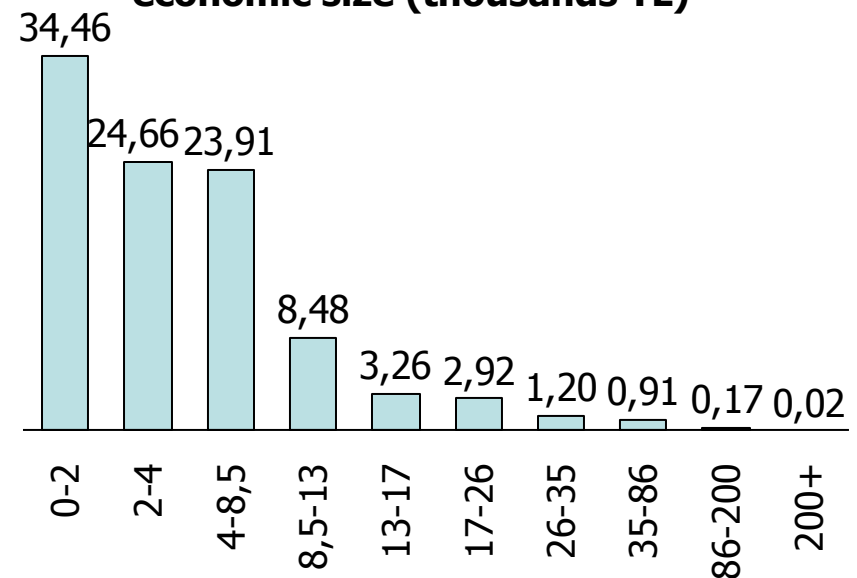
- Low level of education
- Scale problems
- Policy framework

**Education level of agricultural employment in Turkey (%)**



Source: TUIK

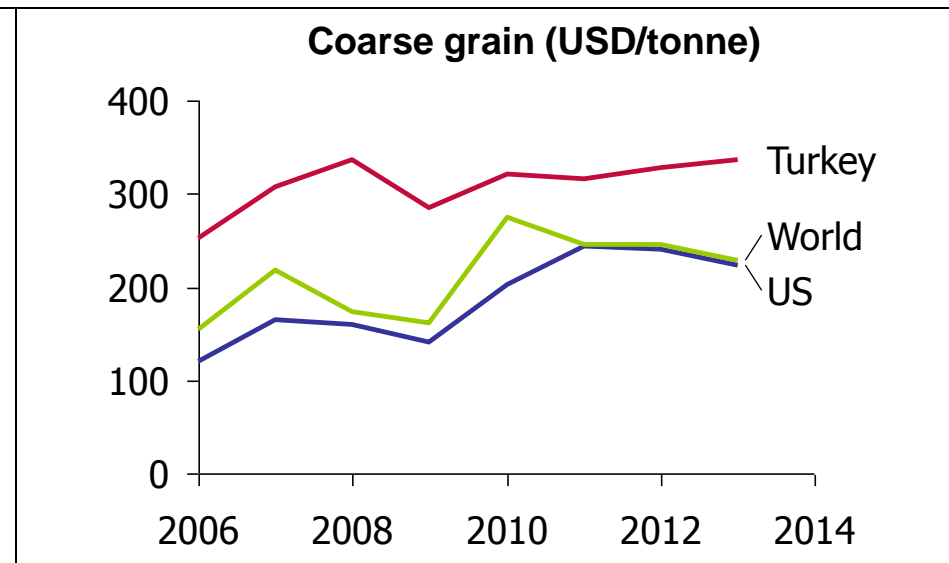
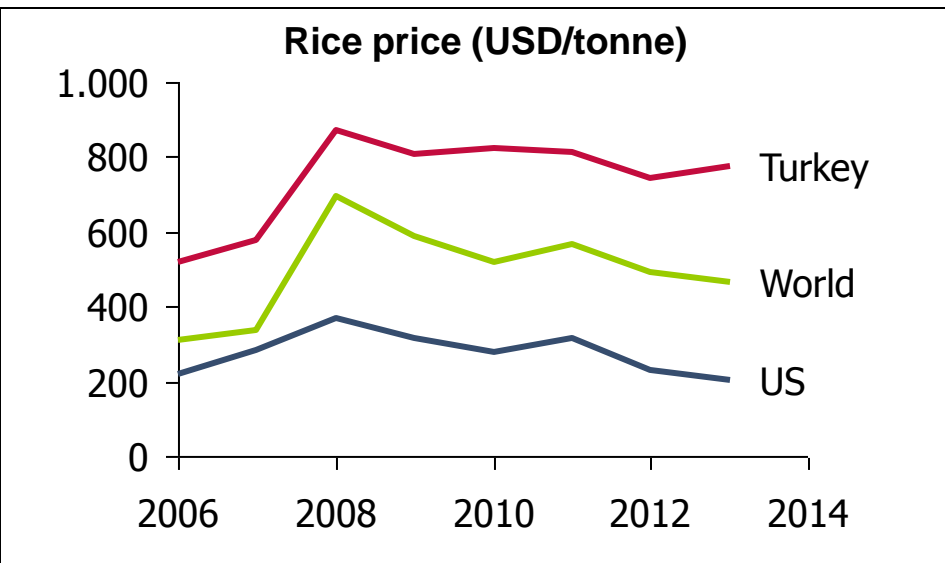
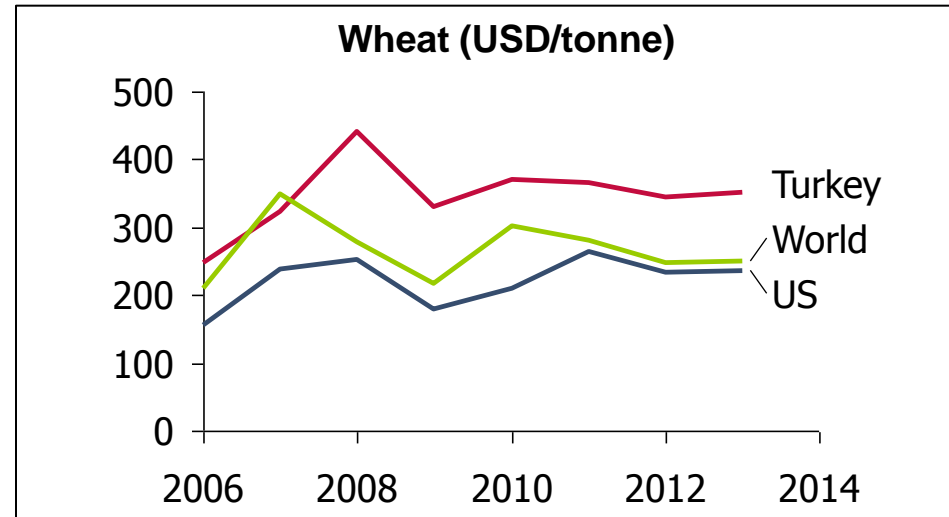
**Share of agricultural enterprises according to economic size (thousands TL)**





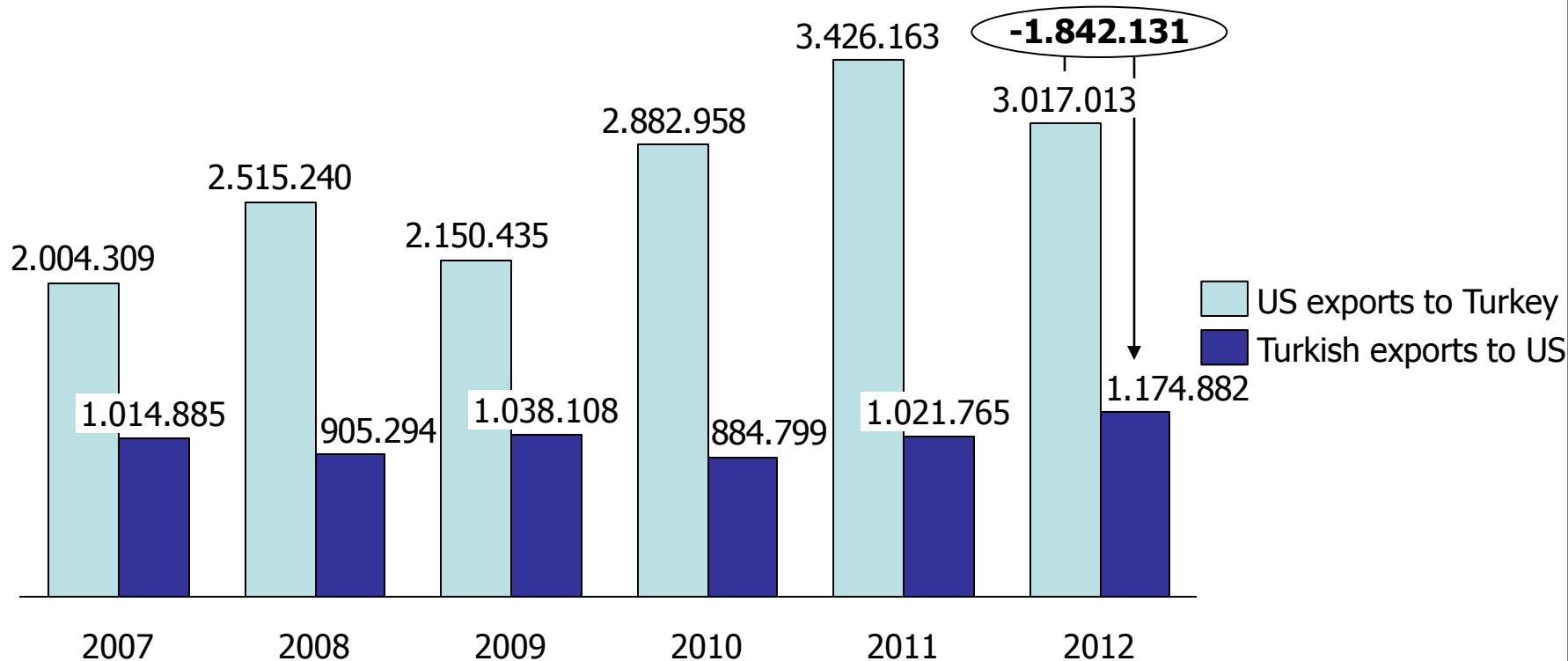
## As a result, prices of Turkish agro-products are higher than world prices

- In Turkey, even producer prices of agricultural products are very high compared to world prices



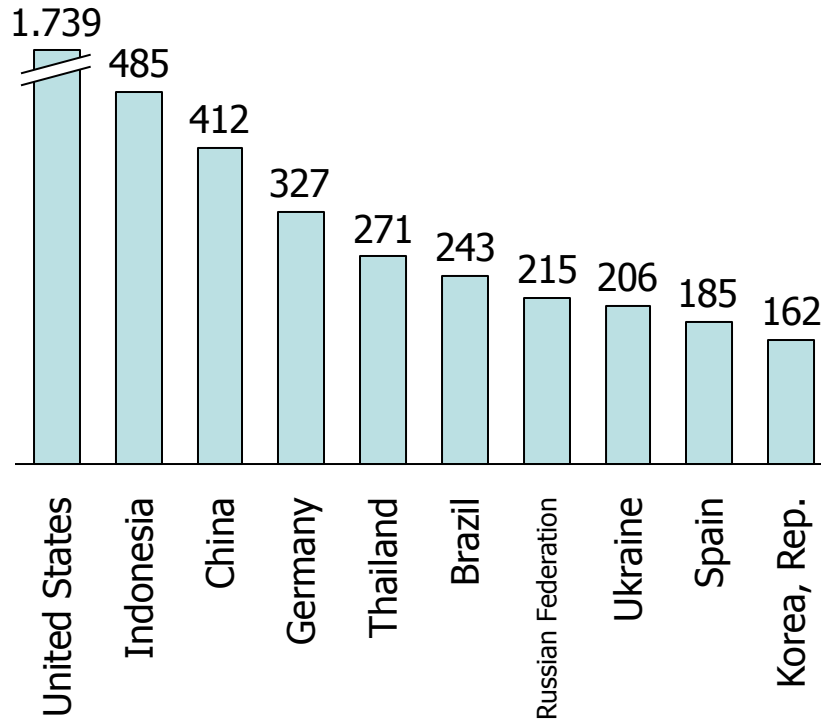
## Higher prices and low efficiency makes us less competitive in agricultural bilateral trade with US

Value of total agricultural trade between Turkey and the US (000 USD), 2007-2012

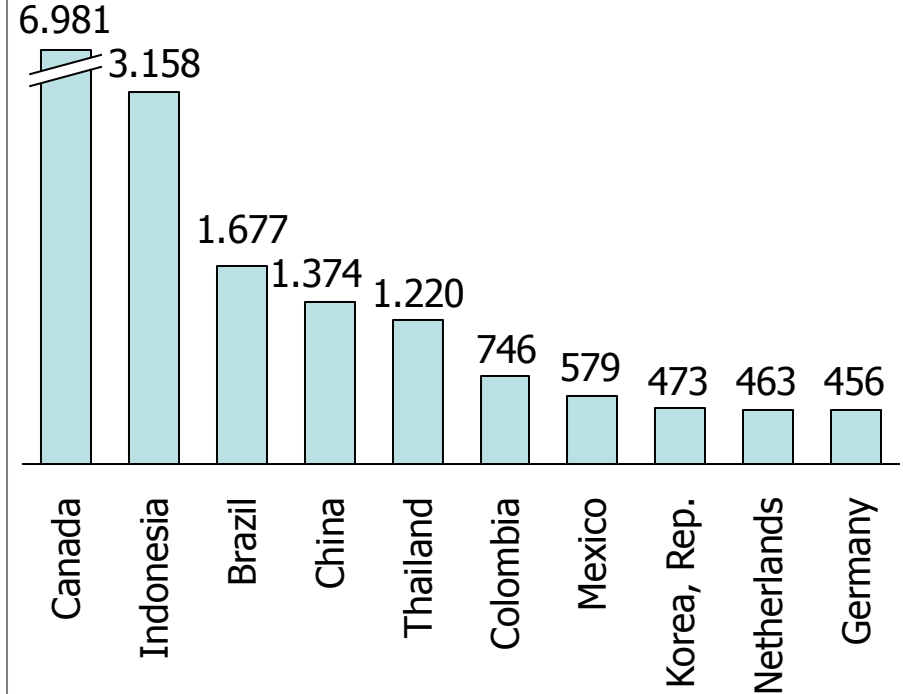


US is the major agricultural raw product exporter of Turkey, but Turkey is not even on the top 10 list of exporters to the US

**Turkey's main agro-product import sources, 2011 (millions USD)**



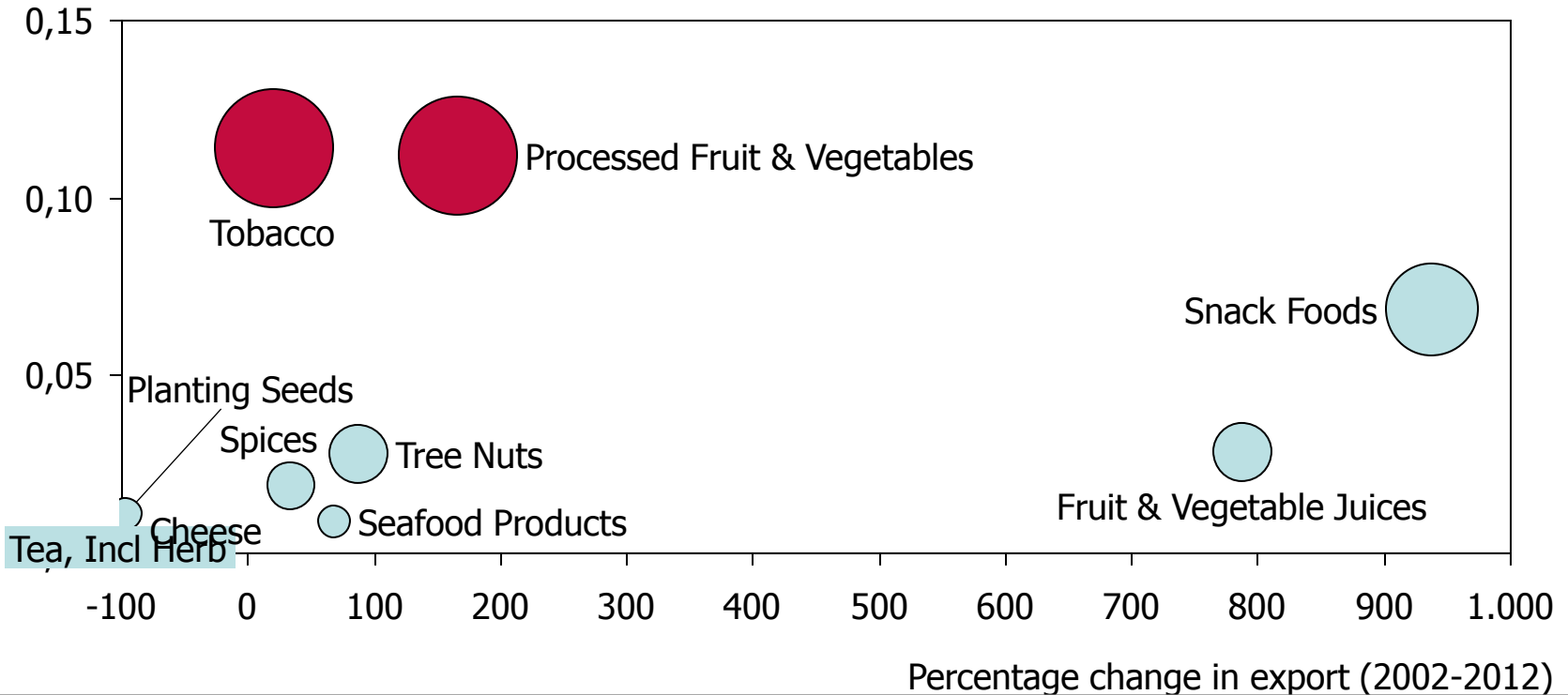
**USA's main agro-product import sources, 2011 (millions USD)**



# Turkey mainly exports tobacco, processed fruit and vegetables to the US

Turkish exports to the US, 2002-2012

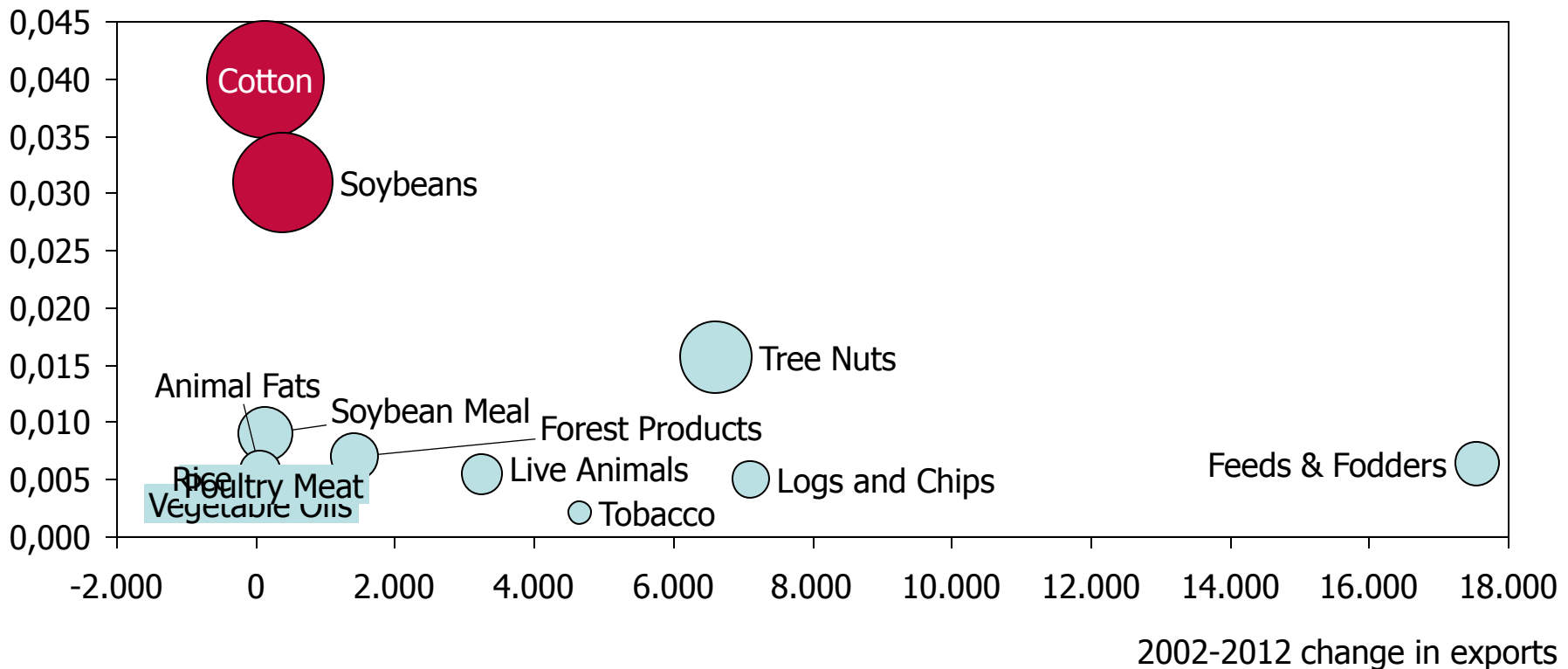
Share in total exports



# Turkey mainly imports cotton and soybeans

US exports to Turkey, 2002-2012

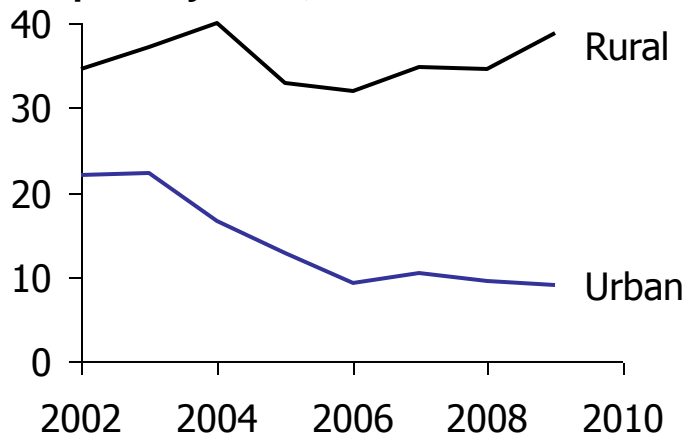
Share in total exports



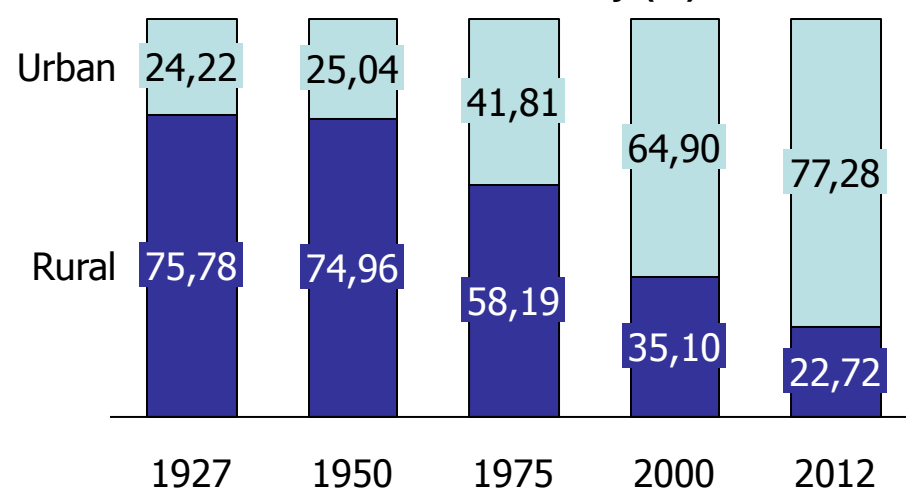
# A new thinking of policy framework is necessary to be more competitive

- If we are thinking of agricultural policies as a rural poverty alleviation mechanism, it is not working
- A new policy framework is needed
  - ➔ We need to account for urbanization: urban consumers are greater in number

Poverty headcount ratio at urban and rural poverty lines, 2002-2009



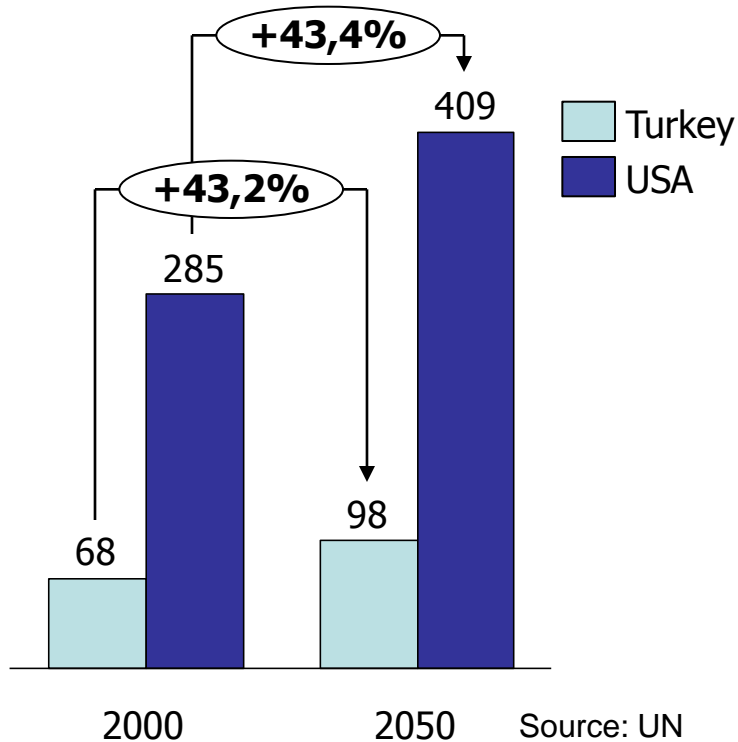
Urbanization in Turkey (%)



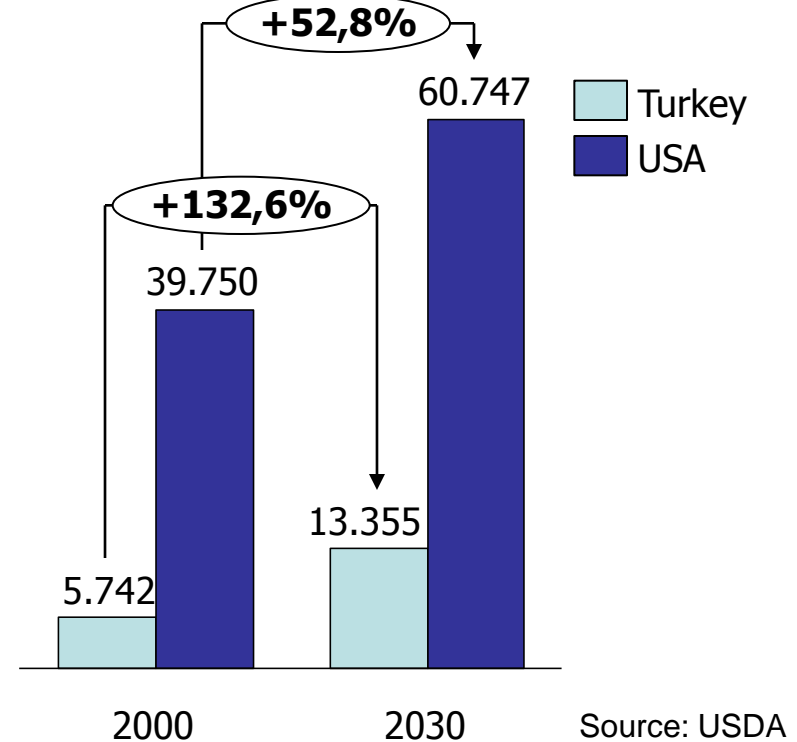
# Our consumption habits will converge as Turkey catches up economically with the USA

- Current policy framework is far from catching up with this trend

### Population projections for Turkey and USA



### GDP per capita projections for Turkey and USA



# How can TEPAV|FAPRI contribute?

- Our aim is to be able to contribute in improving Turkey's competitiveness in agricultural trade
  - We can collaborate with the government to construct policies that induce higher quality of production
  - We can collaborate with the related associations to improve competitiveness
- We have a holistic approach
  - We aim to help create policies that maximize the aggregate benefit of producers and consumers together
- Transforming from a closed to an open agricultural sector requires careful thinking
  - Need for impact assessment