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GAIN Report

Global Agricultural Information Network

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Alcoholic Beverages Sector Report

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Product Brief

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Report Highlights:

Sales of alcoholic drinks have more than doubled since 2000, with 614 million liters to 1.127 billion liters in 2012. Growth has slowed over the last five years to an annual increase of about 10%. During this five-year period whiskey registered the highest increase with 170%, followed by vodka with 71%, wine with 49% and beer with 8%. This growth is supported by rising disposable income among a growing middle class. The majority of this consumption is in tourist resorts and in large cities where the concentration of young people is high and the influence of western culture is stronger. Strong conservative views on alcohol generally limit sales in many rural areas.

General Information:
Sector Situation

The relatively you average age in Turkey is expected to support continued growth in this sector as the younger Turks account for the major part of alcohol consumption. This growth is despite increased prices as a result of frequent increases in Turkey’s Special Consumption Tax (OTV). While rakı, a traditional aniseed-flavored spirit remains popular in many rural areas and among the middle aged and older consumers, beer is the most popular alcoholic beverage among younger people due to the fact that it is cheaper and suitable for consumption at anytime, anywhere.

With respect to imports, whiskey is the number one imported drink into Turkey with total imports jumping 157% to \$55 million in 2011 from \$21.4 in 2010. Vodka is becoming increasingly popular among young people thanks to wide product availability and attractive designs. Market sources estimate that 22.5 million liters of vodka are sold annually in Turkey, and new brands are entering the market on a regular basis. Beer sales increased 8%, and reached almost 1 billion liters in 2012, but the highest increase in consumption has been in sparkling wine of 91% (827 thousand liters). With little domestic production of sparkling wine, the majority of this growth was a result of imports which increased 87% to 212 thousand liters.

The table below shows the volumes and sources of major alcoholic beverage imports into Turkey.



Whisky	Total: \$55 million <ul style="list-style-type: none"> • England: \$42.2 million • USA: \$11.8 million
Vodka	Total: \$13 million <ul style="list-style-type: none"> • Sweden: \$6 million • England \$2 million • France: \$1 million
Wine	Total: \$7 million <ul style="list-style-type: none"> • Italy: \$2 million • France: \$3 million • Chile \$0.8 million
Liquors	Total: \$6.7 million <ul style="list-style-type: none"> • Ireland: \$1.6 million • Italy: \$1.2 million • France: \$1.1million • England \$0.9 million
Beer	Total: \$5 million <ul style="list-style-type: none"> • Germany: \$2 million • Mexico : \$1.1million

Other imports include brandy (cognac) which comes mainly from France and Gin of which 73% (US\$ 2 million in 2011) comes from England.

The current market size for Turkish rakı is 2.2 billion TL. There are currently 4 rakı producers in the sector, and there are 31 rakı varieties in the market. In the last five years, rakı has started to lose popularity, decreasing from 60 million liters in 2002 to 40 million liters in 2012 with an 8.6% decrease in 2012 compared to 2011. The major reason behind this decrease is the tremendous increase in applied taxes and its reflection in rakı prices, which increased 25 times in the last 14 years (from 2.34 TL in 1998 to in 51.5 TL in 2012). Meanwhile decreased taxes on vodka and whiskey helped to increase their popularity among younger consumers, and have therefore started to register higher growth in drink sales.

Turkey is one of the leading grape producing countries (currently 3 million MT) but the majority of this production is table grapes, with only a fraction used to produce wine. Turkish wine production has been approximately 70,000 million liters in 2012. In response to increased demand, however, producers are modernizing facilities and expanding grape production. There are 175 wineries in Turkey, of which the 10 largest account for 80 percent of domestic production. Kavaklıdere, Doluca, May, Yazgan, Turasan, Sevilen and Pamukkale are the leading local producers. Most of these companies use local grape varieties to produce traditional wines but they also produce typical wines such as Cabernet, Merlot and Chardonnay. Turkish wines are improving in quality and winning awards in international competitions, which increase awareness among the Turkish consumers in terms of their quality. Along with other varieties, the popularity of rose wine has increased significantly with consumption showing a significant increase particularly, in summer months.

Turkish Economy

The Turkish economy grew 2.2% in 2012 and is the 17th largest economy in the world leaving behind countries like Holland, Belgium and Switzerland. In 2012, the gross domestic product was estimated at US\$ 783 billion with per capita income about US\$ 10,500. With a population of over 75 million, Turkey is also the 18th most populated country in the world. The ratio of working population, between the ages of 14-65, accounts to 67 percent of the total population. Turkey has a young population where the median age is 30, and 32% of the population is between the ages 15-35.

Turks are increasingly moving to more urban areas with 77 percent of the population lives in cities. Half of the total population lives in the largest 10 cities: Istanbul, Ankara, Izmir, Bursa, Adana, Antalya, Konya, Gaziantep, Sanliurfa and Mersin in a descending order.

According to OECD, Turkey is expected to be the fastest growing economy among OECD members between 2011 and 2017, with an expected annual average growth rate of 6.7 percent. A young population, increasing urbanization rates and a growing middle class help boost the economy.

Market and Distribution Channels

Local players dominate alcoholic drinks sales in Turkey. Efes Pilsen has a leading position due to the fact that beer is the largest segment within alcoholic drinks and also as a result of the company's long presence in Turkey, good distribution network and strong brand name. Türk Tuborg comes second and Mey İçki comes third in the total alcoholic drinks, but Mey is the leader in spirits sales due to its dominant position with the traditional aniseed-flavored spirits called *rakı*.



Small, independent food, drink and tobacco shops are the leading distribution channels for alcoholic drinks, followed by supermarkets. Larger supermarkets and hyper markets are increasing in popularity at the expense of small grocery retailers due to their on-going expansion throughout Turkey and their offering of convenient one-stop shopping. Unit prices are generally lower in supermarkets and they can offer larger shelf space and a greater range of products. Imported vodka, rum and whiskies, imported wine and premium lager have become more available thanks to these retail channels.

In Turkey, HRI establishments comprise hotels, bars, pubs, clubs and restaurants. Among them, bars are the most popular venue for the consumption of alcoholic drinks by Turkish consumers. The type of liquor license obtained from public authorities determines the closing time of HRI outlets, and they can sell alcohol until their closing time. For instance, some bars can be open and sell alcohol until 4 am.

The most important issue regarding alcoholic drink taxation is the Private Consumption Tax (OTV), which is also applied to tobacco, fuel, consumer appliances, cars, etc. This causes most alcoholic drinks to be very expensive compared to European markets. With the tax based on alcohol content beer and wine are subject to lower tax rates than spirits such as whiskies, tequila and vodka. While import taxes and fees can double the price of imported alcoholic beverages, the impact is mitigated by high taxes on domestic production. It is not uncommon to find many imported wines and liquors offered for the same price, or even cheaper, than Turkish products.

TAPDK (Turkish Tobacco and Alcohol Regulation Authority) is currently the government office responsible for regulation of alcoholic drinks and the collection of production data, but there are recent proposals to transfer these responsibilities to the Ministry of Agriculture. Advertising of alcoholic drinks on television and radio is prohibited, and Internet sales of alcoholic drinks are also banned. In Turkey the legal alcohol purchasing and drinking age is 18.

Opportunities

The alcoholic drinks sector in Turkey is relatively immature and has significant growth potential. Turkey has the lowest per capita consumption of alcoholic drinks in Europe. Following the urbanization and Westernization trend, an increase in the consumption of alcoholic drinks is expected by the industry and total volume sales is expected to reach over 1.1 billion liters by 2016. Moreover, an increase in the working population, especially of working women, is expected to lead to a rise in disposable income levels which will make alcoholic drinks more affordable. As disposable incomes increase, the number of people going out to socialize is set to rise, and consumers will start to look for new and more sophisticated products. Turkey is a major tourist destination, where the number of tourists increased 144% in the last 10 years, reaching almost 32 million in 2012 compared to 13 million in 2002. 15% of these tourists are German, 11% is Russian, 9% are English, and the rest are from other EU and Middle East countries.

Differentiation is an increasingly important factor in the battle to attract consumers. Recently, new flavors and varieties have been introduced to the market such as flavored liquors, lemon flavored beer, and even new non-alcoholic beer by Efes Pilsen. In addition to catering to health conscious consumers,

non-alcoholic beer can appeal to those who do not drink alcohol due to religious reasons.

One particular growth area is the market for wine, as more varieties as consumption is expected to increase as better quality wines become available. The young population, increasing urbanization (which leads to great sophistication in food, drink and entertainment choices), as well as rising income levels and large number of tourist all point to a strong potential demand for wine.

As a result of the increasing demand for quality, many imported blends from various wine producing are routinely available in retail outlets and luxury hotels and restaurants. Total imports reached 2.2 million liters in 2012 representing a 22% increase from 2011. Italy (0.7 million liters), France (0.5 million liters), Chile (0.5 million liters) and the US (88,000 liters) were the leading suppliers.

Turkey also exports wine – with total 2012 exports reaching 2.7 million liters. Belgium (0.6 million liters), and Northern Cyprus (0.5 million liters) were the main export destinations for Turkish wine. Wine imports from the USA are subject to 70 percent import tax. Imports from EU however are subject to 50 percent import tax due to the Turkey/EU Customs Union. Additionally there is a TL 3.53(US\$1.95) per liter -about US\$1.47 per bottle- consumption tax and 18 percent VAT applies to wine imports. Along with lower import tax EU wines also benefit from the shorter shipping time and greater consumer awareness.