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Food Service - Hotel Restaurant Institutional

Turkey HRI Annual Report

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Report Highlights:

The Turkish economy is expected to finish 2014 with a growth rate of 3.5-4.0 percent. Despite political and economic difficulties, Turkey's hotel, restaurant and institutional (HRI) sector has managed to sustain its growth thanks to a decade of sustained economic growth, rising income levels, and a young population that is hungry for new products and tastes. Turkey's position as the 6th most popular tourist destination in the world also contributes to this sector's growth.

Post:

Ankara

Executive Summary:

The United Nations World Tourism Organization ranks Turkey as the 6th most popular destination in the world and the 4th in Europe. After registering \$34 billion in 2013, tourism sector revenues increased 11 percent in the first 9 months of 2014 compared to the same period of 2013. Turkey targets 6.4 percent growth in tourism revenues between years 2015 and 2017, and aims to reach 50 million visitors and \$50 billion in tourism revenues by the year 2023.

Accordingly, the number of hotels, restaurants and catering companies are increasing each year along with the increase in tourism. There are currently more than 3,800 hotels, 5,000 catering companies and 150,000 restaurants in Turkey.

Growth of the HRI sector is supported by the increase in gross domestic product (GDP) and Turkey's young population. An urban and young population drives change in consumer behavior such as eating out more. This attracts high-end fast food chains to enter the market.

Proliferation of the shopping malls and online ordering also help growth of the sector. Turkey is the 7th largest retail market in Europe and 10th in the world, having 342 shopping malls as of September 2014, 112 of which are in Istanbul.

The number of catering facilities increased rapidly in the past decade and has reached around 5,000. The institutional food sector is growing by catering to the military and schools.

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SECTION I. MARKET SUMMARY

A. Market Volume and Trends

Food consumption outside of the home is increasing in Turkey and is currently a \$16 billion market. As the per-capita income continues to increase the sector revenues are also bound to increase in the upcoming years. This is very attractive for foreign fast food chains.

There are 150 thousand small scale cafes and restaurants in Turkey. Even though independent players (such as local cafes & bars, and Turkish cuisine serving restaurants) account for the majority of outlets in consumer food service in Turkey, chain companies are growing faster due to their financial power to open new outlets and offer attractive menus and promotions.

Table 1: Value of overall sales and growth rates of the HRI sector in the past 5 years

	2009	2010	2011	2012	2013
Million TL	38,749.2	35,366.2	35,335.6	36,766.2	37,762.9
Change compared to previous year (TL)	-16.7%	-8%	0%	4%	2.7%
Million \$	24,218	23,577	20,785.6	20,425.6	19,875
US/TL Average exchange rate	1\$=1.6 LT	1\$ = 1.5 TL	1\$ = 1.7 TL	1\$=1.8 TL	1\$=1.9 TL

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources

In Turkish culture, eating is a form of socialization that brings together family or friends. Lately, Turkish eating habits have shifted towards eating out, largely due to factors such as urbanization, increase in per capita income and the increase in the number of working women. In 2002, when per capita income was around \$3,500, people ate out once a month. Now, per capita income has increased to \$10,700 and people eat out at least 3 times a month (this average is at least once a week in Istanbul).

The same potential exists for high-end coffee shops as well. Considering that Turks introduced coffee to Europe in the 17th century, younger Turks have quickly embraced the new coffee culture after Starbucks entered the market, and other similar coffee shops began to emerge soon after (second wave coffee shops). Specialty and flavored coffee is spreading at a high pace and this trend is being promoted both by international coffee chains and their Turkish competitors. In 2014 boutique coffee shops have started to open as part of the "third wave" trend (for more information on first, second and third wave coffee trends: <http://www.slowtravelberlin.com/third-wave-coffee-a-history/>).

1. Tourism

In 2013, 35 million tourists visited Turkey, generating \$32.3 billion in revenues despite significant public disruptions from what is known as the Gezi Park protests which took place nation-wide in the beginning of the summer season. In 2014, Turkey expects 43 million tourists and to generate \$35 billion in tourism revenues.

Tourism revenues constitute almost 20 percent of Turkey's total exports. Foreign tourists spend an average of \$760 and Turkish citizens living abroad spend an average of \$1,300 dollars during their visits to Turkey.

European Consumers Choice Organization selected Istanbul as Europe’s best destination in 2013. Antalya, located on the Mediterranean coast, is the tourism capital of the country. Of the visitors that come to Turkey, 60 percent enter the country from Istanbul and Antalya. Fifty-one percent of 5 star hotels are located in Antalya and 13 percent in Istanbul. Tourists spend almost an equal amount of money on their food as on their accommodation (each accounts to 20 percent of total expenditure). The tourism profile of Turkey is diversifying from sea-sun-sand (mass) tourism and embracing specialty areas such as cruises, health, culture, and religion tourism.

The Turkish food and beverage sector is a \$300 billion market with approximately 40,000 companies operating in this sector. Of these companies, 536 are foreign: 100 of them are German, 47 are Dutch, 30 are French, 29 are American, and 26 are Italian companies.

B. Value of Imported Food

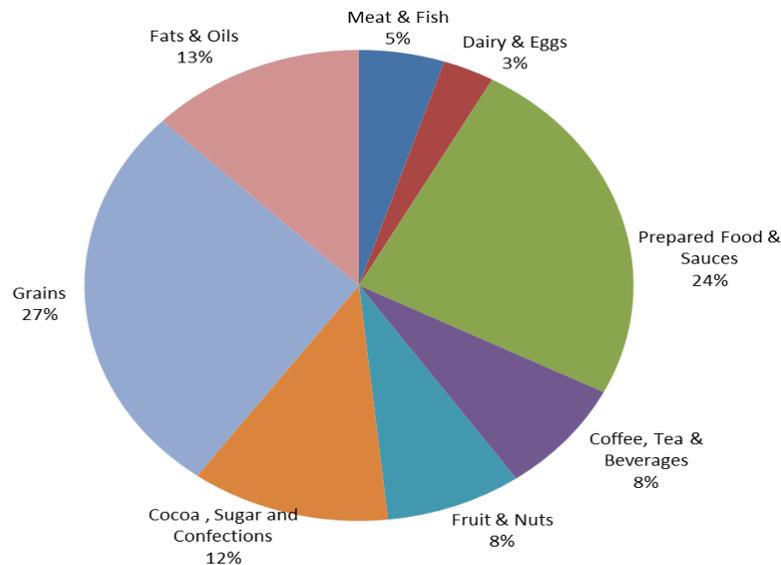
Turkey is a major producer of numerous products, including the leading producer of hazelnuts and pistachios. Turkey remembers when it was a global breadbasket and strives today to be self-sufficient. Government policies are influential in determining which products are imported.

Turkish food and beverage imports increased 7.4 percent and reached \$6 billion in 2013. The Russian Federation was the largest supplier to Turkey’s food and beverage sector with 13.8 percent, followed by the U.S. with 10.5 percent in 2013.

Turkey’s leading import category is grains (\$1.3 billion), which is largely wheat to feed Turkey’s large inward processing regime for wheat flour, pasta and biscuit exports. The remainder is largely medium grain rice (\$150 million) that competes with domestic production.

The next largest category is a catch-all that includes prepared foods, sauces, yeast, vegetables, fruits and nuts. Turkey is a major exporter to Europe and the Middle East, including dairy, prepared foods and bakers’ wares. Turkey imported \$620 million in sugar, cocoa and confections in 2013, and \$670 million in fats and oils.

Chart 1: Categories of Turkey’s Food Imports



Despite leading global production of several tree nuts, demand for Turkey’s exports exceeds their production. Turkey imports \$213 million in tree nuts to supplement varieties produced in Turkey,

and uncommon varieties such as almonds.

Turkey imported \$413 million in coffee, tea and beverages, and \$160 million in dairy, milk products and eggs. Turkey also imported \$266 million in meat and fish, but does not import red meat from the United States and is not a large consumer of U.S. fish or fish products.

Table 2: Turkey Agricultural Products imports from the U.S. by Products

Turkey Import Statistics From United States							
Commodity: Food & Ag All (HS 02 thru 24, ex 13 & 14)							
Calendar Year: 2011 - 2013							
Description	United States Dollars			% Share			% Change
	2011	2012	2013	2011	2012	2013	2013/2012
Total Value	1,097,841,741	1,045,534,442	1,185,252,977	100	100	100	-10.79
Fish, Crustaceans & Aquatic Invertebrates	3,224,930	4,162,744	3,183,413	0.29%	0.40%	0.27%	-23.53
Dairy Prods; Birds Eggs; Honey; Ed Animal Pr Nesoi	5,758,256	3,075,075	23,570,931	0.52%	0.29%	1.99%	666.52
Edible Vegetables & Certain Roots & Tubers	12,155,998	6,722,698	20,112,240	1.11%	0.64%	1.70%	199.17
Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	121,520,690	159,910,661	136,797,974	11.07%	15.29%	11.54%	-14.45
Cereals	433,364,801	64,023,882	161,745,243	39.47%	6.12%	13.65%	152.63
Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	185,804,549	396,607,892	236,162,109	16.92%	37.93%	19.93%	-40.45
Animal Or Vegetable Fats, Oils Etc. & Waxes	158,334,273	130,469,217	81,550,728	14.42%	12.48%	6.88%	-37.49
Miscellaneous Edible Preparations	39,280,210	39,637,842	51,449,026	3.58%	3.79%	4.34%	29.8
Beverages, Spirits And Vinegar	14,295,459	17,584,260	23,327,913	1.30%	1.68%	1.97%	32.66
Food Industry	71,441,295	159,713,814	383,722,142	6.51%	15.28	32.37	140.26

Residues & Waste; Prep Animal Feed					%	%	
Tobacco And Manufactured Tobacco Substitutes	38,857,293	49,010,495	44,427,501	3.54%	4.69%	3.75%	-9.35

As a leading tourism destination, one of the biggest challenges facing the HRI sector is the extreme taxation of alcoholic beverages. Currently, more than 60 percent of the price of an alcoholic drink is tax. The government is trying to limit the consumption of alcoholic beverages through these taxes, as well as by passing new regulations that limit the sales of alcohol in restaurants and in retail stores. These restrictions on the sale of alcohol were a noted contributor to the public up-rise in May 2013, which took place in the international media as the Gezi Park protests.

Turkey has always been a popular destination with its natural and historic resources. In recent years, eco-tourism and health tourism have also been developing. The Ministry of Health formed a Health Tourism Department in 2011. As a result of the efforts of this Department, foreign patients coming to Turkey have increased steadily over the last four years. Providing cutting edge medical service with the latest techniques, public and private hospitals saw a substantial increase in the number of foreign patients from 74 thousand in 2008 to 300 thousand patients in 2013, who came to Turkey for treatment from all over the world.

The Ministry of Health is targeting to attract 500,000 foreign patients in 2015 to generate US \$7 billion and 2 million foreign patients in 2023 to generate US \$20 billion.

HRI food service registered a current value growth of 2.7 percent in 2013 and is expected to finish 2014 with the same growth rate.

C. Advantages and Challenges

U.S. food and beverages have a strong reputation and brand recognition in Turkey. Turkish consumers are introduced to U.S. foods and foreign cuisines through travel abroad, and tourists to Turkey, including a growing number of affluent tourists from the Middle East, seek a greater variety of foods when in Turkey. However, the regulatory system in Turkey is complicated and changes regularly, creating many potential market access difficulties. Please refer to Post's Food and Agricultural Import Regulations and Standards reports (TR4013 and TR4015) for more information about import requirements.

The most challenging requirement in Turkey is related to agricultural biotechnology and Turkey's Biosafety Law. Turkey has not authorized the use of any biotech traits in food products, and maintains a zero-tolerance policy. Post's Biotechnology Annual Report (TR4024) contains details about the requirements; however, Turkey implemented new restrictions on the use of biotech enzymes and microorganisms in October 2014. For more information about the statements required, see "Exports to Turkey Disrupted by New Biotech Enzyme Requirement" (TR4046). Post will be reporting additional information as details become available.

Post also prepares an annual food processing and ingredients report that provides additional information on trends and market participants. Please refer to 2014 Food Processing Ingredients Report (TR4053) for more information.

Table 3: Advantages and Challenges

Advantages	Challenges
A significant increase in purchasing power and urbanization rate combined with the good reputation of U.S. food products lead to a fairly constant increase in U.S. agricultural sales to Turkey.	Turkey’s Customs Union with the EU with lower import duties and regulatory advantage with harmonization of regulations to member countries creates price advantages for Europeans. EU and neighboring countries also enjoy lower freight costs and shipping time advantages.
Some U.S. products are better priced than local products, such as pulses, and in general are of better quality than the competition.	High value of the dollar against the Turkish Lira in recent months and the volatile exchange rate made some U.S. products more expensive.
Increased preference for organized retail stores leads consumers to discover new products, and to become more aware of imported brands.	High import duties are imposed on agricultural products (up to 135 % on bulk agricultural commodities and up to 170% on processed food products)
An increasing young population is eager to buy and try imported products, and consumers have a positive perception of U.S. products in terms of quality, and are willing to pay more for it.	Local food processing sector is well developed and high quality goods are sold at competitive prices. Rich diversity in agricultural production provides ingredients for most sub-sectors.
There is a growing demand for specialized products such as Tex-Mex, diabetic and diet foods, sauces, ready-to-eat foods and frozen food products, which are imported, as well as locally produced.	High shelf fees charged by the large supermarket chains lead to higher costs for introducing new products into the market.
International retailers who market a wide range of imported products in the sector have a strong influence on purchasing patterns.	For confectionaries, there is a risk of products being copied by a local producer and being introduced into the market under a different name.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Since import procedures are extensive and complex, HRI entities do not engage in direct importation. Specialized import companies generally import food products. Therefore, the best approach for new-to-market exporters is to contact importers and distributors first through specialized institutions such as TUGIDER (Association of Food Importers) and DEIK (Foreign Economic Relations Board) that are involved in international trade servicing.

TUGIDER has 184 members, the majority of which are food importing companies. This organization can be contacted at:

Phone: (+90-212) 347 2560
 Fax: (+90-212) 347- 2570

Website: <http://www.tugider.org.tr/eng/index.htm>.

DEIK is a government organization that assists Turkish businesses engaging in international trade. DEIK can be contact at:

Phone: (+90-212) 339 5000

Fax: (+90-212) 270 3092

Website: <http://www.turkey-now.org/>

1. Trade Shows

A good way of getting to know the market and meeting potential buyers is to visit trade shows. Turkey holds a number of large-scale trade shows that attract visitors and participants from all around the world as well as from Turkey. The biggest of these trade shows is the Emmitt (East Mediterranean International Tourism and Travel Fair) to be held between January 20-25, 2015 in Istanbul (at Tuyap Exhibition Centre) where HRI representatives from all over Turkey participate. It attracts more than 136,000 visitors and hosts 4,000 participants from 70 countries. Please also find below a list of trade shows featuring food and beverages which are closely followed by the HRI sector.

Table 4: Major Food Shows in 2015

Date	2015 Major Food Trade Shows in Turkey	Location
20-25 Jan	Emmitt: 18 th East Mediterranean Intl Tourism & Travel Exhibition http://www.emmittistanbul.com/en/	Istanbul (Tuyap)
25-28 Feb	Anfas Food Product : 22nd International food trade exhibition http://www.anfasfoodproduct.com/index.php/en	Antalya
14-16 May	ANUFOOD Eurasia (powered by ANUGA) : 7 th International food and beverage products, refrigeration technologies, shop equipment, services and catering trade show http://www.anufoodeurasia.com/	Istanbul (Tuyap)
13-15 May	Fi Istanbul: Food Ingredients http://www.figlobal.com/istanbul/home	Istanbul (ICC)
03-06 Dec	Travel Turkey Izmir: 8 th International Tourism Trade Show and Conference http://www.travelturkey-expo.com/	Izmir
03-06 Sep	Worldfood: 23 rd International food & beverage, food ingredients and food processing exhibition. Co-held with IPACK Turkey http://www.ite-turkey.com/ver3/fairs/gida_en/	Istanbul (CNR)
26-28 Nov	Sirha: 3rd International Food, Gastronomy, Hotel and Catering Services Tradeshow http://sirha-istanbul.com/en/	Istanbul (IKM)

B. Market Structure

In Turkish culture eating is a form of socialization that brings together family or friends. Lately, Turkish eating habits have shifted towards eating out, largely due to factors such as the increase in per capita income and the increase in the number of working women. In 2002, when per capita

income was around US \$3,500, people ate out once a month. Now, per capita income has increased to US \$10,700 and people eat out at least 3 times a month (this average is at least once a week in Istanbul). Annual expenditure per person has increased to \$70, according to the data of Turkish Statistics Institute.

The same potential exists for high-end coffee shops as well. Considering that Turks introduced coffee to Europe in the 17th century, younger Turks have quickly embraced the new coffee culture after Starbucks entered the market, and other similar coffee shops began to emerge soon after (second wave coffee shops). Specialty and flavored coffee is spreading at a high pace and this trend is being promoted both by international coffee chains and their Turkish competitors. In 2014 boutique coffee shops have started to open as part of the “third wave” trend (for more information on first, second and third wave coffee trends: <http://www.slowtravelberlin.com/third-wave-coffee-a-history/>).

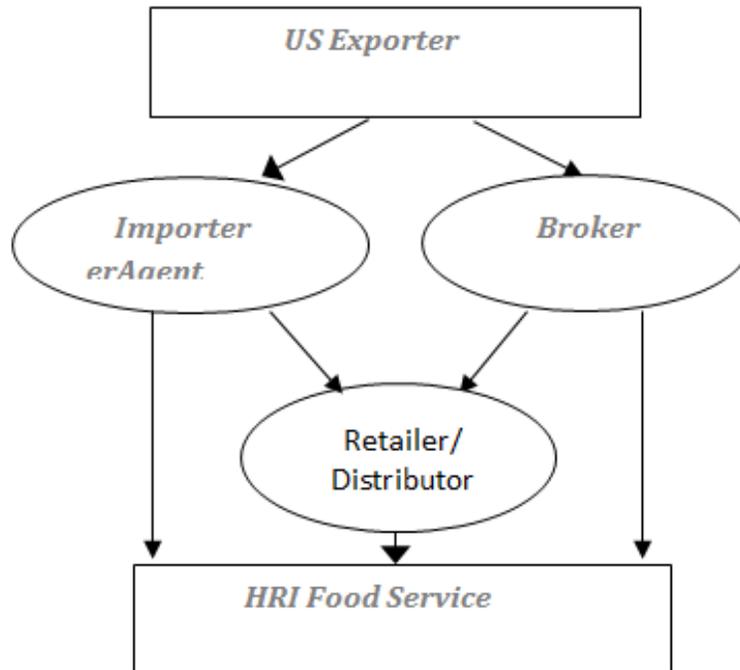
The table below shows the changes in the number of establishments in the food service sector in the past 5 years.

Table 5: Number of Food Establishments by Type 2009-2013

'000s	2009	2010	2011	2012	2013
Consumer Foodservice by Type	104,996	98,235	99,060	99,744	101,351
100% Home Delivery/Takeaway	812	774	870	963	1,077
Bars/Pubs	1,469	1,400	1,386	1,389	1,396
Cafés	49,145	42,361	42,281	42,283	42,574
Full-Service Restaurants	39,466	39,418	39,516	39,736	40,047
Fast Food	3,754	3,958	4,600	4,925	5,658
Self-Service Cafeterias	4,537	4,455	4,446	4,463	4,491
Street Stalls/Kiosks	5,433	5,468	5,508	5,510	5,528

Source: Euromonitor International

Chart 2: Distribution network for HRI food service purchasers.



Importers used by HRI companies also act as distributors with their own fleet, but also making use of cargo delivery companies to supply food products to large supermarkets.

The Inward Processing Regime (DIR) allows importers to benefit from low customs duties and tax exemptions provided that they process the imported raw material and export the end-product. This makes Turkey an attractive hub for transshipments to other Middle East and Central Asia countries.

C. Sub-Sector Profiles

1. Hotels and Resorts

As with malls, there has been an explosion of new hotels built in Turkey in the past decade, and many more are in the pipeline. In the next three years, [65 new](#) four and five star hotels with a total number of 39,000 beds are expected to be completed. Western hotel companies are expanding their presence in the market: Hilton Worldwide had [20 hotels](#) under construction in 2013, Radisson has [15 Park Inn](#) properties planned, while Wyndham has 9 more Ramadas, an additional Wyndham, and 20 Super 8 hotels planned, to name just a few examples. Nearly [95 percent](#) of Turkey's hotel projects are funded by local investors.

Istanbul has been an attractive destination for international chain hotels in the last decade. In 2010, Istanbul was elected the Culture Capital of the World, and hosted 10 million visitors in 2013. It is expected to host 11 million in 2014. Istanbul has become a very popular wedding destination in recent years, and also serves as the center of conference tourism. However, tourism investments are no longer limited to the shores and major cities, and have spread to Anatolia. Currently there are over 3,800 establishments with a tourism license in

Turkey, and 2,885 of these are hotels with a bed capacity of over 710,000.

The trend observed in the last five years towards an increase in the number of 3-4 star hotels seems to have slowed down, leaving way to an increase in 5-star and boutique hotels.

Another rising star of the Turkish tourism sector in recent years has been cruise lines. Cruise tourism grew at an average rate of 23% annually until 2009 and 2,240,000 tourists visited Turkey by cruise lines in 2013. The top 5 ports carry more than 90 percent of all visitors; Istanbul, being the major point of destination, is followed by the ports at Kusadasi, Izmir, Antalya and Marmaris.

Table 6: Top 10 Chain & Group Hotels in Turkey

Hotel	Number of Hotels	Local/International
Wyndham Hotels	30	International
Hilton International	30	International
InterContinental Group	25	Local
Dedeman Hotels & Resorts	22	Local
Joy Hotels	16	Local
TUI Travel Hotels (TTH)	16	International
Rixos Hotels	16	Local
Accor Hotel Turkey	14	International
Marriott International	12	International
Starwood Hotels and Resorts	10	International

2. Restaurants

International fast food restaurants have existed in Turkey for more than 20 years, over which time they have registered an average of 10 percent growth per year. Istanbul has the most fast food restaurants throughout Turkey with 45 percent, followed by Ankara, Izmir and Bursa. The largest international fast-food chains operating in Turkey, and the number of stores they have, are provided in the below table. As the following table demonstrates, U.S. fast food franchises are dominant in Turkey. Although Turkey's fast food consumption is climbing fast, it still lags behind European levels and this potential is encouraging not only for new players to enter the market, but also existing businesses to expand their operations.

Table 7: Restaurant Company Profiles

Company Name	Sales \$Mil (Year)	Type (# of Outlets)	Location	Purchasing Agent(s)
Tab Gida Burger King Sbarro Louisiana Kitchen Arbys	1,000 (2014)	Fast Food (1,100)	National	Direct
Simit Sarayi	130 (2014)	Fast Food (318)	National	Direct
McDonald's	325 (2013)	Fast Food (260)	National	Direct

Starbucks	N/A	Fast Food (225)	National	Direct, Wholesaler
Domino's	215 (2013)	Fast Food (400)	National	Broker
Popeye's	143 (2013)	Fast Food (110)	National	Direct / Broker
Little Caesars Pizza	N/A	Fast Food (83)	National	Broker
Kentucky Fried Chicken	N/A	Fast Food (74)	National	Direct
Kahve Dunyasi	60 (2013)	Fast Food (110)	National	Direct / Broker
Pizza Hut	N/A	Fast Food (41)	National	Broker
Sofra	N/A	Institutional (2,000)	National	Direct, Wholesaler
Sardunya	56 (2008)	Institutional (750)	National	Direct, Wholesaler
BTA	154 (2013)	Institutional; Airport (149) Ferry (82) Bakery (200)	National	Direct, Wholesaler
Mado	N/A	Family (300)	National	Direct
Komagene	13 (2013)	Family (654)	National	Direct
Midpoint	87 (2013)	Café-restaurant(18)	National	Direct / Broker

These fast food companies use local production whenever they can due to the difficulties in importing produce. Burger King primarily sources food items locally, importing only paper products directly from the UK. McDonald's not only prefers to work with local food manufacturers but it also produces its own beef to ensure quality and price competitiveness. Traditional Turkish restaurants specializing in fast food service also continue to emerge. These restaurants serve traditional 'lahmacun', 'pide', 'kebab' and other Turkish dishes, but in a new fast food style.

In recent years, chains that target a higher-income segment are also entering the market. For instance PF Chang's, Jamie Oliver and Tom's Kitchen entered the market by opening restaurants in Istanbul. These foreign chains prefer to enter the market themselves instead of offering a master franchise.

More than half of the revenue made in all restaurants in Turkey is made in Istanbul, where there are approximately 17,000 restaurants. Of these restaurants, about 10,000 serve alcoholic beverages, 90 percent of which serve Turkish cuisine and the remaining 10 percent serve foreign cuisines; most of which are Italian or French.

Lately, the rising popularity of Asian cuisine seems to have shaken the long reign of Italian cuisine. With this trend, the variety of imported items is shifting as well.

Table 8: Highest value U.S. food imports

Highest Value Imports	Imported mainly from
Lobster	Maine, USA
Black cod	Maine, USA
King crab	Alaska
Salmon and salmon caviar	Norway

Sauces (like Unagi, Soy and Yuzu)	EU
Wines and Hard liquors	EU and USA (California)

3. Institutional Food Sector

In the late 1970s and early 1980s, institutional food service providers began emerging in Turkey to provide food services to factories, schools, hospitals, private companies and public sector organizations. The institutional food service sector has developed rapidly since then, sometimes with the help of foreign joint ventures. It is now a \$7 billion market compared to \$2.25 billion in 2004, accounting for over 30 percent of the overall HRI sector. The size of the institutional food service market will continue to expand as public and private institutions outsource their catering services.

The number of catering companies increased rapidly in the past decade due to the public and private sector outsourcing of the food services. The number of catering facilities, which used to be around 300 in the 1970s, increased to reach around 5,000, employing 400,000 people and providing meals to about 7 million people daily - half of which live in Istanbul. The sector is now aiming to improve quality standards. Of the 5,000 catering companies, 3,800 are registered with the Ministry of Food Agriculture and Livestock (MINFAL), and the four largest companies in the sector; Sofra, Sardunya, Obasan and BTA are listed among the top 1,000 industry companies announced by the Istanbul Chamber of Industry.

The sector is striving to reach a market size of \$22 billion by the year 2023. In order to achieve this target, The Turkish Federation of Catering Associations (YESIDEF) is conducting various projects to increase sales to schools and the military. One of these projects is the "Feeding the New Generation" project which hopes to serve 17 million students and 555,000 teachers in 69,000 schools. In promoting healthy diets, sector representatives state that Turks spend \$30 billion each year on health expenses related to obesity, heart diseases and diabetes, and that healthy food can be served in schools for only 20 percent of that amount (\$6 billion).

By expanding services provided to the military, the catering sector aims to create a market of 3 billion TL (\$1.28 billion). Currently 110,000 soldiers are served in 43 units around the country and the sector is trying to increase this number to 650,000 soldiers.

The sector is growing 10 percent annually and is composed mostly of small-to-medium-sized private enterprises with mostly local customers. Larger foreign catering companies such as Sodexo of France, Compass of England, and Klüh of Germany are also in the market.

The growth and institutionalization of the food sector in Turkey also created an investment area for the education sector. The increasing demand for professional kitchen staff led private institutions to take initiative in developing cooking schools, which has reached \$9.7 million in sales. Following the usual pattern, the institutional food service industry also spread from Istanbul to other large cities such as Ankara, Izmir, Adana, Bursa and Eskisehir. The main food inputs of this sector are fresh ingredients such as meat, grains, fruits and vegetables. The use of imported food items is mostly limited to bulk commodity agricultural products such as rice, pulses and vegetable oils.

Companies that do not cater food in their premises offer meal vouchers that can be used at nearby restaurants.

4. Shopping Malls

The history of shopping malls dates back almost 550 years with the world famous Grand Bazaar, which is still a major shopping destination in Istanbul today. The number of modern shopping malls in Turkey today has increased 6 times in the last decade and reached 342 in 2014, generating 60 billion TL (\$26 billion) in revenues. Of these, 108 are in Istanbul. Modern shopping malls (those that are over 5 thousand square meters and have at least 15 shops) currently offer 10 million square meters of rental area, attracting 1.6 billion visitors. Based on these figures, Turkey is the 7th largest retail market in Europe (larger than Greek, Czech Republic and Portuguese markets combined) and the 10th in the world.

While the food courts in the shopping malls usually attract both domestic and foreign fast food restaurants, recently built higher-end malls also include full service restaurants of both local and foreign cuisines.

5. Online Food Ordering

With the spread of internet use, online food ordering has also become more common in Turkey. All large fast food restaurants have online ordering systems, but the market is currently dominated by www.yemeksepeti.com (meaning "food basket") which handles 99 percent of all online orders.

Cashing in on the advantage of being the first in the market, the web site today has over 700,000 registered users and receives 20,000 orders per day, linking consumers with 3,500 restaurants in 44 cities. In 2012 the company received a \$44 million investment from General Atlantic, which is among the 10 largest investment funds in the world.

Having seen this success, other websites that traditionally sold everything but food, have also started a groceries section. Some major supermarkets also have online stores and they deliver their customers' orders on the same day.

Section III. COMPETITION

Table 9: U.S. market share versus competitors by major product categories

Product Category	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Dairy Products	USA 15.6% New Zealand 15.6% Germany 11.4%	US and foreign suppliers provide high quality raw materials for Turkish export products, and finished products for the hotel/resort industry.	Turkish producers receive government assistance in production and marketing, such as a school milk program.
Red Meats (beef)	Bosnia 81.2% Germany 9.3% Poland 8.4% USA 0%	Turkey tightly controls the import of beef through the issuance of import certificates. The US does not have a	Turkey is one of the most expensive markets for beef in the world. Most beef is derived from old dairy cows. Local suppliers rely on import protection and suffer from

	Leading suppliers in other years: France, Italy, Austria	bilateral certificate for the import of beef.	high feed prices.
Poultry	Iraq 85% Kyrgyzstan 7.6% Hong Kong 5.5% USA 0%	N/A	Turkey doesn't allow the import of poultry. Trade statistics represent product transshipping through Turkey's free trade zone in Mersin, destined for Iraq, or other regional markets.
Snack Foods	Germany 21% Italy 19.4% Netherlands 12.7% USA 4.1%	Germany benefits from a Turkish diaspora that introduce German products. European products are more familiar and benefit from transportation and retail advantages. Turkish consumers are generally unfamiliar with US brands.	Price, retail and distribution ties, familiarity
Fish/Seafood	Norway 52% Iceland 5.3% Spain 5.2% USA 2.5%	Norwegian transportation expenses are much lower than for frozen or chilled US seafood.	Although plentiful and inexpensive, Turkish seafood has limited varieties from the Black Sea and Mediterranean. Alternative species such as salmon, or shellfish, must be imported.
Tree Nuts	USA 56.8% Chile 7.4% Philippines 4.9%	The US is a leading supplier of the products Turkey demands most to supplement Turkish production for exports: almonds and pistachios.	Turkey is a leading producer of tree nuts, especially hazelnuts and pistachios. Turkey consumes many, but also exports to the region or Europe, where consumers also want varieties Turkey doesn't grow.
Beverages (alcohol and non-alcohol)	UK 21.4% Pakistan 14.5% Austria 10.4% USA 8.8%	Turkish consumers prefer tea to coffee, and bottled mineral water is the dominate beverage. Imported beverages tend to be sports or energy drinks, wine and spirits. US beverages that fit between tea and sodas	Turkish consumers prefer mineral water and Turkey produces fruit juices. Bottled mineral water dominates the domestic market. Turkey has built numerous restrictions to alcohol, but local wines are readily available.

		have strong potential in Turkey.	
Pet Food	France 33.5% Hungary 14% Netherlands 14% USA 1.4%	The EU-Turkey Customs Union provides European product preferential tariff rates. U.S. pet food is highly regarded, but too expensive due to tariffs.	Domestic production is insufficient for demand. Local production is of lower quality, largely dry pet foods.

SECTION IV. BEST PRODUCT PROSPECTS

Functional Food: Despite its developed agriculture production, processed food varieties are limited to confectionary items in Turkey. As the consumers become more health conscious they demand more gluten-free, dairy-free or organic products and there are so very few items in these categories in the market, and the ones available are very expensive. There is certainly an opportunity for the US exporters to fill this gap in the Turkish market.

Wine: The popularity of wine as an alcoholic beverage is increasing and local consumption has doubled during the last four years to reach approximately 1 liter per year per person. Currently 75 million liters of wine is produced in Turkey and another 1 million liter is imported and Turkish consumers are more and more willing to try new varieties. A wine culture is also developing in Turkey and the number of educational courses & events about wine varieties and manufacturing is increasing. French and Californian wines are held in high esteem compared to imports from Eastern Europe, Spain, South America, and Italy. Unfortunately, taxes and fees on all alcohol are very high in Turkey.

Whiskey: Single malt scotch is rarely found in the Turkish market, as blended scotch is the whisky of choice. Since whisky is viewed as an expensive and charismatic drink, it is popular among the young population as well as the middle-aged and older consumers with established taste preferences. Having realized this, two American bourbon brands in the market, Jack Daniels and Jim Beam, are targeting the younger generation through rock concerts and motor-rally sponsorships. Other popular brands sold in Turkey are Johnny Walker and J&B. Changes in Turkish Laws introduced in January 2011, however, may prevent advertising of alcohol in certain venues aimed at young consumers.

Beer: Having had no other alternatives but local brands in the market for over 2 decades, Turkish consumers feel like they are fed up with it and are more and more willing to try new brands and alternatives. Pubs and restaurants offering foreign (mostly Belgian) beer varieties to differentiate themselves from the competition with these brands and these beers have quickly become popular among customers which also opens the door for premium US beer brands. Customers are willing to pay double the price of what they are paying for local beer in these restaurants.

Seafood: Turkey is a very promising market for a wide range of seafood products. Following the agreement on health certificates between Turkey and the United States, Turkish importers started importing high-end U.S. seafood products like lobsters, crabs, and scallops. There are market opportunities for various other seafood products as well, such as Atlantic Mackerel, wild

salmon, Alaskan crab, cod fish, *ikura*, *wasago*, *unagi*, *sirumi* sticks, *nori* and *wakame*.

Dairy products: Specialty cheese varieties (like parmesan, edam, brie, gouda, *Emmental*, Roquefort, etc.) and butter from the United States have potential in the Turkish market, however imports from EU countries currently dominate the market due to customs tax exemptions and shorter delivery times. In 2013 Turkey imported US\$ 29 million worth of dairy products from the US but this trade decreased 30% in 2014 due to a certificate issue between the two countries.

Sauces and syrups: Various brands of sauces for salads, meat and international cuisines are popular in Turkey and form an important part of the HRI sector. In particular, the increasing popularity of Asian cuisine is promoting demand for specialty herbs, sauces, and syrups. Fine dining restaurants mostly demand items such as Dijon mustard, *tanakatsu*, *mitsukan*, wine vinegar, chili sauce, wasabi, balsamic vinegar, etc. in this respect. Most sauces are currently being imported from Germany, the UK, France, Asian countries and the United States.

Others: Food items used in sushi and in Chinese dishes are in high demanded lately with the growing popularity of East Asian cuisine. Products such as Peking duck, aji panca, aji amarillo, and Arborio rice are examples of items that are highly demanded but are scarce in the market. The adoption of products popular in the West is a large part of modern Turkish life, so internationally known brand names are particularly well received. Exporters should be sensitive to brand positioning and be ready to invest in research and marketing to help their importing partners have a successful entry into the market.

Table 10: Competitive Situation

Product Category	2013 Import Market Size (Volume)	2013 Imports (\$Mil)	5-Yr. Import Growth	Import Tariff Rate	Key Constraints Over Market Development	Market Attractiveness for USA
Tree Nuts	67,965 metric tons	237	34.5%	43.2%	Prices, development in Turkey's export markets	Rising incomes translate into demand for new products; export demand requires mixing nuts not available in Turkey
Dairy Products	33,773 metric tons	157.5	25.7%	65-180%	Turkey has set deadlines for the acceptance of the current bilateral milk and milk products certificate – extensions provided thus far	Turkey is a consumer and exporter of milk products. Both demand high quality milk inputs. Further, the hotel and restaurant sectors demand quality

						products for which the U.S. has an advantage.
Distilled Spirits	94 million liters	176.8	92%	70 (additional fees apply)	The combined tariff and fees and sales tax raise the price of spirits considerably. Strict marketing restrictions were implemented in early 2013.	Rising incomes have contributed to growing interest in spirits and cocktails. Little local competition and brand recognition are advantages for U.S. products.
Fish Products	66,695 metric tons	176	79%	11-35%	High prices limit the current market. Primary competition is from Norway.	Turkish cuisine includes varieties available from the Mediterranean and Black Sea. Consumers in large cities are seeking new varieties.
Pet Food	21,100 metric tons	37.8	39%	7-8%	European products less expensive and familiar	US product variety and perceived quality
Snack Foods	31,591 metric tons	152.9	76.3%		Domestic production is abundant and inexpensive; Price sensitivity; Biosafety Law prohibits imports that test positive for biotech content	US varieties not available on the market; perceived high quality
Sauces	7,800 tons	23	67%	7.7-10.2%	Turkey requires certification that most U.S. authorities cannot provide stating that imports did not use genetically engineered	New flavors, such as Tex-Mex and Asian cuisines are increasing in popularity.

					enzymes or microorganisms	
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SECTION V. POST CONTACT AND FURTHER INFORMATION

For more information on import regulations and other agricultural sector reports for Turkey and other countries around the world, please refer to the FAS website at:

http://gain.fas.usda.gov/Lists/Advanced_percent20Search/AllItems.aspx

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