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Sugar and Chocolate Confectionary Sector

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Product Brief

Approved By:

Jess K. Paulson, Agriculture Attaché

Prepared By:

Meliha Atalaysun, Ag. Marketing Assistant

Report Highlights:

In 2012, Turkey's sugar confections sector registered 8% growth and reached TL709 million as a result of improved economic conditions in the country. The category that saw the highest value growth was pastilles, gums, jellies and chews with 17% value growth as this category has received the greatest investment in new product development and advertising. The vast majority of sales in this category were in chews, whereas pastilles accounted for the smallest share in 2012.

The average unit price of sugar confections increased 3% in 2012 due to increased manufacturing and distribution costs. Almost all confections contain sugar as there are very few sugar-free products available in Turkey.

The chocolate confections sector grew 16% and reached TL2.4 billion in 2012. The Marmara region of Turkey that includes cities such as Istanbul, Izmit and Bursa, accounts for 32% of the consumption of chocolate confections. This is followed by the Central Anatolia region (including Turkey's capital, Ankara) with 18%, the Aegean region with 13% and the Mediterranean region with 8%. The rest of the consumption is split between the Black Sea and the Eastern regions of the country.

General Information:

Turkish Economy

The Turkish economy registered 2.2% growth in 2012 and is the 17th largest economy in the world, leaving behind countries like Holland, Belgium and Switzerland. 2012 gross domestic product is estimated at $783 billion. Per capita income is expected to be $16,000 in 2012. 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% 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.

Urbanization rate is also increasing by the year and today 77% 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 the 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%. A young population, increasing urbanization rates and a growing middle class help to boost the economy.

- **Sugar confectionary**

In 2012, candy had the highest share of sugar confectionery sales. Candies are very popular during religious festivals. Around 53% of sales are made during the Ramadan festival. This is the only time of the year when adults are targeted by manufacturers as they generally tend to target children and teenagers. About 43% of candies are consumed in the East and South East regions of the country. Turkish customers prefer fruit flavors and mixtures of caramel, butter and milk.

Traditional sweets such as halva, Turkish delight and *pismaniye* (a traditional confectionery made from flour, butter, sugar and sometimes ground pistachio nuts) grew in 2012 due to an increase in branded products, but the segment is fairly mature.

Kent Gida, acquired by Cadbury in 2002, is the leading player in sugar confectionery with a 43% market share. The company is well established and is almost synonymous with sugar confectionery in the minds of many Turkish consumers. Haribo GmbH & Co KG (through Pamir Gida) comes second with 9%, and Frito-Lay ranks third with its Rocco brand. Rocco is strong in lollipops and pastilles, gums, jellies and chews, and is marketed heavily through advertising. As for other multinationals, Perfetti Van Melle Group is relatively strong in pastilles, gums, jellies and chews, and Chupa Chups (Grupo) SA is strong in lollipops.

Sugar confectionery products are widely available in both chain and independent retailers of all sizes. Pricing is very important as sugar confectionery is primarily purchased by children or people with lower incomes. Premium products do not exist in sugar confectionery in Turkey, and the share of private label is also negligible. Standard sugar confectioneries dominate sales.

Pastilles, gums, jellies, chews and standard mints promise growth since new varieties are almost always welcome by consumers, yet sugar-free confectioneries promise the most growth potential since there is only one kind of product currently available in the market (Frito-Lay's Rocco).

Industry sources estimate that the hard candy sector has reached maturity and is overshadowed by chocolate confections, which are marketed in boxed assortments. As a result, although they were a popular gift item a decade ago, candies are now being purchased mostly by lower-income consumers, and higher-income consumers are switching to chocolate confections.

- **Chocolate confectionery**

The main categories in chocolate confections are: chocolate covered wafers, boxed assortments, chocolate tablets and chocolate with toys. Chocolate covered wafers are well liked traditionally by all age groups and are consumed heavily as snacks, have the lowest unit prices and are widely available in all grocery stores.

Boxed assortments, which mean a selection of milk, dark and nutty chocolates, saw only marginal value growth as these are mature products. Around 55% of total boxed assortment sales are made during the Ramadan and Eid Festivals season as people give these to each other as gifts. Many people prefer loose chocolate assortments as they do not want to pay for the packaging. 22% of total chocolate confections are consumed during the Ramadan and Eid celebrations.

Chocolate tablets registered 15% growth by value in 2012. This product type saw a number of new and sophisticated new product developments in the last two years, mainly by multinationals such as Nestlé and Kraft.

In 2012, 84% of tablet sales were accounted for by plain milk chocolate products, followed by plain dark tablets at 11%, whilst only 1% was attributed to plain white tablets. The share of plain dark tablets has grown from 10% in 2004 as an increasing number of companies launched dark chocolate variants. Filled tablets also saw strong growth, increasing their share from 2% in 2004 to 4% in 2012.

Chocolate with toys saw positive growth in 2011 and 2012 as Nestlé acquired a local brand, invested heavily in terms of advertising and distribution, and launched the Caillou series, which translated into 38% growth in 2011 and continued to grow in 2012.

Chocolate confections in Turkey are generally packaged in flexible paper or folding cartons (in the case of boxed assortments and some tablet products). Introducing different packaging types, such as metal tins, have been unsuccessful as the expense has made such products uncompetitive. High value products tend to be well received only if they are launched by a well-known manufacturer.

Yildiz Holding has the leading position in chocolate confections with its Ülker brand, which is the most established name in confectionery and has the strongest brand recognition in the country. The company also benefits from the best distribution network in Turkey, is present in many categories of the packaged food market, and has the resources to launch a wide range of new products and invest in advertising to support them.

In 2011 Eti Gida replaced Nestlé as the second largest chocolate confections brand. Multinational companies Nestlé Gida and Marsa Kraft rank third and fourth respectively, and account for 20% of the chocolate confectionery market. Marsa Kraft's Milka brand is very well known despite being introduced more recently than Nestlé's products.

In the last few years the share of private labels have grown as retail chains increased the number of their own products and consumers increasingly opt for less expensive options. The most noteworthy private label performer has been the leading grocery retailer BIM Discount Stores, which increased its share from 1% in 2009 to 7% in 2012.

The main competitor to chocolate confections is biscuits. However, the success of biscuits is not a significant barrier to the growth of chocolate confections. In fact, both Yildiz Holding and Eti Gida have launched chocolate products under the same brand names as their biscuit products.

Over the last few years, manufacturers have focused on introducing flavors that appeal to traditional tastes and new varieties of popular brands. Industry sources state that soft texture ingredients like fruits have not been successful in the market as Turkish consumers prefer crunchy ingredients in chocolate.

Opportunities

Distribution networks are the key to entering Turkey's sugar and chocolate confections sector. Kent Gida and Yildiz Holding are currently the only players to enjoy widespread coverage, and multinational players in particular need to improve their penetration, specifically of smaller towns.

The presence of reduced-sugar-content and diabetic chocolate in the market is negligible as consumers do not like the taste of reduced sugar chocolate. There is, however, an opportunity for niche products such as organic chocolate and chocolate chip cookies, as consumers are willing to pay more for sophisticated products with better quality ingredients and a richer content. Other areas for product improvements include pistachios/hazelnuts or higher cocoa or milk content.

Contact for more information

USDA, Foreign Agricultural Service - U.S. Embassy, Ankara
agankara@fas.usda.gov