

ENCOURAGING FOREIGN DIRECT INVESTMENT IN AGRICULTURE SECTOR



REPUBLIC OF TURKEY
MINISTRY OF FOOD AGRICULTURE
AND LIVESTOCK

19.12.2013

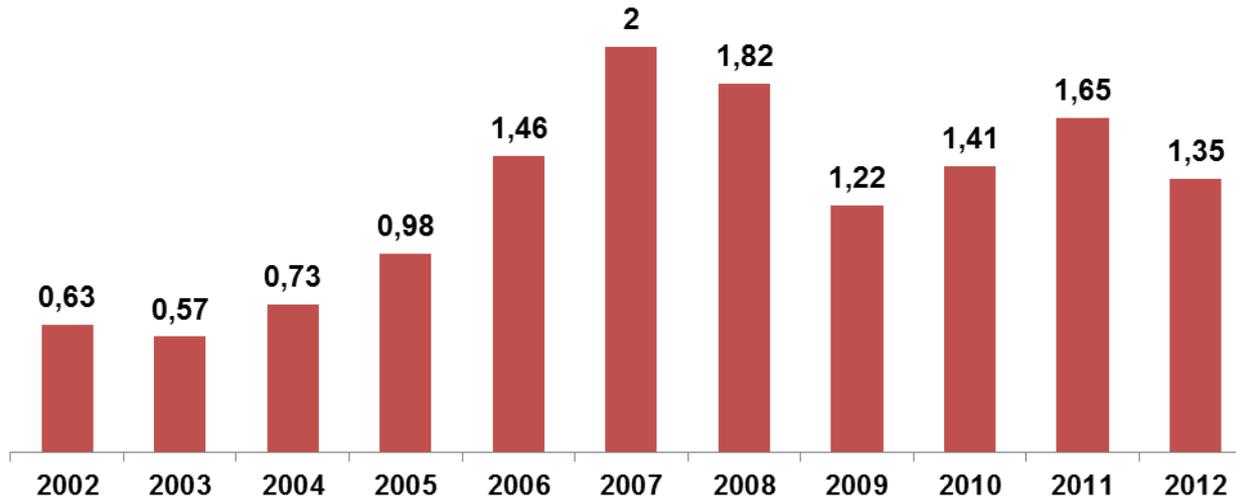
OUTLINE

1. Foreign direct investment trends in world
2. Foreign direct investments in Turkey
3. Foreign direct investment trends in agriculture sector
4. Agricultural outlook of Turkey
5. Investment opportunities in Turkey
6. Agricultural supports & incentives in Turkey
7. Foreign trade of COMCEC countries
8. Suggestions



FOREIGN DIRECT INVESTMENT TRENDS IN WORLD

GLOBAL FOREIGN DIRECT INVESTMENT INFLOWS (2000-2012) (Trillion \$)



Source: UNCTAD

- When global FDI inflows **630 Billion \$** in 2002 it has reached to **1,35 Trillion \$ in 2012**
- Compared to 2011, global FDI inflows fell with an 18 percentage.



FOREIGN DIRECT INVESTMENT TRENDS IN WORLD

- ✓ Increasing **financial resources**
- ✓ Increasing **international competition** capability
- ✓ Increasing **profitability**
- ✓ Transferring **technology** and **know-how**
- ✓ Qualified and low cost **employment** options
- ✓ Easing; accessing **raw material** and breaking into **new markets**
- ✓ Contributing sustainability of **economic growth**



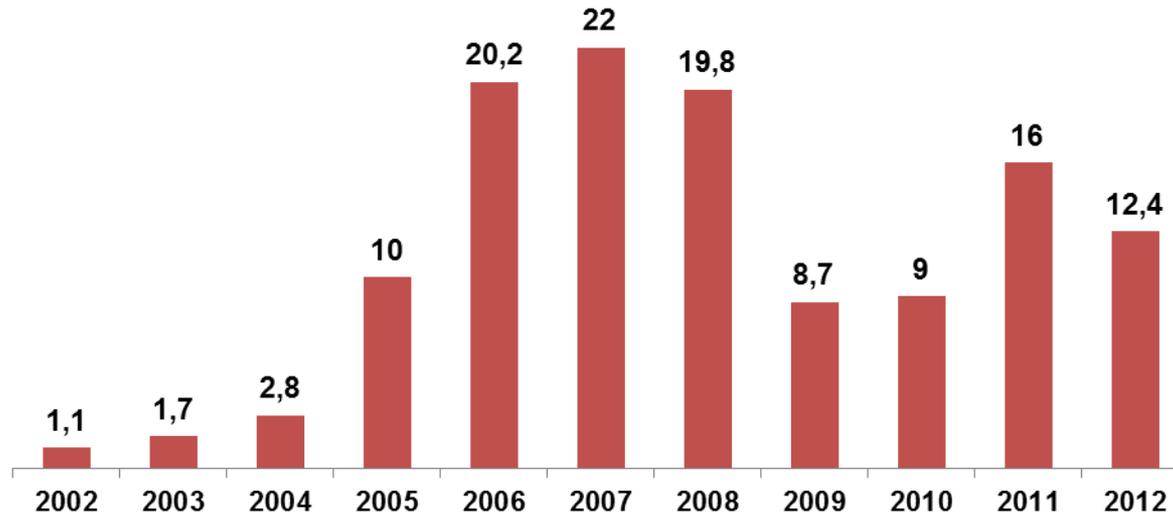
FOREIGN DIRECT INVESTMENTS IN TURKEY



FOREIGN DIRECT INVESTMENT INFLOWS IN TURKEY

FOREIGN DIRECT INVESTMENT INFLOWS IN TURKEY

(2002-2012) (Billion \$)



Source: UNCTAD

- When global FDI inflows **1,1 Billion \$** in 2002; it has reached to **12,4 Billion \$** in 2012.
- Compared to 2011, global FDI inflows fell with a 23% percentage.
- FDI inflows in agriculture, food, beverage and tobacco sectors were **2,2 Billion \$** in 2012



FOREIGN DIRECT INVESTMENT INFLOWS IN TURKEY

Turkey in 2012 ;

❖ **12,4 Billion \$ FDI inflow**
among host countries;

✓ **24. in world**

✓ **14. among developing countries.**

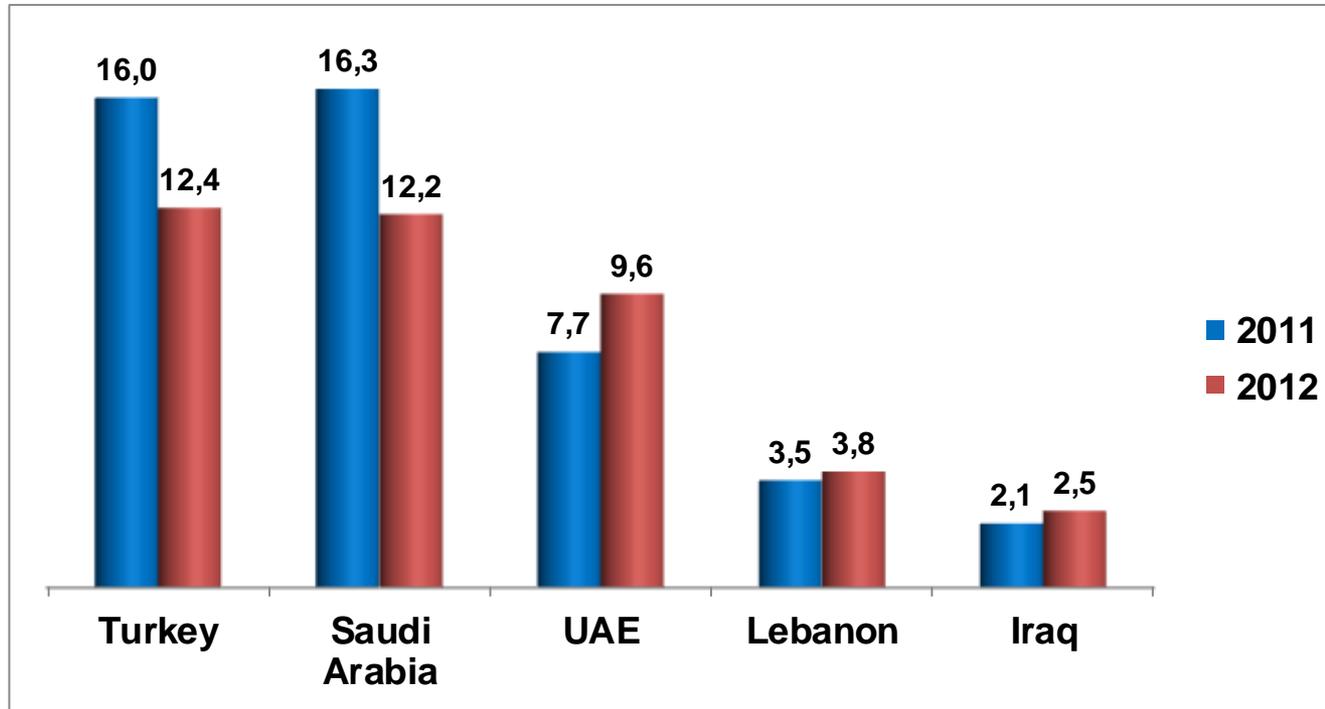
❖ **4,1 Billion \$ FDI outflow**
among home countries;

✓ **36. in world**



FOREIGN DIRECT INVESTMENT INFLOWS IN TURKEY

West Asia- FDI inflow, top 5 economies, 2011-2012 (Billion\$)



Source: UNCTAD

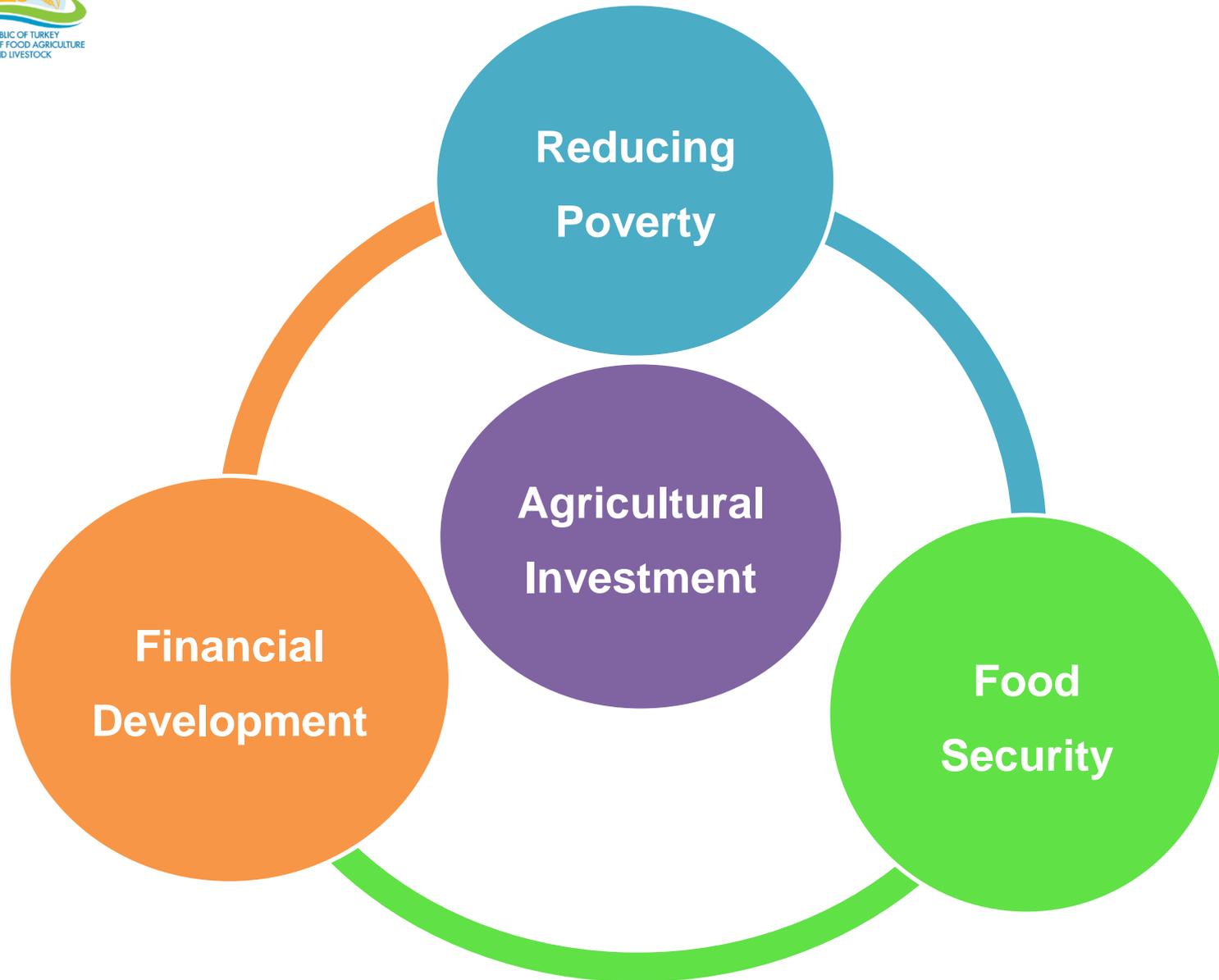
World divided into 5 investment regions and in **2012 Turkey**; among west asia countries for the first time since 2006 became region's **largest recipient** country by leaving behind Saudi Arabia.



FOREIGN DIRECT INVESTMENT TRENDS IN AGRICULTURE SECTOR



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FOREIGN DIRECT INVESTMENT TRENDS IN AGRICULTURE SECTOR

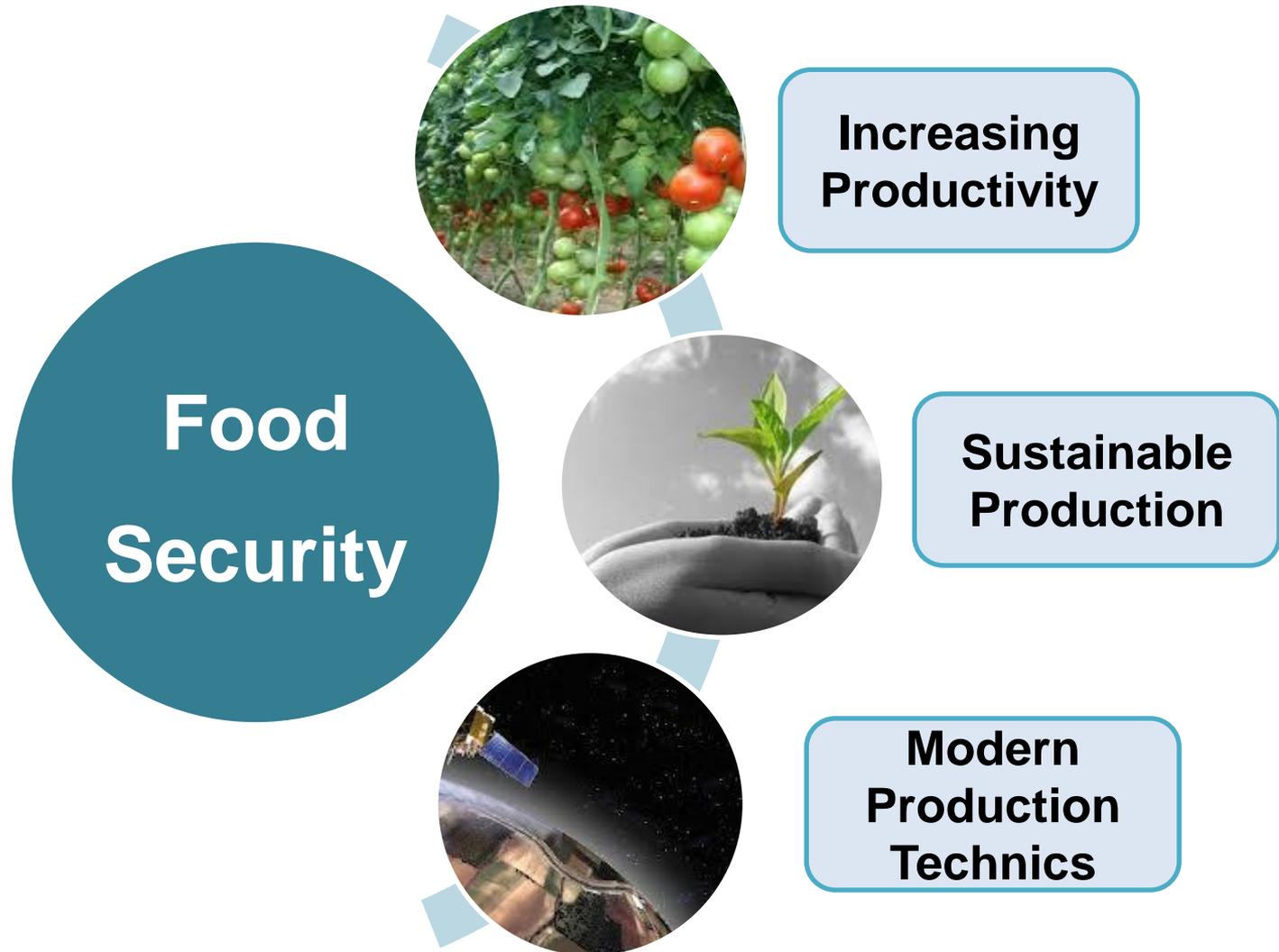
- Targeting **main food** production and **feed** production
- **Resource** questing rather than **market** questing
- Primal investment formats are **land acquisition** or long term **renting**
- Main home countries for FDI; **Gulf countries, East Asia, South & North America, China, Europe**, etc.
- Main host countries for FDI; **African, Asian and Latin American countries**
- Investment have been actualized mostly by **private sector** but there are **governmental investments** also exist
- In the host countries the investors are usually **partners with the public institutions**
- The investors prefers **Large scale** investments by partnerships



FOREIGN DIRECT INVESTMENT TRENDS IN AGRICULTURE SECTOR



* OECD





FOREIGN DIRECT INVESTMENT TRENDS IN AGRICULTURE SECTOR

CRITERIA FOR DETERMINING HOST COUNTRIES AND INVESTMENT TYPE

The countries which;

- Have **transparent and accessible** governance,
- Are carrying out agricultural activities within the framework of **sustainability** and **social responsibility**,
- Have appropriate legal systems to endorse **land acquisition** and prevention of **property rights**
- Have **joint venture** possibilities with **local producers** directed to minimise investment risks.
- Have **logistic, transportation** and **infrastructure** capabilities.



Constraints Against Foreign Direct Investments

- ✓ Differences between **taxe rates** for foreign investors and local investors,
- ✓ Existing political **instability**,
- ✓ Not having **free trade zones**,
- ✓ Even the existence of adequate raw material and production, **deficiencies** in processing facilities and **low technology**



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AGRICULTURAL OUTLOOK OF TURKEY

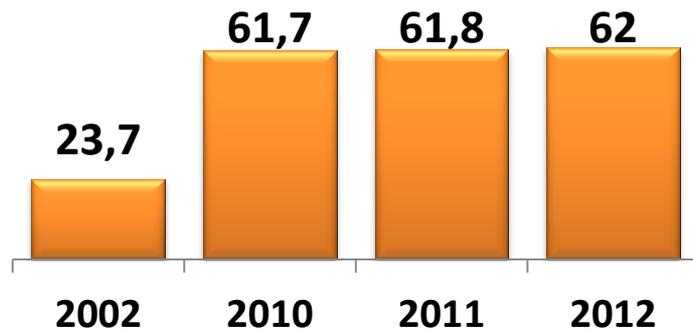


OVERVIEW OF TURKISH AGRICULTURE

AGRICULTURE IN TURKISH ECONOMY

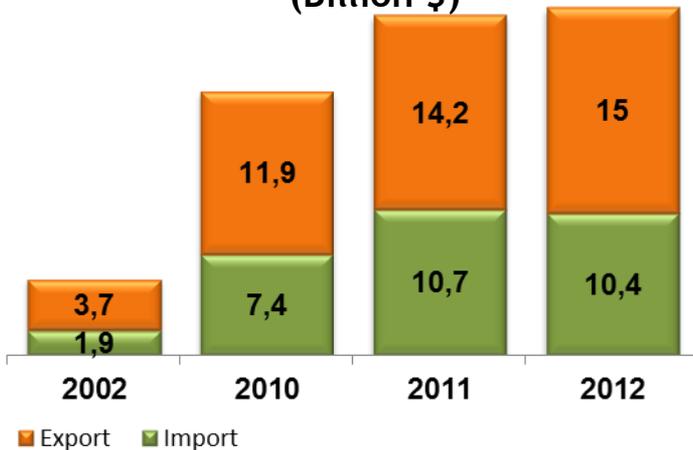
AGRICULTURAL GDP

(Billion \$)



FOOD TRADE VOLUME

(Billion \$)



■ Export ■ Import

Source: TSI

AGRICULTURE SHARE;

GDP (2012)	%7,9
Employment(2012)	%24,6

AGRICULTURAL GROWTH;

Agricultural GDP(2002-2012)	%164
Income per capita(2002-2012)	%240
Export (2002-2012)	%300
Agricultural Trade (2002-2012)	%309

AGGRICULTURE SECTOR;

- ✓ is growing for 9 out of last **10** years
- ✓ has broken the record of half century by **growing** continuous for 6 years.

The «**BUFFER**» and the «**LOCOMOTIVE**» sector of Turkish Economy



OVERVIEW OF TURKISH AGRICULTURE

GROWTH IN PRODUCTION

ARABLE CROPS

PRODUCT GROUPS	2002 (TON)	2012 (TON)	GROWTH (%)
Cereal	30.830.650	33.377.430	8,2
Oilseed Crops	1.057.705	3.138.361	197
Total Fruit*	13.273.350	17.810.942	34,2
Citrus	2.493.000	3.475.024	102
Total Vegetable	25.823.567	27.820.207	7,7

*Spices crops are not included

ANIMAL PRODUCTS

PRODUCTS	2002 (TON)	2012 (TON)	GROWTH (%)
Milk	8.408.568	17.000.000	102
Red Meat	420.595	916.000	118
Aquacultural Resources	61.165	212.410	247



OVERVIEW OF TURKISH AGRICULTURE

REGIONAL POWER IN AGRICULTURE and TRADE BRIGDE

RICH BIODIVERSITY

In Turkey;

12.054 Plant Species

of which 4.000 are endemic

IN THIS GEOGRAPHICAL AREA TOTAL(2010)

Population	1,3 Billion
Agricultural GDP	564 Billion \$
Agricultural Export	578 Billion \$
Agricultural Import	680 Billion \$

**RUSSIAN
FEDERATION**

EUROPE

**CENTRAL ASIAN
AND CAUCASIAN
COUNTRIES**

MIDDLE EAST

NORTH AFRICA

**Taking Turkey as a center and a circling of a 4-hour-flight distance
on a world map covers;**
1/3 of the world's GDP and 1/5 of the world population...



OVERVIEW OF TURKISH AGRICULTURE

TURKISH AGRICULTURE; GLOBAL ACTOR

TURKEY is the;

16. Largest Economy **7.** Largest Agricultural Economy as GDP

IN AGRICULTURAL PRODUCTION

Hazelnut, Apricot, Cherry, Fig,
Poppy seed and Quince

THE FIRST

In **top 5** more than **30** products



IN AGRICULTURAL EXPORT

Hazelnut, Dried Apricot and
Dried Grape, Fig and Dried Fig,
and Cherry

THE FIRST

In **top 5** more than **21** products



OVERVIEW OF TURKISH AGRICULTURE

AGRICULTURAL INVESTORS GUIDANCE CENTER

Make the investment opportunities in the field of agriculture known to a wider audience



- ✓ Established in 2007 and renovated in 2011.
- ✓ Advisory services on;
 - Effective use of resources
 - Production ,etc.
 - Supports and incentives, via reports, booklets, guides...

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OVERVIEW OF TURKISH AGRICULTURE

AGRICULTURAL INVESTORS GUIDANCE CENTER

Turkish agriculture sector and investment opportunities have presented to many countries in 2013

- ✓ **Saudi Arabia (2013)**
- ✓ **United Arab Emirates (2013, Abu Dhabi)**
- ✓ **Malaysia (2013)**
- ✓ **Denmark (2013)**
- ✓ **Hungary (2013)**
- ✓ **Vietnam (2013)**
- ✓ **Somalia (2013)**
- ✓ **Spain, France ve Poland (2013) Embassies**



INVESTMENT OPPORTUNITIES IN TURKEY



INVESTMENT OPPORTUNITIES and SUPPORTS

FRUITS & VEGETABLES

With ecological conditions, contractual production method, easy marketing to the food processing sector and export facilities opportunity is in the fruit & vegetable sector

Turkey;
45 Million tons production
2 Billion \$ export



In the world Turkey;
4th in vegetable production
8th in fruit production

Total F&V import of the **EU** is **50** Billion \$

Total F&V import of **middle east** is **5** Billion \$

Turkey is in the middle for **64 Billion \$** of F&V market and **7,2 Billion \$** of dried, frozen and processed F&V market

Total F&V import of the **Russia** is **7** Billion \$

Total F&V import of the **Africa** is **1,8** Billion \$



INVESTMENT OPPORTUNITIES and SUPPORTS

GREENHOUSE SECTOR

With 620 Thousand decare area

Turkey; is the **4th** place in the World and **2nd** in the Europe

Adequate infrastructure with industrial zones

- Production value app. 5 Billion\$
- Considerably export oriented investment area

Greenhouse farming dispersion:

- 95% vegetable
- 4% fruit
- 1% ornamental plants

With geothermal resources Turkey;

- ✓ **1 th** in the Europe
- ✓ **7 th** in the World

- ❖ 3 thousand da area is being heated and,
- ❖ Potentially 30 thousand da area could be heated by geothermal resources on greenhouse farming



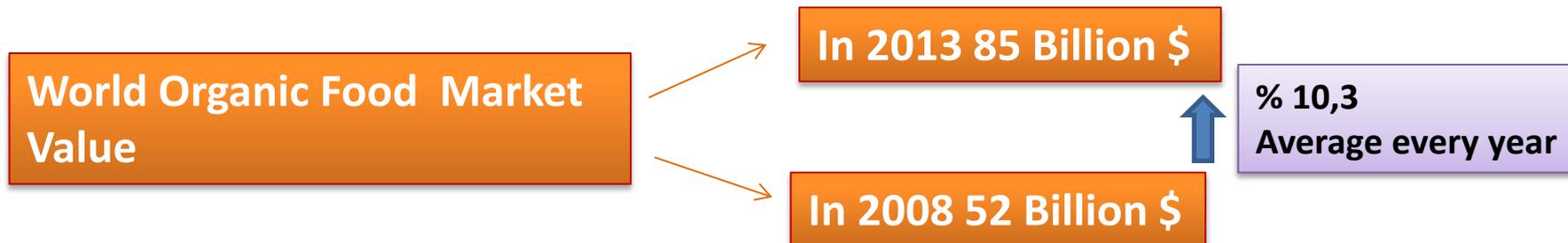
INVESTMENT OPPORTUNITIES and SUPPORTS

ORGANIC FARMING

In TURKEY;

524 thousand ha area, 204 kinds of product, 1.750 thousand tons production

- ❖ Adequate area and technical infrastructure
- ❖ Legislation Consistent with EU
- ❖ Proximity to EU market
- ❖ Production supports



Organic food market is being expected to have a capacity of ;
43 Billion \$ in USA and **38 Billion \$** in EU in 2013.



INVESTMENT OPPORTUNITIES and SUPPORTS

LIVESTOCK FARMING

Stud heifer production

Annually ; 40.000 head stud heifer is imported

Stud ovine production

14,6 Million ha pasture

Unused capacity of 33 Million ovine

Market for 4,2 Billion \$ market

Meat, milk and diary production

2012; 8 million ton of 17,4 million ton raw milk has been processed
By 2017 11,3 Million tons raw milk is planning to be processed

800 Thousand tons beef is being produced,
1,5 Million tons beef has been planning to be produced by 2017.



INVESTMENT OPPORTUNITIES and SUPPORTS

AQUACULTURE PRODUCTION



Turkey is the **3rd fastest growing country** in the World on aquaculture production.

Turkey has realised **645** Thousand tons fisheries production in 2012.

World fisheries

150 Million tons production

70 Billion \$ export+ processed fisheries export= 94 Billion \$

The aquaculture products export has risen to **414 Million \$** in 2012, and **80%** of our export is with the EU Countries.



AGRICULTURAL SUPPORTS & INCENTIVES IN TURKEY



INCENTIVES & SUPPORTS

Provided that registered to National Tax System

- **RURAL DEVELOPMENT SUPPORT PROGRAMME**
- **LOW-INTEREST CREDITS**
- **AGRICULTURAL SUPPORTS**
- **EU GRANT SUPPORTS**
- **THE NEW INCENTIVE SYSTEM (Ministry of Economy)**



INCENTIVES & SUPPORTS

RURAL DEVELOPMENT SUPPORT PROGRAMME

Initiated in 2006 for the investments on,

- Processing, packing and storing the agricultural products
- Purchasing machinery and equipments
- Pressurized irrigation systems

WITH 50%
GRANT
INVESTMENTS
HAVE BEEN
ACCELERATED

WITH THIS SUPPORTS

- 4.024 agricultural establishment constructed
- 786,4 Million TL grant was given,
- 42.279 Thousand staff were employed

- 181.064 machinery and equipments were bought
- 718,5 Million TL grant was given

The goal until 2015 ;

3.000 new establishments and 30 Thousand new employment

Low-interest credits (25%-100% discount) provided to the producers and investors via Ziraat Bank and Agricultural Credit Cooperatives

Agricultural Credit Interest Ratios

- 2002 **%59**
- 2012 between **%0 and 7,5**

Credit Periods

- For the modernization, enlargement or completion of enterprises up to **1,5 years**
- For new investments up to **7 years**

Credit use
amount has
raised **42**
times in last
10 years

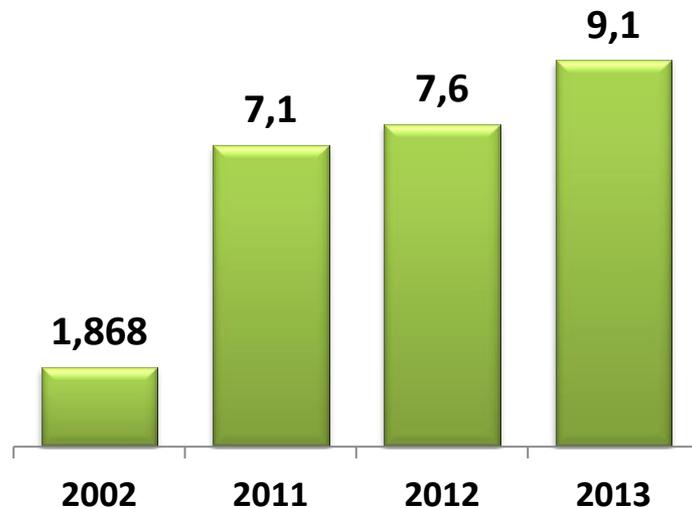




INCENTIVES & SUPPORTS

AGRICULTURAL SUPPORTS

Agricultural Support System have been reorganized on the basis of quality, health, productivity and rural development.



- The agricultural support payments were raised nearly **four times** compared to the payments in 2002
- Totally over **50,7 Billion TL** support payments were paid to farmers in **2003-2012** period.
- In 2013 by November 7,6 Billion TL support payment were paid to farmers.



INCENTIVES & SUPPORTS

EU GRANT SUPPORTS HAS MET WITH INVESTORS

On the scope of Rural Development (IPARD) **868 Milyon Euro** grant is going to be provided for the period of 2007-2016

Supported Sectors

- Meat and meat products
- Milk and milk products
- Fruit/vegetable
- Aquaculture production
- Rural Development Projects



- In 20 provinces implementation has been initiated.
- With the start of second phase in other 22 provinces, the programme is being implemented in 42 provinces currently.



INCENTIVES & SUPPORTS

INVESTMENT OPPORTUNITIES

The Agricultural Investment Subjects Within The Scope of The New Incentive System

- **Integrated Livestock investments**
- **Food and beverage stuff investments**
- **Aquaculture**
- **Cold storage**
- **Licensed storage**
- **Greenhouse investments.**



INCENTIVES & SUPPORTS

INVESTMENT OPPORTUNITIES

With The New Incentive System TURKEY encourages the INVESTMENTS

- **VAT Exemption***
- **Custom Duty Exemption ***
- **Tax Reduction (Rate of Contribution to Investment) (15% to 55%)**
- **Social Security Premium Support (Employer's Share) (2-12 years)**
- **Land Allocation**
- **Interest Payment Support*****
- **Income Tax Withholding Support **(10 years)**
- **Social Security Premium Support (Employee's Share)** (10 years)**

* Within both General Investment Incentive Scheme and Regional Investment Incentive Scheme

**Provided that the investment is made in the Region 6. and

*** Provided that the investment is made in the Regions 3, 4, 5 or 6 within the frame of the Regional Investment Incentive Scheme



FOREIGN TRADE OF COMCEC COUNTRIES



FOREIGN TRADE OF COMCEC COUNTRIES

ANALYSES OF FOREIGN TRADE OF COMCEC COUNTRIES

Million \$-2012

	Export	Import	Balance
TOTAL	2.230.000	1.665.000	565.000
Food and Agricultural Products	123.000	194.500	-71.500

Million \$-2012

	Export	Import	Balance
Grain	4.700	45.700	-41.000
Sugar and Products	2.900	15.000	-12.900
Milk and Dairy Products	3.700	12.400	-8.700
Meat (Red- White)	933	11.000	-10.067

While total foreign trade value of COMCEC countries are **3,8 Trillion \$** the trade value of intra COMCEC counties is only **265 Billion \$.**

Top 5 exporter countries to COMCEC:

- **Brazil**
- **India**
- **USA**
- **Argentina**
- **Russia**



SUGGESTIONS

SUGGESTIONS

- ✓ To take precautions in order to increase foreign trade **among COMCEC countries.**
- ✓ Determining an **investment partnership strategy** for the purpose of supplying food and agricultural products, which constitute foreign trade deficit, from COMCEC countries,
- ✓ Identifying strategies directed to **usage of joint resources** (land, raw material, labor, technology and equipment)
- ✓ Sharing **experiences**

THANK YOU



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