Global food firms to gather in Istanbul

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Global food firms will gather this week in Istanbul for Turkey's largest food exhibition.

The 16th International Food Products and Processing Technology Exhibition, or Gıda 2008, is expected to attract 40,000 guests between Nov. 5 and 8.

The exhibition will be organized by the Istanbul Trade Fairs with the support of the Federation of Food and Drink Associations of Turkey, or TGDF. The Small and Medium Industry Development Organization, or KOSGEB, is also supporting the organization.

The exhibition, which aims to boost commercial and strategic cooperation, last year hosted participants and guests from 30 countries, such as the United States, Bangladesh, Italy, Russia, Iran, Britain, France, the Netherlands, Greece, Spain, Kosovo, United Arab Emirates and China. The "Gıda 2008" exhibition is expected to host over 450 firms this year in a 55,000 square meter area.

Profiles

Product groups to be exhibited, include milk and dairy, meat, confectionery and chocolate, frozen foods, canned and tinned goods, natural and organic goods, honey, halvah products, grains, spices, as well as processing and packaging equipment for all food products.

Visitor profiles consist of marketing companies and wholesalers, markets, corner stores, importers, exporters, operators of hotels, restaurants, bars, nightclubs and holiday resorts, fast-food establishments, catering firms, passenger accommodation services, military and official establishments, kiosks and canteen operators, executives of food companies and chemical engineers. The food exhibition is organized simultaneously with the 23rd International Packaging and Food Processing Systems Exhibition.

Hürriyet photo

PAIN: Turkish food companies are feeling the pain of reduced consumption. Due to the appreciation of the dollar, sales of imported products suffer considerably.

Crisis forces firms to revise growth targets

ÖZGÜL ÖZTÜRK / AYŞEGÜL SAKARYA
ISTANBUL - Referans

The global financial crisis has started to affect the food industry. Facing significant declines in sales, some companies revise their year-end targets, while others freeze investments. However, exporters are aiming to create new opportunities amid the crisis

The global financial crisis, which started in the United States and rapidly expanded to Europe and elsewhere, has also affected Turkey's food industry.

Citizens, who are reducing expenses and overall consumption, are also triggering unregistered activity by choosing traditional bazaars over markets to buy their groceries.

The economic crisis has been hardest on imported products, due to the rise in exchange rates. The price of rice has risen by as much as 40 percent, while the price of lentils reached YTL 2.90 a kilogram. Legume prices have risen by an average of 10 percent, forcing many companies to revise their targets and delay investments.

The situation is no different in stock breeding. Many firms in the industry have decided to downsize as a 10 percent shrinkage is expected in meat production.

Credit issues

As with global warming, the global crisis has now started affecting the food industry, said Şemsi Kopuz, chairman of the Federation of Food and Drink Associations of Turkey, or TGDF. Shrinkage in the economy due to the global crisis is likely to cause financial problems in the industry, he said.

Due to the crisis, the terms of bank loans have shortened, he said, adding, "The food industry used loans worth $5.857 million in July. Out of this amount, a proportion of $1.824 million has a maturity of one to 12 months, while a proportion worth $2.218 million has a maturity of 13 to 24 months."

A substantial proportion of the loans are short-term loans, he said. "In the upcoming period, it will be harder to find loans as loan costs increase. Furthermore, the more the crisis deepens, the more unregistered activity will flourish. There is already a shrinkage in sales."

The meat industry faces a decline in prices by 10 to 12 percent following the Ramadan festival, due to a drop in demand, said Fevzi Topal of Saray Çiftliği, an agricultural production and stock breeding firm. "The 5 percent deterioration in prices of corn and barley, which constitute our main raw materials, enables us to compensate 5 percent of the 12 percent decline at present."

Saray Çiftliği, which has suspended growth investments, expects contraction by 15 to 20 percent by the end of the year, he said. "We have suspended forward selling. At present, we have 20,000 cattle. We sell for cash and do not purchase new cattle in return. If the situation goes on like this, we may consider sending studs to slaughter."

Beverages also affected

Alcoholic beverages constitute another food sub-item affected by the crisis. In particular, the prices of fine wines have faced significant declines. The sale of wines worth around YTL 20 a bottle, dropped by 50 percent, said Fehmi Bağcı, chairman of wine company Bağcı. However, there is a 40 percent increase in the sale of YTL 5 wines. Bağcı noted that companies that have high volumes of production have been affected more and that the slowdown indirectly hits grape producers.

The marketing manager of Kocabağ, another wine company, also argued that the crisis has affected firms with large-scale production. "I do not think the crisis in Turkey is related to the crisis in Europe. Our current account deficit reveals that we have been already experiencing a crisis situation," said Memduh Kocabağ. Meanwhile, the tractor manufacturing industry, which narrowed 15 percent last year, is also facing tough times. As the crisis is forcing banks to raise their agricultural loan interest as much as 10 points, some firms have started to revise their year-end targets. The sector may contract 20 percent this year.

Hattat Tarım has reduced its year-end sales target, said Taki Kaş, the firm's regional sales manager. Anadolu Motor, which brought Korean LS tractors to Turkey, has also revised its sales targets, Necati Telçeker, the firm's sales manager said. "Companies may delay investments and try to reduce debts, or not take on debts," said Necdet Buzbaş, chairman of the Food Processing Industry Employers' Association. "They will also try not to take on foreign currency debts. They may overstock to return their production to liquidity or keep the rate of raw material low at the depot. They may try to diversify their export markets."

The decline in rice consumption after an enormous hike in prices has had an immense impact, said Mehmet Erdoğan, chairman of Sezon Pirinç. "We have fallen nearly 10 percent below our turnover target this year. Moreover, we have delayed an investment."

Exporters search for a way out

The global crisis has concerted exporters most in food industry. Food exporters, who were facing problems due to an overvalued YTL for months, plan to compensate their damages by creating new opportunities. Orhan Gençoğlu, chairman of Penguen Gıda, a leading canned food exporter, said the sector aims to gain the markets it previously lost. Being independent in terms of raw materials may be turned into an opportunity, he said. "Exchange rate is now at a level it has to be. At least, we may acquire the markets we have lost. We may start profiting as of 2009."

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CAP: Bad times for a reform?

A decisive date for European agriculture will be 2013. The 2003 compromise to freeze the level of agricultural spending will come to an end and new financial perspectives will be implemented. It could be the dawn of a new era for the Common Agricultural Policy, or CAP, still governed by principles decided by the Treaty of Rome in 1957. But this will depend on the coming European discussions about the future of the budget which should include a debate on EU's challenges and political priorities. The CAP "health check" debate initiated during the French presidency was not a major reform but an effort to streamline and to modernize the policy. It has also lead to a discussion regarding CAP goals after 2013. No clear perspective for the agricultural policy has been determined yet. Hopefully, coming discussions about the budget will be an opportunity to go further into this reflexion.

But the current situation seems to compromise any deep debate about a new agricultural policy after 2013. Indeed, the basis of the next financial perspectives will be set up in the 2008-2009 budget revision. After that it will be too late to introduce radical changes in the EU budget. But the European Agenda forecasts European elections and a new Commission in 2009. Anyone knows that changes in political landscape make advanced discussions, such as big policy re form difficult to imagine. Moreover the current economic uncertainties do not even permit to forecast the evolution of the coming months. If Europeans postpone their choices of a future CAP to 2010-2011, the new reform will be influenced by short-term perspectives.

New perspective

But the CAP does need a new perspective and a strong new political compromise. A "new CAP" has been up and running since 2003: more oriented towards market signals, more connected to world markets, no longer exclusively agricultural but also concerned with other areas of town and country planning. After traumatic crises of overproduction, financial aid to the sector is now disconnected from production quantities. Despite big achievements, and despite important reforms in 1992, 1999 and 2003, these changes and the relative reduction of spending, CAP subsidies are criticized and the principles of the CAP are under attack. Likewise, the context is leading to an inexorable decline in the legitimacy of the CAP.

The main focus of criticism is the architecture of the CAP's first pillar - market support measures. The total cost of the CAP is high (43 billion euros or 40 percent of the budget); compensation payments are hotly contested on grounds of unfairness (cereals represent the sector the more subsidized); the principal beneficiaries - large farms - gain the most from price support and direct payments, without providing public good or positive externalities.

CAP's second pillar

A second focus of criticism addresses the CAP's second pillar, an ensemble of measures with varying objectives - to do with the environmental, planning and social issues - which is more a collection of measures than a clear strategy. In addition to that, disparities between member states in the allocation of the budget are a persistent bone of contention for the European project. And a number of member states won't accept that a large amount of spending should be dicated to agriculture, a minor sector of the 21st century European economy.

Hence, member states' positions are polarized. However, most stakeholders in the debate, who have never been for a thorough policy reform, are now prepared. Circumstances have changed. In institutional terms, enlargement of 12 new member states has changed the balance of power: close, long-term coalitions between member states are a thing of the past. And France, both an engine and a vehicle of blockages and stalling in the CAP's history, has announced that it is ready to lead an ambitious debate. The French presidency is in charge of finding a compromise on the health check and will probably succeed in this task during the November European Council of Agriculture. Its leading position has permitted to engage a discussion after 2013. However, a new agricultural project for the European Union has not been determined yet. The Czech Government that will be in charge of the EU council's presidency, from the first of January, declared its strong intention to carry on the debate and to focus on a long-term reflection. Nevertheless, will it be sufficient to get constructive outcomes from these debates in this uncertain economic time?

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Wheat prices decline, global demand falls

CHICAGO
Bloomberg

Wheat fell to its worst monthly loss in 22 years as a worsening economic crisis and a rallying dollar eroded global demand for supplies from the U.S., the world's biggest exporter of the grain.

U.S. sales to foreign buyers are down 29 percent from a year earlier in the 12-month marketing period that began June 1, government data show. Japan said it canceled a plan to purchase 75,000 metric tons of U.S. wheat, instead buying 21,000 tons from Canada. Wheat is down 39 percent this year. "If the world economy continues to collapse, who knows" what will happen to demand, said Dan Kuechenmeister, manager of the commodities department at RBC Dain Rauscher in Minneapolis.

Slowdown in overseas sales

Wheat futures for December delivery dropped 1.75 cents, or 0.3 percent, to $5.3625 a bushel on the Chicago Board of Trade. The most-active contract is down 60 percent from a record $13.495 on Feb. 27 after the world's farmers increased planting. The price in October plunged 21 percent, the biggest monthly decline since February 1986.

Overseas buyers have committed to buy 18.9 million metric tons of wheat since June 1, down from 26.6 million during the same period the prior year, according to the U.S. Department of Agriculture.

"We still don't know what the final tally will be as far as demand destruction," Kuechenmeister said. "You'd like to think there's a value point in the commodities, especially the grains used for food. People are going to want to eat still."

Global wheat production may jump to a record 683 million tons in the season ending in June 2009, up 12 percent from the prior year, the International Grains Council said last week. The USDA projected world harvests at 680.2 million tons.

Consumption of the grain is expected to increase 6 percent to 655.6 million tons in the marketing year that ends May 31, figures show. The price decline may boost the use of wheat as livestock feed by 30 percent as growers switch from corn.

A rising dollar helped push commodities to their biggest monthly decline in at least 52 years.


Bloomberg photo

ATTRACTIVE: Fall in prices may boost use of wheat as livestock feed.

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