EU ENLARGEMENT TO TURKEY: POTENTIAL EFFECTS ON TURKEY’S AGRICULTURAL INCOME AND MARKETS

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Abstract: Turkey is officially recognized as a candidate country for EU membership and formal accession negotiations started in October 2005. Given the importance of Turkey’s agricultural sector, a Turkish accession to the EU could be expected to impact the agricultural markets in both the EU and Turkey. This paper provides an in-depth model-based quantitative assessment of the potential impacts of a Turkish EU-membership for agricultural income and commodity markets, focusing in particular on the effects in Turkey. Results show that the main impacts on Turkish agriculture would be a reduction in subsidies, producer prices, and quantities produced. A decrease in agricultural income, especially for Turkish crop producers (except for tobacco farmers), is also projected. In contrast, producers of sheep meat, broilers and dairy milk would benefit from EU accession due to lower feed costs. Moreover, the demand levels of most commodities are projected to increase due to lower prices, thus Turkish consumers are expected to gain from an accession to the EU.

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1. Background

Turkey already has a longstanding relationship with the European Union (EU). In 1959 Turkey applied for associate membership of the European Economic Community (EEC) and in 1963 an association agreement was signed that aimed to bring Turkey into a Customs Union with the EEC and to eventual membership. The EC-Turkey Customs Union was finally established in 1995 with the goal being the elimination of trade barriers in industrial goods and processed agricultural products. However, the scope of the customs union was limited, particularly because the agricultural sector was not included (Harrison et al. 1996; Grethe, 2004). Since December 1999 Turkey has been officially recognized as a candidate country for EU membership and formal accession negotiations started in October 2005.
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As a candidate country Turkey is required to change a considerable part of its national legislation so that it is in conformity with EU law. On the day of accession Turkey would have to fully adopt the acquis communautaire of the EU, including the Common Agricultural Policy (CAP), border protection and processing standards. Given the importance of the Turkish agricultural sector and its intensive domestic agricultural support system, it is expected that a Turkish accession to the EU – and the consequential adoption of the CAP by Turkey – would influence the agricultural sector in both the EU-27 and Turkey.

In this context, this paper provides a comprehensive quantitative model-based assessment of the potential impacts on agricultural markets and income of a Turkish accession to the EU, focusing in particular on the effects in Turkey. The remainder of the paper is structured as follows: Section 2 gives an overview of Turkey’s agricultural sector and its policy. Section 3 delineates the model used for the analysis and the assumptions of the simulated scenarios. In Section 4 the scenario results are reported and analyzed and Section 5 concludes.

2. Turkey’s Agricultural Sector and Its Policy

Agriculture is of key importance to Turkey, both in economic and social terms. A Turkish accession would add about 41 million hectares to the agricultural area of the EU, and Turkey would account for one fifth of the total agricultural area of a future EU-28. Even though the share of agricultural labor in total labor has been substantially decreasing during recent years, more than one quarter of the Turkish workforce was still employed in agriculture in 2008, while the sector accounted for 9.2% of Turkish GDP (see Table 1).

Turkey is the seventh biggest agricultural producer in the world and Turkey’s vast basic agricultural resources (like fertile soils, access to sufficient water and varied climate) offer considerable potential for expansion and development (Atakan, 2008; OECD, 2011). These positive conditions are reflected in Turkey’s status as a major world producer of cereals, nuts, cotton, tobacco, fruits and vegetables. In 2008, Turkish agricultural output value was 104 billion TL (59 billion €). Vegetables and fruits (with tomatoes ranked first) account for the majority of Turkish crops’ output value and cow’s milk is the most important livestock product, accounting for 36% of total livestock product output value (Turkish Statistical Institute, 2009A).

In spite of its national importance in economic terms and the fact that Turkey is self-sufficient in most agricultural products, the Turkish agricultural sector is rather poorly structured and comparable to those of some of the Member States that acceded to the EU from May 2004 onwards. Small scale farming, partly via subsistence and unspecialized production systems, is an important characteristic of Turkish agriculture.