

MARKETING AND ORGANISATION PROBLEMS OF THE WORLD'S BIGGEST HAZELNUT MARKETING ORGANISATION

(A CASE STUDY ON FİSKOBİRLİK OF TURKEY)*

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I. INTRODUCTION

The hazel is a tree growing to three to four metres in height, and is capable of producing nuts within four to five years of planting. The necessary climatic conditions for optimum nut production are temperatures of 13°-16° c. in winter and 36°-37° c. in summer, and a great deal of rainfall, at least 755 mm per year. These conditions are met almost exactly in the East and West Black Sea coastal regions of Northern Turkey, at altitudes of up to 600 meters¹.

Hazelnuts are produced on a very small scale in most of the countries which meet these climatic conditions, for example, France, Iran, the U.S.A. and China, but the only significant producers are Spain, Italy and Turkey.

Turkey has always been the world's largest producer of hazelnuts. In 1974, for example, she produced sixty-four per cent of the total world production. Turkish growers are not particularly efficient. they achieve this output by having the largest suitable growing

(*) Socio-economic problems of the hazelnut producers are also studied by Dr. Haşmet Başar and published by "Die Dritte Welt" Nr. 1-2, 1981, pp. 151-162.

1) Mahmut Ayfer, Fındık Yetiştiriciliğimiz ve Problemleri (Hazelnut Production and its Problems in Turkey), A.Ü. Ziraat Fakültesi, Ankara, 1967.

area, seventyfour per cent of the world total. Other smaller growers have much higher yields. In 1974 Italy with only thirteen per cent of the world hazelnut area produced about twenty-seven per cent of the world production². In that year Turkey achieved a yield of only 734 kg. per hectare compared to Italy's 1,200 kg. per hectare.

As Turkey is by far the largest grower of hazelnuts, her production will have a considerable effect on the total world production and price. However Turkish production is subject to considerable natural fluctuation from year to year. Older farmers in the traditional northern growing areas have a saying that 'nothing except Allah's will determines the harvest', but many younger farmers interviewed during fieldwork* thought that government neglect of the industry accounted for the low hazelnut yields.

In fact both the older traditional farmers and the younger modernthinking farmers are both partly correct. Natural causes do induce a considerable variation in output from year to year. The hazel tree is particularly sensitive to change in temperature, and the vagaries of the weather can make a considerable difference to output. The hazel tree is also reputed to have a natural cycle of high and low production so that good years will be followed by bad years.

A low level of government investment also contributes to low yields. In the whole of the Turkish agricultural sector the provision of fertiliser and irrigation is determined by the degree of government encouragement, financial and otherwise. Lack of these items suggests lack of government interest. Large scale use of fertilisers and other agricultural chemicals in hazelnut areas did not start until the mid 1960's. According to official statistics, by 1975 only twenty per cent of the hazels were treated with fertiliser and only fifteen per cent with other agricultural chemicals³. Similarly there are almost no government irrigating schemes in the hazelnut areas, mainly

2) Bekir Çakır, "Türkiye'de Fındık Tarımı" (The Agriculture of Hazelnut in Turkey") Fındığın Tüm Sorunları Semineri, Ankara, 1977.

(*) Between June - November 1974, the writer carried out a field work in western, Northern and Southern Turkey.

3) Tarım Bakanlığı, Plânlama, Araştırma Gen. Müd. Dept of Research and Planning, Ministry of Agriculture, Ankara 1976.

due to the high cost of irrigating these mountainous regions. There are several government institutions concerned in the hazelnut industry, but these have failed to produce either any useful technical advances or provide sufficient input items and direct services to farmers. This contrasts badly with the government institutions in the cotton sector which have developed new plant varieties as well as providing for the farmers' needs. Failure of institutions in the hazelnut sector has been blamed on lack of coordination between the different individual institutions⁴.

Apart from the natural causes and the lack of government assistance already mentioned, there are other reasons for Turkey's low hazelnut yield. One is that the hazelnut farms are usually very small. Over ninety-five per cent of hazelnut growers have less than ten acres and only a very few have over 25 acres. This is largely due to Turkish heredity laws which fragment holdings between descendants, leading to holdings becoming so small that they produce insufficient income to support a family. The owners of these small holdings often migrate to urban areas or overseas to obtain work, and they rent out their trees to farmers who remain in the villages. The tenants care only about maximum immediate exploitation of their rented holdings, and do not take care of trees, leading to deterioration in yield⁵.

Hazelnut farmers in the Eastern Black Sea region tend to neglect their own holdings, as well as any which they might rent. They often devote all of their income to domestic consumption, rather than diverting part of it to maintaining or improving their holdings. They neglect replacing old trees, pruning or using chemicals in order to meet domestic financial needs. Many farmers blame their lack of investment on governments' failure to provide adequate credit facilities.

4) Saydam Saruhan, "Fındıkla İlgili Tüm Kuruluşlar Birleşmelidir", (The Establishments which are involved in Hazelnut Should be United), Çotanak, Sayı: 36, Giresun, 1974.

(*) Hazelnuts are grown on special holdings which local farmers call "Hazelnut Gardens".

5) Naci Pamuk, Fındık Üreticisinin Sorunları ve Çözüm Yolları (Problems of Hazelnut Productions and Their Solution), Çotanak, Sayı: 35, 1974.

The production of hazelnuts in Turkey is concentrated in two main areas, the Eastern and Western Black Sea Coastal regions. The Eastern Black Sea Coastal region is the traditional centre of hazelnut production, and it is this region that produces the varieties of nuts which enjoy active demand in overseas markets. The Giresun variety, in particular, is generally regarded as the world's best hazelnut, and is always in demand by Turkey's export customers.

The Western Black Sea Coastal region is not a traditional centre of hazelnut production, but intensive production started after 1960 in response to government price policy⁶ was to increase the incomes of farmers in the traditional hazelnut areas of Northern Turkey by paying a high price for hazelnuts. The consequences of this policy included the establishment of hazelnuts as a main crop in a new area, the Western Black Sea Coastal region. In this new area the quality of nuts grown is lower, and they are often subject to limited overseas demand. Hazelnut Experts have criticised this policy and suggested that some restriction of hazelnut production is necessary⁷. Only those varieties that are in demand should be grown, and some effort should be made to limit supply to the level of demand. Farmers in the Western region should be encouraged to produce crops for which there is a real demand without artificially high prices.

II. COOPERATIVE HAZELNUT PURCHASING

The first Hazelnut Marketing Cooperatives were established soon after the 1935 Agricultural Marketing Cooperatives' Act was passed. Kemal Atatürk took a personal interest in the establishment of cooperative unions in general, and he gave personal support to the establishment of the first Hazelnut Cooperative Union in Giresun.

6) İhracatı Geliştirme Etüd Merkezi, "Fındık İhracatının Geliştirilmesi Hakkında rapor", Report on the Export Promotion of Turkish Hazelnut, Ankara, 1969.

7) Mahmut Ayfer, Fındık Üretimimizin Ekonomik Gelişimi ve Başlıca Sorunları, (Economics of Hazelnut Production and its Problems), Fındığın Tüm Sorunları Semineri, Ankara, 1977.

Government interest continued, and the number of primary societies grew, first in the Eastern, and after 1960, in the Western Black Sea Coastal regions. By 1977 there were thirty-three primary societies with 76.000 members. Although there are no official figures showing the total number of hazelnut growers in Turkey, it has been estimated that only about one third of all hazelnut producers have joined cooperatives⁸.

There are several reasons why the majority of producers do not choose to join cooperative societies. Many of the growers work such small holdings in remote areas, that it is not worth their while to pay the costs of transporting their relatively small crops to the often distant cooperative buying points. They also do not want to subscribe capital to the societies, or to become involved in the delays and red tape of cooperative procedures. They are generally suspicious of the cooperatives being government institutions, which are obliged to deduct any debts owing to other government institutions, such as the Agricultural Bank and the credit cooperatives, before making payments to members.

Whilst membership has these disadvantages, there are not many concomitant advantages. In fact, non-members may be at a positive advantage. In the Giresun region where private merchants are particularly active, the farmer who is not a member may sell to merchants when prices are high, and still, through the government support programmes, sell to the cooperatives when prices are low. (The differential between prices paid to members and non-members by the cooperatives is only seven-eight per cent.). Evidence of this practice may be seen in table which shows that many farmers sold to cooperatives in 1964, 1966 1970, 1974, when the harvests were good and consequently prices were low.

For these reasons the small producer, in particular, regards cooperative membership as more of a burden than an advantage and the cooperatives' share of the total hazelnut crop varies from year to year according to the harvest and to price levels. In 1963 the cooperatives purchased about eleven per cent of the crop; in 1966,

8) Fındık Tarım Satış Kooperatifleri Birliği, The Report Union of Hazelnut Marketing Co-operatives, Giresun, 1978.

sixty-nine per cent. Between 1960 and 1975 the cooperatives purchased an average of forty-seven per cent of the total crop.

As in the case of cotton cooperatives there is a tendency for members to fail to fulfill their contracts with their societies. Between 1960 and 1975 on average they met just over half of their contract obligations. The degree of contract fulfilment varies from region to region and also with the grade of hazelnut grown. It is significantly higher in the new Western growing region than it is in the Eastern region. This does not reflect an increased cooperative awareness in the Western region, but is largely the result of producers in this area having no alternative but to sell to cooperatives. Hazelnuts produced in this area are not in high demand and merchants are not really interested in buying them. Consequently the cooperatives are the only bulk buyers, and the farmers are obliged to deal with them.

In the Eastern growing region the degree of contract fulfilment varies according to the grade of nut produced. Where the best hazelnuts are grown (Giresun standard I-III), merchants are always the most active buyers. Cooperative purchases are concentrated on the inferior and less demanded varieties, and contract fulfilment is always much higher with the inferior qualities⁹.

The question of price, in effect the price that is fixed by the government through its support programmes, dominates the whole marketing situation. Cooperatives are obliged to pay the prices fixed by the government, and this works to their considerable disadvantage. Under the government scheme only two classes of hazelnut are recognized-round and oval-and a price is fixed for each class. Unfortunately this does not take account of the realities of market demand, which is mainly for the best varieties of nuts, judged by many factors including their taste and oil yield as well as their shape. Merchants in the private sector, however, fix their prices according to the quality as well as the shape of nuts, and are willing to pay higher prices for high qualities of nuts, but very low prices for inferior grades.

9) Kutay Larçin, "Ortak Teslimatları" (Members Contract Fulfillment) Çotanak, Sayı : 39, Giresun, 1974.

As there is very low overseas for the inferior grades prices are very low. This means that the cooperatives who are forced to pay high state prices, will always give the farmers a better price than the merchants, and so become the sole buyers of poor, and relatively unsaleable hazelnuts.

With the best hazelnuts the cooperatives face competition from the merchants. This will vary according to the harvest. When the harvest is good and prices are low it may be that the government prices paid by cooperatives are higher than private merchants' prices, and that cooperatives will purchase allarge proportion of the crop and enjoy a high degree of member loyalty. When the harvest is poor and prices are high the merchants will tend to be able to offer higher prices, and so will obtain most of the best hazelnuts.

The net result of this situation is that the cooperatives always tend to buy on the worst basis, either inferior hazels which are in low demand, or good hazels but in years when prices and profits are low. Merchants, on the other hand, only buy good hazels, and mainly in years when demand, world prices and profits are high. Thus the result of the government pricing policy is to turn the market to the advantage of private merchants at the expense of marketing cooperatives.

Although price is the most important single factor determining the relative positions of cooperatives and private merchants, there are other factors which also favour the merchants. Most important of these is the tendency of merchants to assume the role of money-lenders, and lend money to growers during the year, which is repaid after the harvest, Sometimes a condition of the loan is that the hazelnuts grown must be sold to the lender.

Abuses by merchants are normal practice. Rates of interest are high, usually over fifty per cent¹⁰. Merchants may instruct the farmers to sell to either to cooperatives or themselves according to the state of the harvest. If the harvest is good and prices are low the merchants may instruct the farmers to sell to the cooperatives, and

10) Saydam Sarıhan, *Tefecilik ve Aracılığın Nedenleri* (Money Lenders and the Middlemen, Why They are exist), Çotanak, Sayı : 39, Giresun, 1974.

then pay their debts in cash. Alternatively the merchants may buy the nuts at very low price and then themselves resell them to the cooperatives at government prices. If the harvest is bad and prices are high the merchants will insist on buying all the nuts, often at low prices. Any farmers who wails to repay his debts, or sells against his local merchant's wishes, may face the ruinous prospect of being denied credit in future years.

In general it is very poor farmers who suffer most as they are least able to manage without credits from the merchants. The contrast between the endemic poverty of the small scale growers and the conspicuous affluence of the merchants is a feature of the hazelnut regions. This contract is the living proof of failure on the part of the marketing cooperatives which were formed to direct profits away from merchants and back to the poor farmers.

The prime purpose of marketing cooperatives has always been regarded as removing the small farmer from exploitation by merchants. The Turkish hazelnut cooperatives have failed to do this in two main ways, by failing to provide efficient local purchasing services, and by failure to provide adequate credit facilities.

The hazelnut areas are mountainous with poor roads and so transport costs are high, especially for the small farmer who may have nothing beyond a simple transport facility. To provide an effective purchasing service it is essential that the cooperatives have many buying centres at which procedures are uncomplicated and rapid. In practice there are too few buying points, considerable distances apart, and procedures are unnecessarily inefficient and slow. Merchants on the other hand, usually have their own motor vehicles, and can rapidly assess and purchase large quantities of nuts.

Cooperatives have also failed to provide an adequate alternative to the credit facilities offered by private merchants. Since 1970 the Cooperative Union has provided short-term credits to tide farmers over the harvest period. These are loans made at reasonable rates of interest, by the Agricultural Bank, the size of loan being tied to size of deliveries and degree of contract fulfilment. Although these credits are to some extent useful, they are far from satis-

factory; only a quarter of members actually received credits¹¹. This is mainly because of the complicated procedures involved and because most farmers already owe money to cooperatives or the Bank of Agriculture, which precludes their obtaining these short term harvest credits. Regulations for these loans also require each applicant to provide two guarantors with unlimited liability, which is often very difficult.

Hazelnut cooperatives have also failed to provide an adequate input item purchasing service for their members, and in doing so have lost the opportunity to secure member loyalty by this means. Sales of fertilisers and insecticides on an extended scale started in 1970 but there has been no effective educational back-up service. Consequently the value of these items is reduced, especially for the smaller grower who does not really understand how and when to use them.

Although the hazelnut cooperatives have not been conspicuous by their success in the mainstream of their activities, they have achieved some progress in two of their incidental activities. They have become suppliers of two consumer goods which are not generally available in Northern Turkey. They provide wheat flour, as wheat is difficult to grow in this region, and coal to prevent farmers cutting down trees for use as fuel¹².

The Cooperatives' information and educational services are not extensive or universally effective, but two hazelnut cooperative publications have extensive readership particularly among younger farmers. These are the weekly newspaper, FINDIK and the monthly magazine ÇOTANAK which provide both technical and cooperative information. To some extent they increase members' awareness of cooperative activities and thus increase active participation and internal democracy in the societies.

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- 11) T.C. Ziraat Bankası, Kooperatifler Müdürlüğü Çalışma Raporu. (The Report of Activities of Dept. of Co-operatives, The Agricultural Bank), Ankara, 1978.
 - 12) Fındık Tarım Satış Kooperatifleri Birliği "Cumhuriyetin 50. Yılında Fiskobirlik" Hazelnut Marketing Co-operative Union in the 50th Anniversary of the Turkish Republic), Giresun, 1973.

III. COOPERATIVE HAZELNUT PROCESSING

Right from the inception of the Hazelnut Cooperative Union one of its aims has been to process their product, thus selling it in the forms demanded by consumers and retaining profits which would have otherwise accrued to private industry. In practice there was very little progress in the development of cooperative hazelnut processing before 1970. Activities were limited to shelling part of the crop which was done both in cooperative owned plant and in privately owned plant on a contract basis¹³.

A change in the situation was precipitated by the full implementation of the government price support policy in 1964 which obliged cooperatives to pay a fixed price for hazelnuts of various grades, as described in the previous section. This caused the Union to accumulate very large stocks of nuts and in 1970 it was attempted to reduce these by establishing a plant to process these nuts into forms more acceptable to Turkish consumers. The plant operates on a small scale and was erected at a cost of T.L. 3 million. (\$ 60,000) The produce of this plant is almost entirely taken up in domestic consumption; exports are negligible.

This small scale plant has been a considerable success and so an expansion processing activities was quickly projected. Unfortunately the scale of expansion plans has been determined more by a desire on the part of central government to provide employment in Giresun, than by any real evaluation of the market for an expanded supply of processed hazelnut products. The union was happy to accept any project which would help lessen their huge stocks of unsaleable nuts and so it concurred with government policy.

In 1972 a huge new processing plant was projected by the Hazelnut Union at a cost of over T.L. 500 million, (\$ 5 mil) and the scheme was approved by the government which undertook to provide a large part of the capital finance through the Agricultural Bank.

13) Fındık Tarım Satış Kooperatifleri Birliği Beş Yıllık Depo ve Fabrika Planı, (Five Year Plan for Storage and Plant), Giresun, 1974.

Construction started in 1974 and when the new plant is in full operation in 1981, it will employ about 1000 people and have a production capacity 00 times greater than the existing plant¹⁴.

IV. COOPERATIVE HAZELNUT MARKETING

It is in its marketing activities that the Hazelnut Cooperative Union's failure is most conspicuous. Hazelnut marketing in Turkey is really concerned with overseas markets, the home markets are much less important, and so success or failure is largely a question of performance in exporting.

Officials of the Hazelnut Union are complecent about their performance; they say that it is good because ninety per cent of their sales are to export markets. What they do not say is that despite the fact that they are the largest purchasers of hazelnuts in Turkey their exports sales amount to only forty per cent of total Turkish exports, and also that about thirty per cent of the Union's sales are directly negotiated between the Turkish government and East European governments, without any action on the part of cooperative management.

Another aspect of the Union's marketing performance that aggregates their failure is that only manage to sell one third of their purchases. Each year about two thirds of the hazelnuts they buy remain unsold and are added to their already high stocks.

When criticised Union management usually defends itself by saying that it cannot be expected to market successfully whilst cooperatives are obliged to purchase inferior hazels at high prices as a result of government price support programmes. There is a considerable degree of turth in this argument, government policy does put Union management in a very difficult position, but to a large extent managers are inclined to hide their poor performance behind criticism of government policy. The reality of the situation is that

14) Ticaret Bakanlığı, Teşkilâtlandırma Gen. Müd. Kayıtlarından (From the Files of Dept. of Organisation, Ministry of Commerce), Ankara, 1980.

bad government pricing policy is aggravated by bad cooperative management.

The major cause of poor quality of management within the Hazelnut Union is the system of appointment of general managers by the government of the day, and the way that government policy rather than sensible marketing practice determines many marketing decisions. There is a high turnover of general managers. General managers have to power to approve or reject the marketing decisions of their commercial managers and all decisions are subject to approval by the Ministry of Commerce. The type of men that receive government appointment have an administrative rather than business background, typically with civil service experience, and whilst they may have excellent educational achievements, they generally lack the dynamism required of international marketing executives.

The high turnover of top management has completely precluded the evolution of any long-range marketing strategy or any real understanding of changes in the nature of the international market. There is little opportunity for incumbents to learn the nature of the market before they are removed from, or leave their offices. This tends to play into the hands of domestic and foreign competitors who may amass long experience of the market and who are able to formulate longer term marketing strategy.

In practice the Union still relies on a product orientated system of marketing. Union officials do not seek out customers but rather wait for buyers to contact them. Before the imposition of government pricing policy they could expect to sell most of their purchase by this negative approach, but with the advent of the government's policy they began to make large purchases of less saleable hazelnuts which require more aggressive marketing if they are to be sold. Such positive marketing could not be provided by Union management and so large stocks of nuts have accumulated, many of which are lost due to lack of adequate storage facilities.

(*) There were 26 Cooperative Union Directors appointed between 1938 and 1978, with an average tenure of office of eighteen months. Many of them used the post as a stepping stone in a political career.

By 1969 many Union officials, particularly the younger ones, had realised that the Union's marketing performance was so poor that drastic changes were necessary. This led to the Union consulting Turkish and foreign experts about their marketing practice, and also requesting private market intelligence organisations in the U.S.A., Great Britain and Germany to report on the best way of improving their system of marketing in these countries. The reports varied from market to market but all agreed on the following main points¹⁵.

An export marketing department should be established employing marketing specialists. The department should constantly monitor market trends in consumer countries and should help evolve long-term and short-term marketing policies. Staff should be employed to directly monitor consumer preferences in overseas markets, and the whole marketing operation should be consumer orientated.

In these markets the main decision maker in domestic purchasing is the housewife, and so promotion through advertising should be directed to her in order to stimulate demand. There is a need for considerable promotional activity if demand is to be stimulated, and this could best be achieved as a joint effort by the Turkish government, the Cooperative Union, and private sector exporters.

The cooperative union should deal directly with major industrial purchasers of hazelnuts, in particular manufacturers of chocolate, cakes and yoghurts. The aim would be to establish effective distribution to industrial users as well as to provide the nuts most suited to their needs.

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- 15) — "Marketing of Turkish Hazelnut, in the U.S. Market Facts Comp. New York", 1971.
— "Preliminary Study for Measures to Increase Sales of Turkish Hazelnut in the U.K." Chante Westenholz Associates Ltd. London, 1971.
— "A Study on Turkish Hazelnut Exporting" Ousbourne Ltd. London, 1972.

Hazelnuts face competition from other cheaper nuts in the main consumer countries. Peanuts, chestnuts, brazil nuts and coconuts are usually cheaper. Industrial users, particularly in Britain, tend to use the cheapest available nuts. Consequently, the Cooperative Union has to reduce prices, perhaps for a limited period, in order to encourage the use of hazelnuts and so establish them as a part of normal consumption habits. After the receipt of these reports it was thought that there would be changes in the Union's marketing systems and policies, but in fact few of the recommendations have been implemented. This has been due in the main to changes in government policy and in Union management since 1971.

The proposed marketing department has not yet been established. The only innovation has been the establishment of an Istanbul Office of the Union but this is more important for domestic marketing purposes than for export sales. Within the Union itself the Commercial Manager, with the same staff, is still entirely responsible for marketing decisions and policy, subject to the approval of the General Manager and the Ministry of Commerce.

Consumer studies in overseas markets have not yet been implemented. The only sources of information on consumer preferences comes from the Unions' agents and brokers or from the Commercial Attaches of Turkish Embassies. This is a particular weakness when investment decisions anticipating increasing demand are made on such unreliable indicators of demand.

In general the Union has not undertaken organised advertising and promotional activities in consumer countries. The only two exceptions are occasional television advertising campaigns in some part of the United States, Undertaken in cooperation with an American hazelnut importer, and participation in the minor international Food Trade Fairs at Baghdad, Damascus, Nicosia and Stockholm. Major food fairs in important consumer centres seem to have been missed. Cooperative managers do not understand the advertising methods used in their consumer countries, and have no acquaintance with the different media available.

By the end of 1979 the Cooperative Union's marketing organisation and methods were, as we have seen, based on a traditional structure in which private merchants acted as the Union's agents in overseas markets. These merchants also supplied the bulk of market intelligence, and so were in a position to take advantage of the Union.

Within the Union managers are opposed to innovation or improvement of the marketing system because they do not understand modern methods and are afraid of failures leading to loss of their jobs. They are characterised by administrative rather than dynamic business backgrounds and are not conversant with the operation of the present day international hazelnut market.

Their main failure has been in not perceiving changes in the patterns of demand for their products, and failing to establish direct links with large consumers. As the largest purchasers of hazelnuts they are in a position to deal directly with major consumers, but they continue to employ private merchants to do this for them.

They have failed in particular to sell directly to industrial users who buy in very large quantities and also to establish links with the new large scale retailing organisations in Western Europe and the United States, such as supermarket chains and multiple stores. They do not deal with the new health food purchasing organisations and have completely failed to make contact with their sister organisations in Western Europe, the consumer cooperative unions, such as the British Cooperative Wholesale Society. In the writer's view, it is by missing these opportunities that the managers have made a material contribution to the failure of the Hazelnut Cooperative Union.

The Cooperative Union has always been in a strong position in the domestic Turkish market for hazelnuts and hazelnut products. Increasing failure in the international markets has led to the Union putting a greater emphasis on domestic sales order to help reduce stocks. There has been some attempt at market research and direct selling. The union also produces special consumer products (such as hazelnut spread). There is a limit to of hazelnuts and hazelnut products and to those activities can have only a negligible effect

on the position of the Union, which continues to rely on export performance.

V. FINANCIAL SITUATION AND PROSPECTS FOR THE HAZELNUT UNION

The Hazelnut Union is in an extremely bad financial position, making losses on its operations year by year and desperately short of capital. The capital position is to some extent hidden. Official sources show an increasing capital plus large accumulated reserve funds. However, much of the subscribed capital has not been paid up. The reserves 'frozen' in a special account at the Agricultural Bank as a result of government policy.

Lack of capital to finance purchasing, marketing and direct investment means that the Union has to borrow large amounts from the Agricultural Bank at a high rate of interest. Borrowing is required on a very extensive scale to cover trading losses. So on a very extensive scale to cover trading losses, so the amount of accumulated debt is very high; (as the end of 1976 it was T.L. 6657 million which was about seventy times the total paid-up capital)¹⁶. There is no prospect of the Union clearing its debts from its own resources, but this does not worry its managers and directors as they are confident that the government will clear this deficit as it has done on several occasions in the past.

The spectacular annual trading losses do nothing to improve the situation. These result partly from the government high price policy maintained by active parliamentary pressure groups from the Black Sea Region, and partly from the general inefficiency and poor marketing performance of cooperative management. Losses are compounded by lack of adequate storage facilities leading to deterioration of stocks. Consequently in order to overcome the problems which are described in previous pages, a marketing and organisations reform is urgently needed. But can be done only with the agreements of major political parties in Turkey.

16) T.C. Ziraat Bankası Kooperatifler Müdürlüğü Çalışma Raporu, Ankara, 1978 (Dept. of Co-operatives of the Agricultural Bank Report of Activities 1978).

Share Of Leading Hazelnut Producer Countries In The World Market
(1960 - 1974)

Years	TURKEY		ITALY		SPAIN		U.S.A.		WORLD TOTAL	
	Quantity*	Share %	Quantity*	Share %	Quantity*	Share %	Quantity*	Share %	Quantity*	Share %
60	58.5	49.2	33.9	28.4	17.7	15.9	8.9	7.5	119.0	100
61	76.0	49.8	53	35.3	10.9	7.2	11.8	7.7	152.5	100
62	122.4	67.1	39.9	21.9	12.2	6.7	7.8	4.3	182.5	100
63	88.4	56.6	40.8	26.1	20.1	12.9	6.9	4.4	156.2	100
64	195.2	78.2	30.0	12.0	16.0	6.4	8.4	3.4	249.0	100
65	62.0	47.6	45.0	34.6	16.0	12.3	7.2	5.5	130.2	100
66	190.0	68.8	61.0	22.1	14.0	5.1	11.0	4.0	276.0	100
67	71.0	47.6	56.0	38.1	12.0	8.1	9.0	6.2	147.0	100
68	138.0	55.2	81.6	34.3	18.1	7.6	8.9	2.9	238.2	100
69	170.0	68.5	53.7	21.6	17.7	7.1	6.7	2.7	248.1	100
70	255.0	71.9	78.9	22.2	11.9	3.3	8.4	2.0	354.2	100
71	220.0	65.5	84.9	25.3	20.2	6.0	10.3	3.0	335.4	100
72	190.0	63.3	80.9	26.9	19.6	6.5	9.2	3.0	299.7	100
73	250.9	67.4	90.6	24.3	19.5	5.2	10.9	2.9	371.9	100
74	244.0	64.0	105.0	27.5	22.1	5.8	9.8	2.3	380.9	100

* (Thousand Tons)

Source: State Institute of Statistics (Turkey).

**Hazelnut Production In Turkey And In The World Purchases
Of Co-Operatives (Thousands Tons) 1962 - 1975**

Years	World Production	Production		Purchases		
		In Turkey	Of The Cooperatives	B/A	C/B	C/A
	(A)	(B)	(C)	%	%	%
1962	182.5	122.4	27	67	22	15
1963	156.2	88.4	10	57	11	6
1964	249.0	195.2	119	78	40	48
1965	130.2	62.0	20	48	77	15
1966	276.0	190.0	132	69	68	47
1967	147.0	71.0	24	48	68	16
1968	238.2	138.0	45	55	40	19
1969	248.1	170.0	38	69	41	15
1970	354.2	255.0	148	72	58	42
1971	335.4	220.0	72	66	30	21
1972	299.7	190.0	101	63	54	34
1973	371.9	250.9	124	67	49	33
1974	380.9	244.0	170	64	70	45
1975	480.0	350	251	73	71	52

Compiled from IGEME and FİSKOBİRLİK