

# Meat Prices and Factors Affecting them in Turkey

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**Abstract:** Secondary data from different sources were used to examine the changes in red meat prices in Turkey between 1976 and 1989 taking account of the impacts of inflation and red meat imports during that period.

It is observed that in current prices a higher price increase was realized in red meat prices compared to the fattening feed prices in the period 1976-1999. When the effects of inflation and purchasing power of money are taken into account, it is determined that red meat prices rose at an increasing rate, whereas feed prices decreased after 1995. On the other hand, it was determined that red meat imports were not able to prevent price increases in red meat; in contrast, they caused a lower domestic supply, which further increased the market price of red meat.

**Key Words:** Red meat prices, feed prices, red meat import, livestock policy, effect of inflation

## Türkiye’de Kırmızı Et Fiyatları ve Etkili Faktörler

**Özet:** Türkiye’de kırmızı et fiyatlarında yıllar itibariyle meydana gelen değişimi, enflasyon ve kırmızı et ithalatı etkilerini de dikkate alarak incelemek amacıyla yapılan bu çalışmada 1976-1999 yıllarına ait verilerden yararlanılmıştır.

Yapılan çalışmadan 1976-1999 arası dönemde cari fiyatlarda, kırmızı ette, besi yemine göre daha yüksek oranda bir fiyat artışının gerçekleşmiş olduğu anlaşılmaktadır. Enflasyon etkisi ve paranın satınalma gücü dikkate alındığında, 1995 yılından sonra kırmızı et fiyatlarının reel olarak artan bir hızla yükseliş gösterdiği; yem fiyatlarının ise azaldığı tespit edilmiştir. Kırmızı et ithalatının ise fiyat artışını önleyemediği, aksine üretimin azalmasına bağlı olarak fiyat artışlarının hızlanmasına neden olduğu belirlenmiştir.

**Anahtar Sözcükler:** Kırmızı et fiyatları, yem fiyatları, kırmızı et ithalatı, hayvancılık politikaları, enflasyon etkisi

## Introduction

A considerable amount of the livestock production in Turkey is obtained from small scaled traditional livestock enterprises, the majority of which lack economic and scientific aspects of production, and do not receive signals of changing consumers preferences in terms of quantity and quality of production.

This traditional and irrational structure weakens the bargaining power of the producers. Saguner (1,2) and Aral (3) report in their studies that animal and livestock production prices in Turkey are set by an oligopsonistic market with numerous and unorganized producers and a restricted number of consumers, who are in cooperation especially with regard to price.

In the formation of red meat prices in Turkey, the general economic conjuncture is influential, as well as the above-mentioned market structure that affects all the

livestock products. The effects depending on the economic conjuncture appear as changes occurring in the other input prices, mainly feed, and the purchasing power of the consumer (4).

The objective of the study was to examine the changes that occurred in the red meat prices over the years in Turkey, taking into account the wholesale price index (WPI), consumer price index (CPI), purchasing power parity and red meat import effects, and to discuss the formed interaction as well as its reasons and results.

## Materials and Methods

Data of red meat prices, fattening feed prices, monthly WPI, CPI and purchasing power parities in 1976-1999 in Turkey formed the major part of the research material. With this aim, statistical publications of

the State Institute of Statistics (SIS), the State Planning Organization (SPO), Ankara Commercial Exchange Live Animal and Meat Department and Turkey Union of Chambers of Agriculture were used (5-12).

The obtained data were processed using Microsoft Excel 2000. The effects of inflation and the decrease occurring in the purchasing power of money in the period were removed from the current prices of either feed or red meat, benefiting from the WPI, CPI and purchasing power parity of the same dates, and they were turned into fixed prices.

The change that has occurred over the years in prices was interpreted with charts and taking into account the significant economic events that took place during the period.

**Results**

**Relation of Red Meat Prices and Fattening Feed Prices**

In the 23-year period between 1976 and 1999 in Turkey, fattening feed prices have increased approximately 23,000-fold, while red meat prices have increased 42,000-fold. According to these findings, the current price increases in red meat has been approximately twice as the increase in feed prices. The price movements can be better understood from the chart presented in Figure 1 below.

As also seen from Figure 1, there was a significant increase in the current prices, particularly after 1997.

Arrangements were made according to wholesale prices inflation rate (WPI), consumer prices inflation rate

(CPI) and the “purchasing power of money” in order to inspect how this change, which is seen with current values in red meat and fattening feed prices, occurred again in the same period, and then the graphs related to these were drawn. The results are given in Figures 2 and 3.

As can be seen from the graphs, real prices in either meat or feed floated throughout 1976-1999. However, as a general tendency, they decreased until 1982. Nevertheless, there was a sudden increase in 1980.

After 1980, red meat and fattening feed prices tended to undergo a continuous real increase between 1982 and 1995. A higher speed of price increase occurred in the fattening feed price. After 1995, red meat prices rose at an increasing rate while fattening feed prices decreased contrary to this.

**Red Meat Import and Red Meat Price Relation**

Figure 4 explains the effect of red meat imports, which have become intense in Turkey since 1990, on red meat prices.

In Figure 4, the red meat import value is shown in columns and the red meat prices corrected according to WPI are shown in lines and the third degree polynomial tendency line is added.

Red meat or de-boned meat worth 341.8 million dollars has been imported since 1982, as red meat only, which particularly intensified between 1985 and 1996. Furthermore, if the beef cattle imports of about 10 million dollars during the same years are taken into account, the volume of the imports that affect red meat production in Turkey shall be better understood.

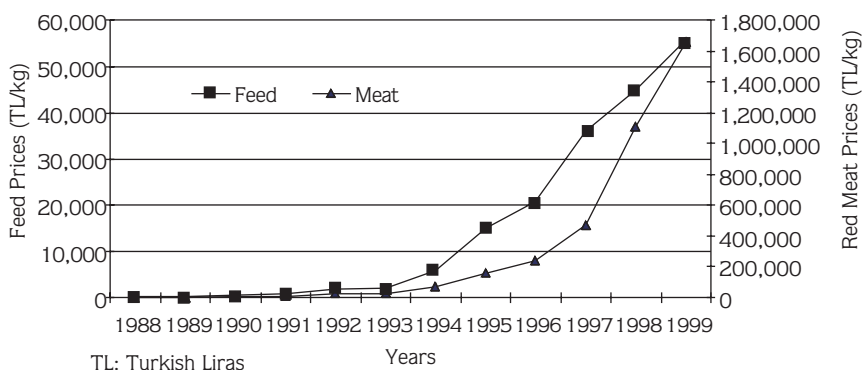


Figure 1. Current prices of fattening feed and red meat in Turkey between 1988 and 1999.

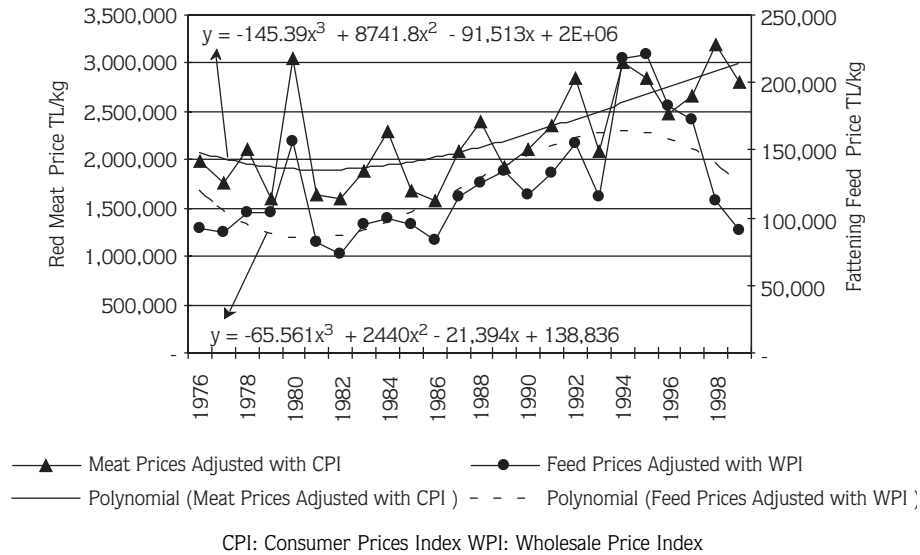


Figure 2. Fattening Feed and Red Meat Prices Adjusted with WPI and CPI.

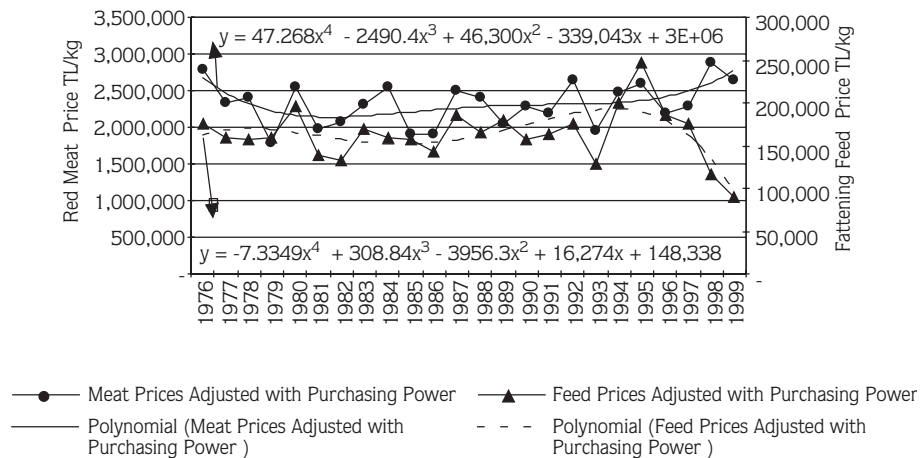


Figure 3. Fattening feed and red meat prices corrected according to purchasing power.

**Discussion**

It will be useful to evaluate the increase that occurred over the years in Turkey in red meat prices together with the fattening feed prices, which is the most important cost component in the total fattening expenditures (Figure 1).

Turkey's economy entered a stage of reconstruction following the Economic Stability Measures taken on 24 January 1980. In other words, a new process of economic change started where the market economy was dominant with all its organizations and rules.

However, it is not clear whether these economic policy measures have produced successful results for all sectors forming the economy. As a matter of fact, livestock production is one of the sectors affected most negatively by these decisions. The economic policies, which are put into effect without forming the institutions and legal arrangements required by these economic decisions, have caused damage to the livestock production sector that is very difficult to compensate for.

Meat and livestock production's being excluded from the scope of support within the framework of the

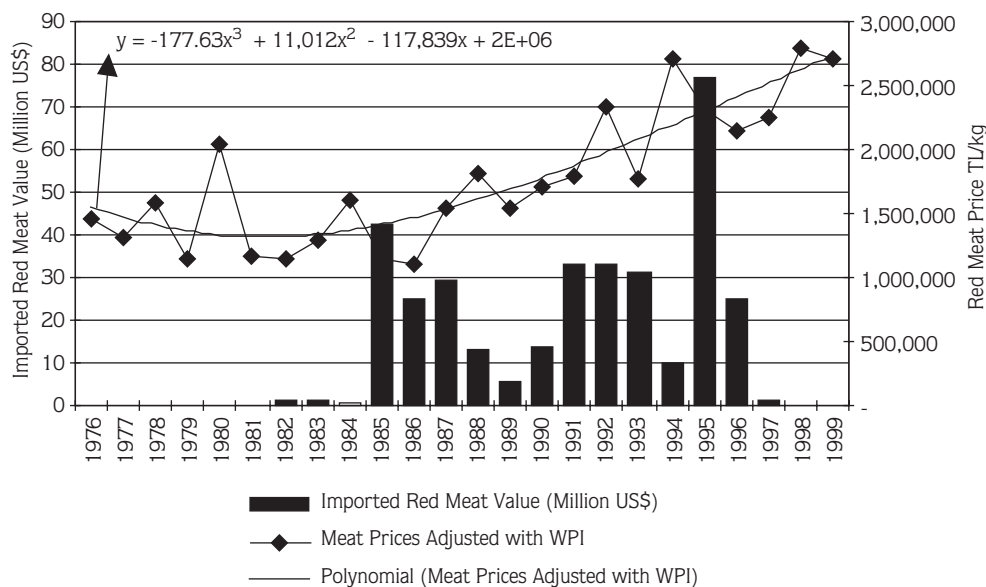


Figure 4. Red meat prices and red meat import value in Turkey between 1976 and 1999.

economic stability measures implemented in this period caused decreases in the production as the sector lost the attractiveness for the producers. These negative events faced in the livestock production sector later caused decreases in feed demand.

It may be considered that gross profit margin and income of the beef cattle breeder have continuously increased in a real sense depending on the continuous decrease in feed price, which is a very important element of input, against the increase in red meat prices in this period and after it (Figures 2 and 3). However, it is unclear whether the increase in this gross profit margin has been reflected in the production section.

This negative trend in the domestic livestock production has appeared more evidently in the long term as livestock imports were used as a solution to declining livestock supply initiated after the Economic Restructuring Program in 1980, and exacerbated by the Economic Program that came into effect on 5<sup>th</sup> April 1994.

The price changes explained by the 2 graphs in Figures 2 and 3 are real changes where the effect of inflation was removed. In this case, the price movements can be explained by the supply-demand-price interaction.

The most important reason for the real increase in red meat prices in recent years is the lower red meat

production and supply. However, this low level of supply results from the situation of a general shortage of supply depending on the insufficiency of production, not because of the supply restriction to keep the market price of red meat high.

The high inflation faced in economy in the last 25 years has affected the investment and operation costs negatively in the enterprises that form the sector and the financial aspects of the investments have reached significant volumes. Particularly problems such as not ensuring the fair distribution of credit and financing between the sectors, and the high cost of production and financing due to high inflation have been the main factors preventing the success of the anticipated development in livestock production.

Privatization of the Meat and Fish Organization, which used to have a great importance in the formation of prices in live animal and meat as a state enterprise throughout the country, in a very hurried manner, has further deteriorated the current market structure. Since the price guarantee in the market has disappeared, the producer has had to operate under a completely oligopsonistic market structure.

On the other hand, since the animal transportation has not been inspected adequately in the country in this period, illegal livestock entries from neighboring

countries have accelerated, and this has caused unfair competition in the supply of fattening material for cattle breeders in the country.

In addition to these circumstances, fattening is no longer a profitable business due to the negative effects of red meat imports between 1985 and 1996 (Figure 4). As a result, the majority of the producer have stopped production and began to make efforts to conduct activities in other fields, mainly in cities, since the prices they sell their animals did not even meet the costs of production.

Despite the fact that real feed prices have started to decrease recently, this does not guarantee that the fattening enterprises shall be able to continue their activities in a profitable manner. It seems more rational to explain the decrease in feed prices with the decrease in the demand of fattening feed, rather than the decrease in the feed production cost.

However, due to the rapid increase in poultry meat production in recent years, which is one of the most important alternatives to meat, it may be considered that the feed enterprises have increased their production in a way appropriate for poultry meat production and that they had to be satisfied with low profit margins with the aim of increasing the demand in fattening feed.

Turkey has been under significant pressure from imports since the second half of the 1980s; imports continued without customs duties being imposed until 1991, and with applying restricted tariff barriers in the later years. In 1995, Turkey was classified in the category of countries from which low quality goods are exported; import prices decreased and the import restrictions were abolished. De-boned meat imports were permitted for the first time in the history of the Republic of Turkey and the funds that were acting as an element of the import barrier were reduced to a level of almost "zero".

Here, it is required to examine the reasons for imports and whether the import decisions taken have achieved their goal, rather than examining how much meat imports took place in which year.

Red meat imports in Turkey are suggested as a remedy by a political understanding that does not know much about the production structure of the livestock sector and the socio-economic characteristics of the

enterprises, and that does not know the significance of the livestock sector in rural economic development. Especially when meat prices started to increase at the beginning of the 80s, the government of that period, which deemed this increase a speculative action of the producers without investigating the main reasons for the increase, decided to import meat and livestock with the aim of "punishing the producer" by lowering the market price and enabling the consumers to eat cheaper meat (13).

As can be seen from Figure 4, the result has not been as anticipated. Meat prices have continued to increase in a real sense over the years; meanwhile, the producer has started to slow down production while the meat demand could not be met. Price stability could not be achieved in this country despite the imports. In other words, it has been understood that imports were not a reasonable method to solve the problem of partial scarcity.

The probability that meat imports can still take place causes an expectation that the prices shall decrease, and has a negative, even dissuasive, effect on the producer.

Meat demand in Turkey has rapidly increased in recent years. The increasing trend in meat demand will continue as a result of increasing in per capita income and population.

As it can be understood from the above discussion, the problem, which arises as people consume insufficient amounts of meat, due to the high meat prices regarding meat in Turkey, actually results from the "insufficient level of production and purchasing power". This low level of production results from the producer's ceasing production as the sector has lost its attractiveness due to the fear of meat imports, and increases in production costs, hence a low profit margin.

It has become destructive to prevent these price increases and the production insufficiencies with populist applications such as importing meat and live animals.

As a result, the problems of meat production and meat industry shall be solved with rational economic policies, including support to improve enterprise structures, production and productivity in the sector. On the other hand, the real incomes of consumers need to be increased to boost sufficient demand for the increasing production.

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