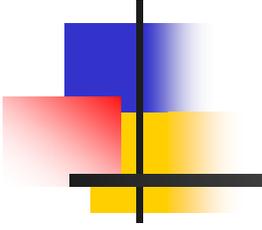


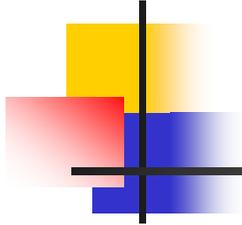
CURRENT STATUS AND PROSPECTS OF DAIRY INDUSTRY IN TURKEY IN THE WORLD



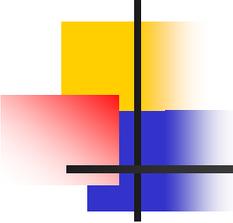
MURAT YÖRÜK

**VICE CHAIRMAN
OF
SETBİR**





The dairy and dairy products industry has 15% production value within the food industry and is a highly important sub-sector since the composition of the milk has numerous nutritional elements and is an essential nutrient that must be consumed in every stage of human life; and also in terms of its added value to the national economy.



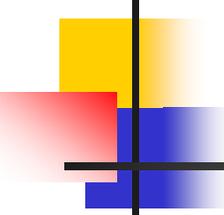
Amount of milk production in our country

- The amount of milk produced in Turkey as of 2009 is 12.5 million tons.
- However, only 5 million tones of that amount are registered.

Amount of milk produced in our country

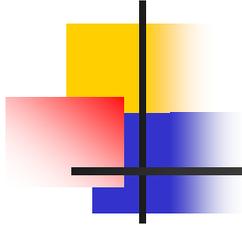
Animal Species	Production (Ton)		
	2008	2009	Variation (%)
Bovine	11 255 176	11 583 313	2,9
Sheep	746 872	734 219	-1,7
Goat	209 570	192 210	-8,3
Water Buffalo	31 422	32 443	3,3
TOTAL	12 243 040	12 542 186	2,4

Source: TSI

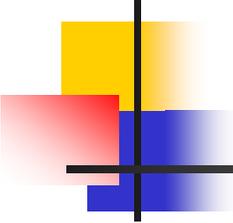


Milk Production in the World

- The total milk production in the World was about 700 million tons in 2009.
- The countries with most milk production are EU-27, India, USA, China, Russia, Pakistan, Brasil and New Zealand.



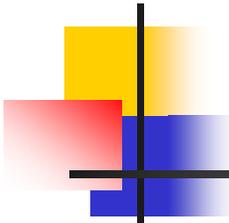
- Approximately 53% of the milk produced in the World is processed in the industry.
- This ratio is 95% in EU, and
- Almost 100% in the developed countries like USA and Japan.



And in Turkey;

Big Business	27 %
Medium-Sized Enterprises and Dairy Farms	33 %
Consumption at the Source	20 %
Direct-Street Sales	20 %

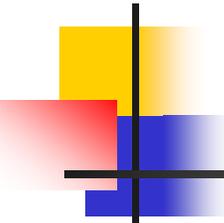
Source : The Ministry of Agriculture and Rural Affairs



Per capita consumption of milk and dairy products in Turkey

	2004	2005	2006	2007**	2008***
Cheese	78,31	79,86	81,99	84,00	85,41
Yoghurt-drink made of yoghurt and water	28,24	28,80	29,57	30,29	30,80
Butter	19,26	19,64	20,16	20,66	21,00
Ice-cream	1,43	1,45	1,49	1,52	1,54
Milk powder	1,14	1,17	1,20	1,23	1,26
Total dairy products*	128,37	130,92	134,40	137,70	140,02
Drinking milk	21,72	23,22	23,78	24,45	26,02
Total milk	150,09	154,14	158,18	162,15	166,04

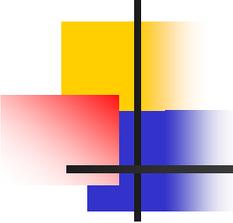
Source: Calculated from TSI and TEAE data. *milk equivalent **estimation,***forecast



Per capita consumption of drinking milk in the World

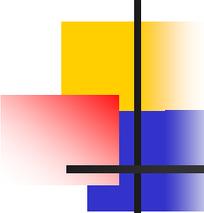
- 89 kg in EU countries
- 83 kg in USA
- 107 kg in Australia

- 26 kg in Turkey



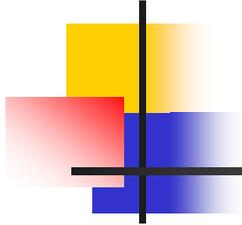
Dairy products export (2009-TSI)

Tariff4	Description of Tariff 4	Export in Dollar	Export Quantity (KG)
401	Milk and cream (non-condensed, sweetener-free)	12 104 444	6 762 379
402	Milk and cream (condensed, with sweetener)	3 213 242	1 355 538
403	Buttermilk, clotted milk and cream, yoghurt, kephir etc. (condensed)	9 417 117	8 538 229
404	Whey	4 780 887	7 098 357
405	Milkfats; dairy products eaten spread	1 411 244	256 911
406	Cheese and curd	87 786 959	23 358 208
2105	Ice cream and other edible ices	22 369 482	9 672 258

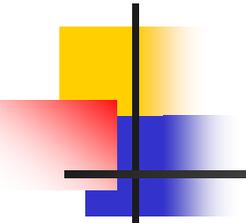


Dairy products import (2009-TSI)

Tariff4	Description of Tariff4	Export in Dollar	Export Quantity (KG)
401	Milk and cream (non-condensed, sweetener-free)	527 169	336 504
402	Milk and cream (condensed, with sweetener)	42 402 662	17 774 524
403	Buttermilk, clotted milk and cream, yoghurt, kephir etc. (condensed)	96 360	11 570
404	Whey	1 010 302	285 487
405	Milkfats; dairy products eaten spread	35 821 435	13 956 960
406	Cheese and curd	27 705 919	6 230 664
2105	Ice cream and other edible ices	954 327	148 272



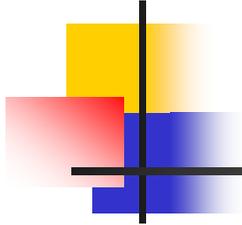
- In 2009, the most exported dairy products in our country were cheese and cord followed by ice-cream and other edible ices.
- In 2009, the most imported dairy product in our country was milk powder followed by milkfats and dairy products eaten spread.



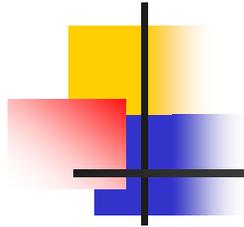
Developments in the World

- Increase of the level of welfare as well as the capital importance of milk and dairy products in nutrition,
- Improvement of the transportation and logistic services,
- The investments of multi-national companies in the dairy sector,
- Growing demand of developing countries such as China and India for the dairy products, and
- In this context, the destocking efforts of leading producing countries

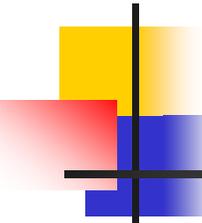
are the main points that sped up the milk and dairy product trade in the World.



- The feed prices have recently increased in the World as well as our country.
- The milk supply has begun to increase again in the major milk producing countries of the World in the 3rd quarter of 2010.
- The increase in supply and the limited domestic demand have caused the increase of export in the Northern Hemisphere.
- The increase in supply and the decrease in demand have resulted in decline of prices.
- It is expected that the supply will also be high in the season in the Southern Hemisphere.

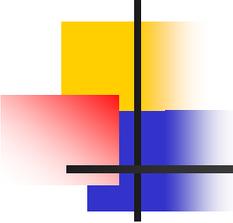


- Whilst the export surplus is expected to increase again, it is expected that the trade volume will increase in the fourth quarter of 2010.
- It is expected that the prices will change due to the economic growth, production season of New Zealand and purchases of Russian and China.



The milk and dairy products industry in Turkey has many difficulties from the raw material procurement to the marketing.

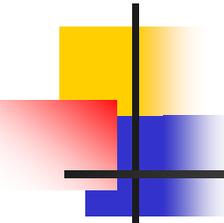
- The modern facilities that try to make production conforming to the EU standards and use the state of the art technologies, and the informal dairy farms that continue to make production by primitive method without complying with the hygiene conditions and severely threaten the human health create a complete contrast.



General Condition of Dairy Sector in our Country

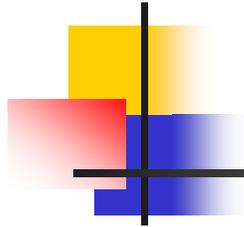
DIFFICULTIES EXPERIENCED IN PRODUCTION

- The animal diseases prevent the development and trade of dairy sector in our country
- The animal production is small-scale, numerous and diffuse
- No economic and quality production can be made since the animal production scale is small
- The milk yield obtained from unit animal is low

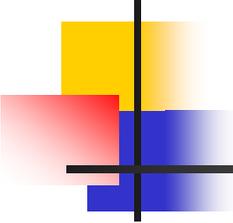


DIFFICULTIES EXPERIENCED IN PROCESSING

- High costs
- Difficulties in quality, healthy and sustained raw material procurement
- Difficulties experienced in cash flow and financing
- Limited foreign trade opportunities

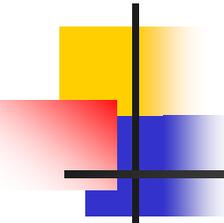


- Government aids according to the amount of milk not to the quality of milk
- Less consumption compared to the other countries



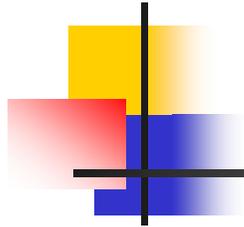
ANIMAL DISEASES

- It is promising that we received the **“Inoculated Free of Foot and Mouth Disease Certificate** for the bovine animals for **Thrace Region** in General Assembly of **OIE** this year. But, the biggest problem of the sector is the still-continuing animal diseases.
- Because of the animal diseases, the dairy and meat products cannot be exported to EU.



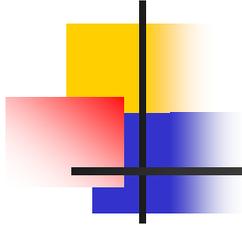
Small-Scale and Diffuse Animal Production

- The fact that the enterprises (farms) are very small-scale and diffuse makes the technology use, bringing of the adequate veterinary and training services, and the production of hygienic and quality raw material difficult, and the supervision almost impossible.

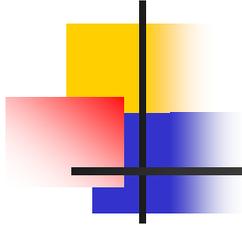


Systematic and reliable records and statistics cannot be recorded. There is significant informality in the sector.

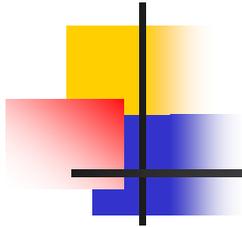
Even at this stage with EU, the biggest rival of the registered and modern enterprises is unfortunately the illicit and unregistered production.



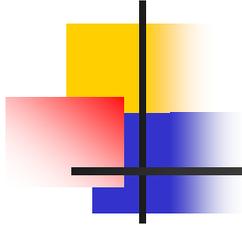
Our export opportunities are also limited due to the small amount of consumption of milk and dairy products in our country and because of both the food safety and high production costs.



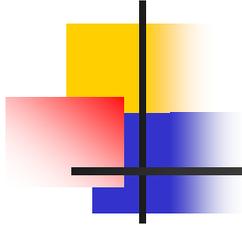
It is needed to carry out serious studies in such subjects as the fighting against the animal diseases, food safety and reduction of costs and implement rational and consistent policies for developing the export opportunities.



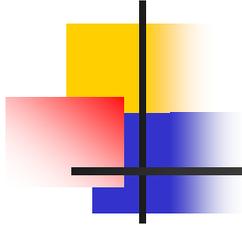
- The fact that the country could not solve the problem of difference between seasonal production amounts brings about price fluctuations and instability in the spring and autumn months every year.
- The fluctuation in the raw milk prices and instability worsen the problems between the stakeholders in the sector and prevent planning in production and pricing of raw materials and products. And this prevents the sector from making necessary investments and progress, and substantially increases the relevant costs.



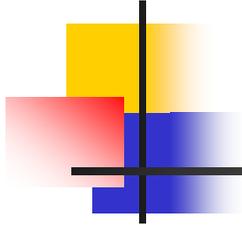
- It is necessary to ensure the procurement of quality and reliable raw materials and establish an intensive system that will promote the quality in order to increase the production and consumption in the sector.
- It is necessary to be more efficient in the fight against the informality, pay attention to the registered informality, and increase the inspections.



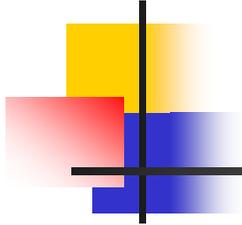
- It must be aimed and supported to make the enterprise scales reach the optimum enterprise scales to be determined, to establish the enterprises that can make healthy and quality production in both farm and industrial scale or to improve the existing enterprise structure in this direction.



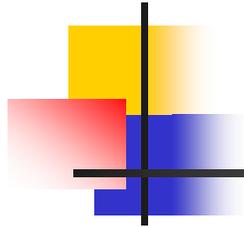
It will be useful to establish an intervention agency in our country as in EU in order to prevent the price fluctuations in the sector and ensure the market stability.



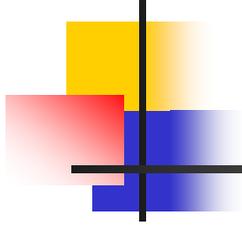
- It must be targeted to establish a system in which the milk tenders made quarterly will be made semi annually in the first phase and then annually in order to ensure the production-price stability which is one of the biggest problems in the sector.
- It is seen that the tenders made quarterly considering the production periods and due to the tendency of inflation to increase do not reflect the current market conditions.



- It will be useful to form a bid price considering the regional price differences instead of considering only the centers in the Western Anatolia.
- In this sense, it is considered that Konya, an important production center, should also be taken into account in the determination of the raw milk price in addition to the existing regions.



- Besides, it is considered that the milk incentives are required to be seasonally differentiated for preventing the seasonal production differences, and the quality products should be promoted at higher rates.



Thank you for your interest

MURAT YÖRÜK

Vice Chairman of SETBİR