

Neo-Liberal Transformation of Turkish Agriculture

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This paper analyses the relationship between the internationalization of agriculture under the hegemony of transnational corporations and the transformation of Turkish agriculture by specifically looking at the implementation of neo-liberal policies in rural areas. It contends that neo-liberalism in Turkish agriculture since the 1980s represents the abandonment of the nationalist project that underlined state policies in industry and agriculture between 1930 and the late 1970s. Neo-liberal policies implemented since 1980 have consolidated the stronghold of transnational agribusiness companies in Turkish agriculture. In cooperation with the World Bank, the EU and the WTO, the Turkish state has been preparing the necessary conditions for transnational agribusiness firms to control Turkish agriculture. Since 1999, the Turkish state has introduced fundamental institutional changes to ensure the smooth internationalization of Turkish agriculture, which has inevitably led to the impoverishment of the rural masses and to the abandonment of agriculture by small- and medium-sized households.

Keywords: internationalization of agriculture, neo-liberalism, Turkish agriculture

INTERNATIONALIZATION OF AGRICULTURE

This work analyses the nature of agrarian transformation in Turkey since 1980. It contends that the changes engineered since 1980 and particularly since 1999 are ill thought out and do not reflect any serious thinking about the long-term consequences on the economy and society. The haphazardly-taken decisions in the 1980s to speed up Turkey's integration into the global economy are diametrically opposed to the developmentalist policies that characterized the period between 1950 and 1980. It will be argued that the liberalization policies since the 1980s have unleashed a process of de-agrarianization that has far-reaching consequences and serious implications for Turkish political, economic and social stability. The step-by-step policies introduced since the 1980s in close cooperation with the IMF, the World Bank, the WTO and the EU, aim to internationalize Turkish agriculture under the strict control of transnational agribusiness companies and their domestic partners or collaborators. The argument will unfold in two stages. Firstly, it will concentrate on the question of how and why developmentalist policies character-

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ized the 1950–1980 period. Secondly, it will look at how and why the necessity to restructure Turkish agriculture emerged in relation to the dominance of US-controlled transnational agribusiness firms, and what this has meant for the rural masses in Turkey.

The Turkish state acted as the guardian or manager of national development between 1950 and 1980. Direct or indirect involvement of the state in productive and distributional relations ensured the capitalization, commercialization and commoditization of agriculture. Despite its varying intensity of involvement, the state played a central role in policy design and implementation in agricultural and rural development during this period. Through a variety of policies and programmes, including the provision of inputs, credits and extension services, promotion of modern farming technologies, introduction of new crop varieties, supporting the establishment of agricultural associations and cooperatives, establishment of state farms, parastatal marketing and distribution agencies, the state aimed to extend and intensify commodity production. These instruments of vertical integration enabled the state to have a strong grip on agricultural and rural development organizations, through state and parastatal institutions like producer and marketing cooperatives and the Agricultural Bank. The historico-conjunctural interests of the international donor agencies and transnational agribusiness firms led them to help the Turkish state in its endeavour to follow a developmentalist policy that emphasized the promotion of balanced agricultural and industrial modernization processes. The World Bank in particular provided significant financial help for the modernization, capitalization and export orientation of Turkish agriculture. The specific modality of Turkey's integration into the capitalist world economy necessitated the creation of modern farming techniques, using new technologies such as those supported by the Green Revolution, improvements in physical, economic and social infrastructure (roads, bridges, dams, irrigation systems, schools, health clinics, electricity, etc.).

While quite happy to support such developmentalist policies in the 1960s and 1970s, since 1980 the international financial institutions (IFIs) and donor agencies have been forcing Turkey to liberalize its entire economy and society. This shift from developmentalist policies to the liberalization of agriculture in Turkey since 1980 has to be seen in conjunction with the internationalization of agriculture and the dominant role played by transnational corporations (TNCs). The gradual restructuring of the Turkish agrarian sector has picked up tremendous speed since 1998 and this in turn has led to de-agrarianization and unprecedented levels of impoverishment in rural areas; the new global food order controlled by US-dominated transnational agribusiness firms has played a vital role in this. Consequently, it seems necessary to outline how and why the internationalization of agriculture has emerged and how it has dominated the agriculture of developing countries.

Since the Second World War, the transnational accumulation process controlled by US corporations has undercut the independent capacities of states to regulate domestic production and trade. The ability of US transnational agro-food companies to develop new crops to substitute tropical products with temperate or synthetic products has undermined the ability of developing countries to establish balanced and articulated national economies. Thanks to technological improvements in agriculture, US agribusiness companies managed to control the chains of inputs necessary for specialized agriculture. Rapid industrialization and intensification of

agriculture in advanced capitalist countries made food processing a dominant feature of the new food regime. The increasing dependence of accumulation of agro-capital on the new agro-food chains has necessitated the shift 'in agricultural products from final use to industrial inputs for manufacturing foods' (Friedmann and McMichael 1989, 105). Struggling with debt-related economic and financial problems, nation states in the developing world have found it impossible not to accept the so-called new opportunities offered by the transnational agro-food corporations. This has meant the restructuring of the agricultural sector and an increase in its dependence on the TNCs for inputs, manufacturing and distribution networks. With these processes, 'agriculture became incorporated within accumulation itself, and states and national economies became increasingly subordinate to capital' (Friedmann and McMichael 1989, 95). Vicissitudes of the new international division of labour in agriculture necessitated inter-sectoral integration at an international level and developing countries have yielded to the demands of transnational companies and consequently changed their policies accordingly. Newly introduced agricultural policies differed significantly from the state policies of the 1960s, when the state promoted capitalist agriculture that used inputs produced by international capital. In the 1960s and 1970s, capitalized agriculture concentrated on the production of traditional crops for internal and external markets (Friedland 1994; Friedmann 1982, 1993). 'Export-substitution' policy imposed on developing countries since the 1970s has been the most suitable policy to meet the demands of international capital. However, for developing countries this has signalled the beginning of a rapid process of loss of control over the composition of their agriculture. The TNCs saw the development of export capacity in grain in developing countries as a threat to US supremacy in world grain markets. With the help of strong support from the IMF, the World Bank and the WTO, developing countries have been forced to restructure their agricultural production to prioritize the production of high-value cash crops. The promotion of agro-export production has meant the replacement of traditional primary commodity production and exports (McMichael and Myhre 1991, 94).

The pace of the replacement of traditional crops with agro-food production varies in developing countries. In some places, the promotion of agro-export or agro-industry has complemented the traditional crops, while in others it has replaced them rapidly (Raikes and Gibbon 2000; Reynolds 1997; Reynolds et al. 1993). The speed of the replacement process depends on the state's willingness and ability to implement measures to ensure a structural transformation towards a fully market-oriented economy integrated into the global system. For this purpose, rapid institutional changes are introduced and implemented, and obstacles for the operations of transnational agribusiness companies are removed. The new agro-industry becomes involved in the production and export of standardized goods for high-value markets.

In a concerted effort, international organizations and TNCs speed up the transformation of agriculture in developing countries in order to ensure that they move away from food production and towards the production of luxury cash crops, high-value food and animal feed under their domination. The development aid agendas of the major international finance institutions are designed to push the agricultural sector in the developing world into partnership with TNCs. However,

the shift to the production of new crops fails to produce sufficient export capacity to match the increasing agricultural imports, in turn leading to huge trade deficits.

Export-oriented restructuring in agriculture establishes dominance of TNCs and forces the governments of developing countries to phase out or eliminate all impediments to free trade. The governments of developing countries are easily persuaded to design policies to ensure a shift from essentially low-value basic foodstuffs to the production of high-value crops (Jaffe 1994). Continuing with a national food security programme emphasizing the reinvigoration of small-scale peasant agriculture does not constitute a part of the policy agenda of developing country governments, who now comply with 'the new politics of global capital accumulation' (McMichael and Myhre 1991, 100).

Cheap labour is vital for the alternative crops that developing countries are forced to switch to. The production of high-value foods (HVF) or crops used as industrial inputs is mainly organized through contract farming. In the new food regime, one of the functions of international capital is to organize the production and distribution of low-cost crops for niche markets by linking farm-level production to international trade (Watts and Goodman 1997). Yet international capital is quite reluctant to invest in high-value agriculture in countries where the necessary restructuring for the operation of the free market has not been carried out. Its selective investment goes to the countries where state policies under the directives of the IMF, the World Bank and the World Trade Organization gradually eliminate traditional agriculture, and establish the prominence of free marketism in production, trade and distribution. This is exactly what has been happening in Turkish agriculture since the introduction of the Structural Adjustment Policies (SAPs) in the 1980s. As will be seen, the liberalization policies have gradually eroded the viability of family farming specialising in traditional crops such as cereals, tobacco and sugar beet. Particularly since 1998, the marginalized and desperate farmers have been forced to move into the production of HVFs or inputs for agricultural industry. While through deregulation and structural adjustment policies agriculture is being starved of investment and family farms are being pushed to the brink of extinction, the production of HVFs or industrial inputs is presented as an alternative livelihood. The promulgation of the 2001 Tobacco Law, the 2001 Sugar Law, the 2006 Agrarian Law and the 2006 Seeds Law are the final nails in the coffin to force impoverished farmers to enter into contract farming with agribusiness firms to produce the crops desired by them. In order to substantiate the argument that international capital prefers to go places or sectors where the necessary restructuring has already been carried out, a case study of the operations of the US agribusiness giant, Cargill, in Turkey will be presented. The poverty-generating restructuring process is diametrically opposed to the developmentalist policies of the 1950–1980 period, which emphasized the modernization of the small-scale family farm. It is time now to look at the dynamics that have led to the rise and fall of small-scale agriculture in Turkey.

DEVELOPMENTALISM, THE FAMILY FARM AND THE MODERNIZATION OF TURKISH AGRICULTURE

The 1980s denoted the gradual death of developmentalist policies in Turkey. One of the main premises of developmentalism was the belief in the complementarity of

agricultural and industrial development. This had meant the pursuit of import substitution policies in both agriculture and industry, with the help of foreign aid. Import substitution policies required an integrated national economy in which agriculture was to be a source of demand for domestic industry. The attempts to increase the productivity of small farmers not only fitted well with the needs of import-substituting industries for large internal markets, but also led to the formation of an alliance between the urban elite and the broad masses of owner-occupier small- and medium-sized rural producers who relied mainly on family labour (Aydın 1986; Keyder 1983; Sirman-Eralp 1988). The slow capitalization process of agriculture since the establishment of the Republic in 1923 gained a particular momentum in the 1950s, when Marshall Aid enabled the state to mechanize agricultural production, which in turn led to the increased use of chemicals, improved input and the expansion of cultivated areas. Marshall Aid contributed to the intensification of state support, already in place since the 1930s, for agriculture which involved government credit, input provisioning and guaranteed state purchasing of main crops. The multifaceted aims of agricultural policies in the planned period between 1960 and 1980 were also welcomed by the World Bank and other international organizations, which were interested in expanding the market for the transnational agribusiness firms who dominated the production and distribution of agricultural technology including new seeds varieties and chemical inputs. The most common policy instruments to ensure increased productivity, price stability, increased exports, prevention of inflation, quality enhancement and competitiveness included support buying at floor prices declared by the state, input subsidies and subsidized credits (Oral 2006; TZOB 2006; Aydın 2005; TÜSIAD 1999; Işıklı and Abay 1993).

However, it must be emphasized that the existence of regulated and intense state support in agriculture did not have a uniform impact across the countryside during the developmentalist period. Moreover, the state did not have a coherent support system that could have had a similar impact on different categories of farmers throughout the period. In the 1930s, in an attempt to increase agricultural production, policies were designed to open up new areas for cultivation; this was done in preference to investments in agricultural technology, which would have had a labour displacement impact on agriculture (Tekeli and Ilkin 1998). The preference for extensive rather than intensive agriculture during the Second World War meant that small family farms had to carry the burden of feeding the population. Compulsory crop procurement by the state had a differential impact on big and small farmers. Big farmers were able to hold on to some of their crops and sell them in the market at speculative prices generated by shortages, whereas small farmers had to surrender all of their crops to meet the quotas set by the state. Crop procurement policies during the war years contributed to the process of class differentiation throughout the countryside, with some small farmers being forced to sell their land in order to survive (Pamuk 1988). The state's attempt to introduce land reform in the late 1940s and early 1950s in an effort to improve access to land resources ended up with limited distribution of public and marginal lands to the landless and small farmers rather than distribution of the lands of powerful landlords, who were themselves actually part of the state system. The inefficient state provision of cheap credits, inputs and machinery to the reform sector ended with the sale of some of the

reform lands by the recipients. As no more new land was available for reclamation, the 1960s witnessed the replacement of extensive farming with intensive farming policies promoted by the state as an attempt to ensure increased agricultural production. In order to ensure resource transfers from agriculture to industry, to feed the burgeoning urban centres and to increase foreign currency earnings, capital intensive agriculture became the state priority. The five-year development plans between 1963 and the 1980s emphasized the modernization and capitalization of agriculture. Policy instruments for this included the provision of modern farm machinery, modern chemicals, artificial fertilizers, improved seeds, cheap credit and subsidies for both inputs and crops (Kip 1988). However, given the unequal distribution of agricultural resources, subsidies given to farmers to a certain extent only served to widen the inequalities in the countryside.

It must be highlighted that, while mechanization and modernization of agriculture made some contributions to the overall economic growth between the 1950s and 1980s, the results were not only less successful than expected, but also signalled the dissolution of the traditional relations of production in the countryside (Kanbolat 1963; Yalman 1971; Keyder 1983; Aydın 1986; Aruoba 1988; Köymen 1998; Akşit 1998). Mechanization and favourable credit facilities encouraged the traditional absentee landlords to return to the countryside and evict their tenants and sharecroppers (Yalman 1971; Aydın 1986; Akçay 1998). This in turn speeded up the processes of proletarianization in the countryside and the migration from rural to urban areas. Although developmental policies between 1950 and 1980 unleashed a rapid modernization of agriculture based mainly on small-scale producers, there were definitely winners and losers in the countryside and the state was the most important actor in the specific mode of transformation of Turkish agriculture.

Throughout the 1960s and 1970s, the World Bank was supportive of active state involvement in the policies of the Green Revolution, integrated area development programmes and the provision of inputs and credit schemes. These policies not only speeded up the modernization and capitalization of agriculture, but also invigorated the internal market for producer and consumer goods, and generated opportunities for wage labour, both in urban and rural areas. The World Bank was highly influential in the decision to give priority to small-scale agriculture and to enhance the market orientation of family farms, as it actively supported development schemes designed for small-scale family farms (Aydın 1993). Significant production increases until the 1980s enabled the state to both follow populist policies to ensure the support of the peasantry and to transfer resources from agriculture to other sectors of the economy. The countryside made significant welfare gains from state subsidies and the provision of infrastructure, education and health services between 1950 and 1980 (Aydın 2002; TÜSIAD 1999; Köymen 1998; Akşit 1993; Boratav 1988). However, despite the general improvements in the standards of living in the countryside, the economy as a whole showed significant structural weaknesses throughout the 1970s. The bottlenecks of the ISI, increasing balance of payments problems and consequently debt issues were some of the significant problems that created huge social and political tension in the country. The economic and political crises in the late 1970s provided the IFIs with justifications to pressurize the country into implementing liberalization policies.

Obviously the abandonment of the state interventionist development policies and their replacement with a neo-liberal market economy was a mammoth task, not achievable overnight. Although the need for structural adjustment has surfaced periodically since the Second World War, none of the measures taken prior to 1980 was comprehensive enough to be considered a new strategy. Nevertheless, they contributed to the ripening of conditions suitable for fundamental changes in the future. The scope and nature of the changes introduced in the January 1980 package were so fundamental and comprehensive that the World Bank dubbed them a new development strategy rather than just a standard stabilization package (World Bank 1988; Krueger and Turan 1993). Industry and finance were the first sectors to go through a gradual but major restructuring. During the two decades since 1980, developmentalist policies in agriculture have slowly been watered down to prepare the groundwork for the major policy shift to neo-liberal marketism. The first serious attempt came in the aftermath of the 1994 economic crisis, to which we will return in the next section when discussing the significance of the decisions made on 5 April 1994, in relation to the agricultural sector.

NEW INTERNATIONAL DIVISION OF LABOUR AND THE RESTRUCTURING OF TURKISH AGRICULTURE

The imposition of structural adjustment policies (SAPs) in the 1980s exacerbated the difficulties faced by the agricultural sector, which was already feeling the negative impacts of the crippling economic, political and social problems of the late 1970s and early 1980s. The inability of the state to resist economic and political conditionalities was due to the debt trap and the oil crisis of the 1970s. The consequent gradual withdrawal of the state from the economic sphere meant the beginning of the elimination of subsidies to agriculture and the gradual reduction of public investment in the agricultural sector.

It is necessary to reiterate that the adoption of neo-liberal policies in Turkish agriculture needs to be considered in conjunction with the emergence of the new international division of labour in agriculture and the control exercised over the new food regime by transnational agribusiness companies. In the post-war period, transnational agribusiness companies were mainly interested in expanding the market for agricultural inputs. This necessitated the dissolution of pre-capitalist forms of production in developing countries. In cooperation with international aid agencies, they supported small-scale agricultural production and import substitution policies until the 1970s. The needs and priorities of transnational agribusiness companies took a new form with developments in agricultural technology that enabled them to control world food chains. It was no longer sufficient to support capitalization of agriculture in developing countries. This required fundamental structural changes in agriculture in developing countries so that they could provide suitable conditions for the activities of the agribusiness TNCs. In the new global food order since the 1970s, concerted efforts of international organizations such as the IMF, the World Bank and the World Trade Organization, powerful states or groups of states like the US, Canada and the EU, have been forcing developing countries to implement neo-liberal policies to restructure their agriculture.

The new food regime controlled by the agribusiness TNCs sees the existing farming practices in developing countries as impediments to the restructuring of agriculture. State intervention in agriculture, mainly in the form of subsidies to farmers, is presented as the main culprit and its abolition is strongly advised to governments. While neo-liberal policies are justified on efficiency grounds, in fact what is advocated is to undermine the economic basis of traditional crops and to prepare the necessary conditions for the production of high-value agricultural commodities demanded by transnational companies. Only impoverished and helpless farmers could be persuaded to go into contract farming with international capital to produce crops demanded by agro-capital. This is exactly what the neo-liberal policies have been trying to do in the Turkish countryside. The process is still in its infancy and the expectation is that the impoverished traditional crop-producing farmers will involuntarily accept the dominant role of international agro-capital to introduce new mechanisms of coordination and control of production in its efforts to ensure product standardization and just-in-time production. Policies imposed on Turkey to abolish the support to farmers in order to open up possibilities for international agro-capital to penetrate into the areas previously engaged in traditional crop production seem to be working slowly but surely, as increasing numbers of farmers have been producing commodities under contract farming. The integration of farmers into international commodity chains in Turkey has been a slow process that gained a particular impetus in 1980 with the introduction of neo-liberal policies. The first and foremost aim of the new policy has been to leave the protectionist, state-guided import-substitution industrialization (ISI) model and replace it with measures that emphasize the free play of market forces. Since 1980, the implementation of neo-liberal policies in agriculture has been far from smooth. For political expediency, many governments have oscillated between economic efficiency and political legitimacy. While loyalty to free marketism necessitated the retraction of the state in the countryside, the exigencies of multi-party politics forced political parties to give concessions to a large number of agricultural producers in order to maintain legitimacy. In the 1980s, governments often had a tense relationship with the IMF and the World Bank over subsidies and on occasions the World Bank withheld credits to the governments. Despite the displeasures of the IMF and the World Bank, the governments interfered in price formation and re-introduced subsidies and support prices for some agricultural crops on and off throughout the 1980s and 1990s. The strength of the reaction of the masses to belt-tightening anti-welfare policies was a decisive factor in the decision of the state about how forcefully to continue with liberalization policies or how many concessions to make to farmers in order to obtain their support. For instance, the policies that had suppressed wages and put limitations on subsidies in agriculture since 1980 came to a halt in 1989, in the face of increasing discontent among the working class, as well as the imminent elections. The government gave in and implemented populist policies, according to which wage suppression came to an end and support prices for some agricultural goods were increased fairly rapidly.

Political expediency prevents governments, who aim to avoid a crisis of legitimacy, from taking drastic measures on subsidies. Most particularly in the years prior to elections, no government dares to incur the wrath of agricultural producers by introducing sudden and sharp cuts in subsidies, wages and services. However,

producers in rural areas in Turkey are not organized enough to be effective voices in policy making. There are no political parties that exclusively advocate the cause of farmers. Furthermore, civil society organizations like rural cooperatives and farmers associations are fairly weak when it comes to influencing policies.

There has been sporadic action by rural producers, and governments have taken this into consideration when it has suited them, i.e. by implementing populist policies prior to elections. However, the governments' responsiveness to popular demands has gradually declined, strongly related to the IMF and the World Bank's conditionalities. Having almost completed their mission of liberalising the trade and finance sectors in Turkey, the Bretton Woods institutions have been thinking since 2000 that the time is ripe to completely transform the state–countryside relationship through the replacement of the 'price support system' with a 'direct payment to farmers system', through the withdrawal of state help to agricultural sales co-operatives and their unions, and through the promulgation of the Soil Products Office (TMO). Since the decision of 5 April 1994, there has been a gradual decline in subsidies to the agricultural sector. And with the 2000 agreement signed with the IMF, it was envisaged that all subsidies in agriculture in their current form would come to an end. The impoverishing impact of the gradual liberalization of agriculture was one of the factors behind the results of the 2002 elections, in which none of the coalition partners in power prior to the elections managed to enter parliament and an untried newly established party, the Justice and Development Party, had a landslide victory.

Neo-liberal Policies in the Aftermath of the 1994 Financial Crisis

Following the 1994 financial crisis, the state attempted to introduce a comprehensive and systematic restructuring programme in agriculture. What was the nature of the 1994 crisis that led the government to follow such a comprehensive restructuring in the economy in general and in agriculture in particular?

The abandonment of Keynesian policies in favour of neo-liberal policies from the 1980s onwards has meant the end of the 'social state' in Turkey, thus starving the state of public income and forcing it to resort to extensive internal and external borrowing. While short-term foreign capital inflows provided timely financial resources for the state and stimulated private consumption demand in the short run, the new mode of accumulation based on financial activities was not sustainable. With little tax-generated income, the state relied heavily on the financial markets for public financing, to such an extent that more than half of the consolidated budget expenditures had to be allocated to debt servicing (Aydin 2005; Yeldan 2001). The full capital account liberalization in 1989 contributed significantly to the fragility of the economy, and the mini boom-and-bust cycles ended in 1994, when the state could no longer retain its high interest rates and over-valued currency policy in order to finance public expenditure and economic growth. The so-called 'financial revolution', intended to ensure savings and investments, instead led to speculative foreign capital flows, encouraged by high real interest rates, causing havoc in the domestic asset markets, which culminated in the collapse of the financial system and the emergence of a severe economic crisis in 1994. A combination of populist high-wage policies, the contraction of investments in the

productive sector, the rise of a 'rentier' type of accumulation fired by the speculative capital movement, and economic growth based on short-term borrowing, generated suitable conditions for the 1994 financial crisis. As Turkey's credit rating was reduced by the two major credit rating institutions, Standard & Poor's and Moody's, as a consequence of the huge balance of payments problems by the end of 1993, large sums of short-term capital left the country in 1994, further exacerbating the balance of payments crisis. The 5 April 1994 decision was a major stabilization programme introduced to remedy the ills of the 1994 financial crisis. It included a series of measures to reduce the rate of inflation and that growth of public expenditure, to increase exports and to ensure currency stability. The most significant aspect of the 5 April decision was the attempt to restructure the agricultural support system in line with the demands of the IFIs.

The 5 April decision aimed to restrict guaranteed procurement of crops to only cereals, sugar beet and tobacco, and to limit the power of the Union of Agricultural Sales Cooperatives (UASCs) in the procurement of crops like hazelnuts, sunflowers and cotton. The drop in the number of crops receiving support prices from 30 in the 1970s to 24 in 1980, and to even fewer between 1980 and 1988, delivered a severe blow to agriculture in terms of incomes (Boratav 1988, 135). The implementation of the 5 April programmes in agriculture under the guidance of the IMF was not very smooth due to political expediency, electoral concerns and change of governments. Consequently, during the 1990s, on the whole the agricultural sector recovered some of the unprecedented losses it made during the 1980s. However, the 1990s represented a period in which the state bureaucracy prepared the necessary legal ground and institutional justification for a comprehensive restructuring of agrarian relations in line with the wishes of the IMF and the World Bank. The 1994 fiscal crisis gave an opportunity to the state to try out some liberalization policies to find out the reaction of rural producers, who constituted 45 per cent of the labour force. The reactions of rural producers and UASCs was not strong enough to challenge the attempts of the State Treasury and the State Planning Organization, as outlined in the Seventh Five-Year Development Plan (1996–2000), to take significant steps to transform the agricultural sector in line with the demands of the IMF and the World Bank and with the requirements of harmonization with the EU's agricultural policies. The EU continuously encourages Turkey to follow the IMF and World Bank programmes by privatising state and parastatal organizations, eliminating import duties and trade restrictions and all forms of state subsidies to agriculture. This is considered to be an absolute necessity to avoid 'shock effects at accession' (Commission of the European Communities 2004, 36). It is clear that a complete restructuring and liberalization of Turkish agriculture is expected in the pre-accession period.

Agriculture stands to be one of the most problematic areas in Turkey's preparation for EU accession. The streamlining of its farming practices in preparation for EU entry looks set to be a very difficult and costly task for Turkey. There are immense structural differences between the agricultural sectors of the EU and Turkey. The substantial difference between the CAP and the Turkish agricultural policies will require Turkey to take significant measures to align its agricultural policies with the Community *acquis*.

Harmonising Turkish agricultural policies with the CAP has been on the agenda since the signing of the 1970 Additional Protocol to Ankara Agreement. Five-year

development plans have not gone beyond paying lip service to the necessity of streamlining Turkish agricultural policies in accordance with the CAP. Some unsystematic attempts were made in the aftermath of the Customs Union agreement in 1996, but the first real attempt with concrete aims and a timetable appeared in the Accession Partnership Document in 2000. This document specified short-term and mid-term objectives for the transformation of Turkish agriculture. The short-term objectives envisage the development of 'a functioning land register, animal identification systems, plant passport systems and the improvement of administrative structures in order to monitor the agricultural markets and implant environmental, structural and rural development measures' (European Council 2001, L85/17).

The short-term priorities that are listed in the Accession Partnership Document also include the establishment of inspection and control mechanisms on veterinary and plant health issues and the improvement in enforcement capacity of laboratory testing, inspection arrangements and establishments. The main objective of the short-term priorities specified in the Accession Partnership Document is both to harmonize Turkish agricultural policies with the CAP and to strengthen the inadequate infrastructure in the agricultural sector.

Mid-term agricultural priorities specified in the document are to 'complete preparations for the *acquis* in agriculture and rural development policies and to modernize food-processing (meat, dairy processing plants) so as to meet EU hygiene and public health standards and the further establishment of testing and diagnostic facilities' (European Council 2001, L85/20). The relationship between Turkey and the EU is quite uneven. The EU insists that Turkish agriculture and the rules and regulations governing it should be modernized before Turkey is accepted into the EU. The EU's level of modernity has been achieved through huge subsidies over the years and subsidies are still being continued. To force Turkish agriculture to achieve the same level of efficiency without the necessary funds is simply unfeasible.

The policy instruments specified in the Seventh Five-Year Development Plan included intervention in crop prices through stopping state guarantees of farm gate prices; elimination of guaranteed crop procurements by the state and parastatal organizations; the gradual phasing out of input subsidies and replacing them with a direct income support scheme to farmers; limiting the planting of some crops of which there was over-capacity; and encouraging the introduction of new crops for which there was international and domestic demand (DPT 1996, 57–60). During the Seventh Plan a number of publicly-owned agricultural industries including the Milk Industry Association (Türkiye Süt Endüstrisi Kurumu), Meat and Fish Association (Et Balık Kurumu) and Fodder Industry were privatized without proper consideration of the implications for producers in terms of production, organization and distribution. It is interesting to note that switching from the traditional crop varieties to alternative crops became an official state policy in the SFYDP. These intentions were reiterated in four letters of intent given to the IMF from 9 December 1999 onwards. With the letters of intent, a direct attack on agriculture started.

The IMF, the World Bank and Turkish Agriculture

The fact that the agricultural sector was not subject to full liberalization prior to the December 1999 letter of intent can be explained by the inability of the state to

liberalize the economy on all fronts at once. Liberalization was carried out in stages and the international trade and capital accounts were given priority. Following the completion of their liberalization, by 1999 efforts became concentrated on a comprehensive restructuring of agriculture. A series of letters of intent submitted to the IMF since 1999 has laid down medium- and long-term policy objectives for transforming the agrarian structures. The far-reaching reforms promised in four consecutive letters of intent since 1999 were incorporated into the much-debated '2001 Economic Reform Program' (ERP). The elimination of all existing support policies and their replacement with a direct income support system, dissolution of parastatal procurement agencies, and the privatization of all state enterprises in agriculture were some of the policies emphasized both in the four letters of intent and in the ERP (Hazine 2000a, xiv; 2000b, 52). The comprehensive reforms that aimed to break away from past policies once and for all in the longer term was rewarded by the World Bank, which signed the Economic Reform Loan (ERL) agreement with Turkey in 2000 and gave US\$760 million for the implementation of the pledges made in the 1999 standby agreement. In 2001, in conjunction with the Agricultural Reform Implementation Project (ARIP), the World Bank gave US\$600 million to Turkey for authorising the Bank to monitor the extent of the implementation of the pledges made by the ERL agreement during the period 2001–2005. Both the ERL and the ARIP envisaged a number of structural changes in the administration of public finance, social security, telecommunications, energy and agriculture. In agriculture, the most significant policies included complete reorganization of the administrative structures, complete elimination of state intervention in agriculture, and, in the long run, the speeding up of the privatization of agricultural institutions such as TZDK, Çay-Kur, TEKEL (state monopoly of cigarettes and beverages) and Şeker Fabrikaları (sugar factories), and the reformulation of the cooperatives law according to the directives of the World Bank. The privatization of state economic enterprises in agriculture has taken place in order of priorities set by the 1985 Privatization Master Plan prepared under the auspices of the World Bank and put into effect by Law Number 3291 in 1986. The ARIP simply speeded up the privatization of a large number of agricultural state economic enterprises that operated in the fields of input production and distribution, animal husbandry, meat, fish and poultry production and distribution and agricultural marketing. They include such household names as Et Balık Kurumu, SEK, YEMSAN, TZDK, Türkiye Gübre AŞ, Türkiye Şeker Fabrikaları Anonim Şirketi, TEKEL, Çay İşletmeleri and Tarım Satış Kooperatifleri Birlikleri.

The ARIP allowed the World Bank to have direct intervention in the agricultural support system, hazelnut and tobacco production. The ARIP oversaw the abolishment of tobacco support purchases from the 2002/3 production year onwards, the privatization of TEKEL selling all its assets from 2001 onwards, and the provision of support for the adoption of alternative crops. The so-called new support model consisted of Direct Income Support for the farmers for five years and Alternative Crops Project Support for one year to help with the cost of inputs, care and harvest of the newly adopted crops. The project aimed to ensure a shift from the production of over-supplied hazelnuts and tobacco to under-supplied new crop varieties. From the Alternative Crops Project's total budget of US\$161.6 million, US\$146 million was allocated for the reduction of the areas under hazelnut

production and US\$15.6 million for the reduction of tobacco production. The justification for the reduction of tobacco production was based on production figures provided by the State Treasury for 1998 and 1999, when more was produced than the state monopoly, TEKEL, could buy. However, according to the data produced by the State Institute for Statistics and TEKEL, total tobacco production stood at 144,000 tons in 2001 and 153,000 tons in 2002. These figures were well below the annual domestic demand of 180,000 tons announced by the State Treasury itself (www.treasury.gov.tr). The main purpose of reducing tobacco production, then, was to open the Turkish market to international tobacco companies.

The EU, the WTO and the Liberalization of Turkish Agriculture

It is interesting to note that the demands made by the IMF, the World Bank, the WTO and the EU on Turkish agriculture show remarkable similarities and complementarities. The requirements of Turkey's accession to the EU, the regulations of GATT and the WTO, and the conditionalities imposed by the IMF and the World Bank have worked together to force the country to restructure its agriculture. Consequently, it is not surprising that the signing of a Customs Union agreement with the EU in January 1996 has accelerated the process of the restructuring of Turkish agriculture. The EU's insistence that Turkey should introduce the necessary institutional and structural policies to streamline Turkish agriculture so as to be compatible with the EU's Common Agricultural Policy is in harmony with the GATT Uruguay Round agreements, which require measures to liberalize agricultural trade and gradually to eliminate production subsidies and reduce export subsidies. The WTO, which replaced the GATT in 1994, has continued from where the GATT left off as far as the persistent efforts to further integrate Third World agriculture into the global system are concerned. The stipulations of the Agreement on Agriculture (AoA), in force since 1995, apply to Turkey, who is a member of the WTO. The main concern of the AoA is to liberalize international trade in agricultural commodities and the removal of protectionist policies is a *sine qua non* of this. The main policy instruments to be followed within a specified time period by developing countries include the liquidation of incentives and subsidies for agricultural exports and the elimination of domestic support for agriculture.

To combat its recent fiscal and monetary crises and meet the entry requirements of the EU, Turkey has accepted that it must sacrifice its agriculture in order to receive additional financial resources. The standby negotiations since 1999 have marked the final stage of Turkey's submission to external pressures to liberalize its agricultural production and trade. The introduction of a comprehensive economic programme in 2000 was a combined result of attempts to meet the EU accession requirements and to convince the IFIs about the country's commitment to liberalization in order to secure further loans. Consequently, a large number of new laws have been passed quickly by parliament in order to establish the legal framework within which the restructuring of the economy will take place. Measures were also taken fairly quickly to establish an institutional framework for the reforms. The following section will outline some of the most significant legal and institutional changes introduced since 2000 to ensure the surrender of the state to international demands and the subordination of Turkish agriculture to transnational agribusiness firms.

DEFUNCTIONALIZATION OF THE UNIONS OF AGRICULTURAL SALES COOPERATIVES (UASCs)

Law number 2834 of 1935 provided the basis for the establishment of agricultural sales cooperatives with the aim of helping members by facilitating the marketing of their crops, ensuring fair prices, processing and marketing their produce, ensuring crop standardization to increase exports, provision of cheap agricultural tools, machinery and inputs. The relatively democratic and participatory structures of the UASCs were transformed by decree number 138 of 1984, law number 3186 of 1985, law number 3710 of 1991 and law number of 3947 (Oral 2006, 266–7). With the changes to the original 1935 law, the UASCs lost their independence to the state and became parastatal organizations controlled by various ministries. Despite the loss of their independence, the UASCs still played a very significant role for rural development and for millions of its members. This is not to say that UASCs were perfectly functioning organizations. As parastatal institutions, they mediated between the state and farmers in the provision of modern inputs and credits, procurement, pricing and marketing. Their existence was a source of security for millions of otherwise non-organized farmers, some of whom might have gone out of business without the subsidies received via UASCs. On the other hand, the manipulation of the UASCs by governments, so as to appear to be on the side of the farmers, often led them to face ‘duty losses’. The financial difficulties that consequently emerged have been used as a proof of their non-viability by the IFIs, who have insisted on their restructuring in line with the free market principles.

In accordance with the promises made in various letters of intent to the IMF in 2000, a ‘Restructuring Board’ was established to oversee the streamlining of the UASCs and rationalize the ‘irrational and burdensome price and support policies which only benefited rich farmers’ (Letter of intent 2, Hazine 2000a). When judged against the calculations made by Oyan (1997, 1999, 2003), both the claims that agricultural support was a big burden on the treasury and that only rich farmers benefited from agricultural support policies were seen to be without foundation. Oyan (2003) shows that the total agricultural support was only 0.8 per cent of GNP in 1999–2000, and the number of rich farmers with 20 hectares or more land was about 200,000, while there existed 4.2 million agricultural holdings. These two facts make a mockery of the IMF, World Bank and State Treasury’s claims that support funds are a huge burden on the state and that only rich farmers benefit from it. The eradication of support purchases would have meant that the UASCs, which have been the institutional basis of the support system, would have no role to play in agriculture.

The legal impediment for the state to privatize cooperative societies, which had prevented the state from having complete control of the UASCs, was lifted by a special law passed in 2000. From then on, under the direction of a specifically created ‘Restructuring Board’, all processing plants belonging to the UASCs were converted to joint stock companies and expected to run as private enterprises. By granting the UASCs the status of arguably ‘full autonomy’, the state in fact washed its hands of them. The law specifically ensures that the state will no longer support the UASCs in crop procurement from member farmers. With this clever plot of making the UASCs ‘autonomous’, the state has in fact started a process of liqui-

dating them without attracting strong public reactions. The 2000 UASCs law has simply prepared the ground for the privatization of factories and production units belonging to farmers' organizations. Without such income-generating institutions, farmers' organizations cannot survive to maintain their functions of extending credit, providing facilities and help to their members. The law seeks to undermine the principle of cooperation and increase the vulnerability of the 4.5 million farming households, 16 UASCs, 400 cooperatives, and 15,000 wage labourers. The law, prepared under the watchful eyes of the IMF, is adamant that the state will have a free hand to intervene in the organizational and administrative structures of the UASCs whenever it deems it necessary. In the new state of affairs, the UASCs will be strongly controlled by the state through the appointments of state inspectors to the auditing bodies. This will inevitably have far-reaching consequences for millions of farmers who are left to their own devices to compete with their western counterparts in the world market without having comparable state backing. Simply put, the law, passed in conjunction with the IMF's imposition, intends to increase the vulnerability of farmers to the encroachment of the private sector and corporate interests into farming.

THE RESTRUCTURING OF SUGAR AND TOBACCO PRODUCTION AND THE TNCs

Two significant laws concerning sugar beet and tobacco production were passed in 2001 to comply with the wishes of the IMF, the World Bank and agribusiness firms involved in the production and distribution of sugar and cigarettes.

Sugar

A combination of four significant factors have forced Turkey to restructure its sugar regime: immense pressure from the US giant Cargill; four standby agreements with the IMF since 1999; the pledges made to the World Bank in return for fresh loans; and the promises made at the Helsinki Summit to ensure Turkey's candidacy for full membership of the EU. Cargill's influence will be analysed in detail below. The Sugar Law was ratified by parliament on 4 April 2001 and became an integral part of the New Economic Programme announced on 14 April 2001 in the aftermath of the November 2000 and February 2001 financial crises. The main concern of the law has been the privatization of 27 publicly owned sugar factories and the establishment of a Sugar Agency and Sugar Board furnished with powers relinquished by the Ministry of Industry and Trade. As an arbitration board, the agency is only answerable to the Cabinet and has extensive authority and responsibilities concerning its membership, and decisions on crucial issues of how much sugar beet and sugar should be produced for both the internal and external markets. Since the implementation of the new Sugar Law in 2002, the state no longer sets sugar prices, which are now determined by negotiations between private sugar factories and producers. The new law has ensured the minimization of the state's influence on the sugar sector. The justification for the law is declared as the stabilization of sugar production, the establishment of the principles of the free market and competitiveness in the sugar sector, the enactment of a judicial infrastructure to facilitate

Table 1. Sugar beet production in Turkey

<i>Year</i>	<i>Area under cultivation (000 hectares)</i>	<i>Production (000 tons)</i>
1980	269	6,766
1990	380	13,986
1995	312	11,171
1996	422	14,543
1997	473	18,401
1998	504	22,283
1999	423	17,102
2000	410	18,821
2001	359	12,632
2002	372	16,395
2003	314	12,676
2004	315	13,517
2005		15,181
2006*		14,500

* Estimated.

Source: Turkish State Institute of Statistics.

privatization and meeting the obligations imposed by agreements signed with the WTO and the EU. Empowered by the new law, the Sugar Board has managed to open up the Turkish market to international competition through decreasing production quotas for sugar beet and sugar already in place since the 1999 letter of intent.

As can be seen from Table 1, both the area under cultivation and the amount of sugar beet production has declined considerably since 1998, when sugar production quotas were introduced.

The world market for sugar is quite volatile and price changes reflect this volatility. Due to global over-production, sugar prices declined considerably between 1995 and 1999, dropping from US\$396.6 in 1995 to US\$200.5 in 1999. However, due to increasing global sugar consumption since 2000, sugar prices and global sugar production have increased considerably (OECD and FAO 2006). OECD and FAO estimate that global sugar production will increase from 138 million tons in 2001 to a massive 180 million tons by 2015 (OECD and FAO 2006, 70, figure 4.4). It seems ironic that while world sugar prices are soaring and sugar production is expected to increase, Turkey is being pressured to reduce its traditional sugar production. The EU's insistence that Turkey should reduce its sugar production prior to accession to the union must be due to the existing sugar mountains in Europe. Table 2 shows that both sugar and sugar beet production quotas have been significantly decreased. The expected further reductions would lead to the abandonment of sugar beet production by 450,000 small producers.

Given that more than 90 per cent of sugar beet producers cultivate land below two hectares, the amount of direct income support (set at 10 YTL in 2006 – about US\$7 per decare) they will continue to receive will be too small to enable them to sustain their agricultural activities.

Table 2. Sugar and sugar beet production quotas in Turkey

<i>Years</i>	<i>Sugar production quotas in (000 tons)</i>	<i>Sugar beet production quotas in (000 tons)</i>
2000	—	14,676
2001	—	9,748
2002	1,708	12,123
2003	1,661	9,313
2004	1,581	9,527
2005	1,474	9,603
2006	1,001	7,290
2007	1,064	—

Source: TZOB (2006, table 125, p. 251).

Table 3. The relationships between sugar beet prices, input prices and inflation

<i>Years</i>	<i>Sugar beet prices</i>		<i>Input prices*</i>		<i>Inflation</i>	
	<i>Annual change %</i>	<i>Index</i>	<i>Annual change %</i>	<i>Index</i>	<i>Annual change %</i>	<i>Index</i>
1998	20	100	35.4	100	54.3	100
1999	63.6	163.6	52.2	152.2	63.0	163
2000	25	204.5	65.6	252	32.5	216
2001	48	302.6	122.2	559.4	88.4	407
2002	48	448	12.9	631.5	30.7	532
2003	20	537.5	24.3	784.9	13.9	606
2004	11.4	599	20.3	941.8	13.9	690
2005	0.1	599	5.3	991.7	2.8	709
2006	−10	539.1	14	1130.5	11.6	791

* Arrived by averaging changes in fertilizer and fuel prices.

Source: TZOB (2006, table 127).

Table 3 shows the relationship between sugar beet prices, input prices and inflation in Turkey. Considering the scissors effect of rising input prices in disproportion to sugar beet prices and high rates of inflation, it is clear that the impact of the liberalization of sugar on 450,000 sugar beet producing households and the 30,000 workers employed by 25 publicly owned sugar factories would be devastating. The Sugar Law does not specify how thousands of sugar beet producers will be protected against cheaply imported sugar, which receives state subsidies in the USA and EU. The US subsidies for sugar amounted to US\$1.2 in 2005. With such huge subsidies, sugar is exported at 30 cents a kilogram, while its cost of production is 60 cents per kilogram and its sale price in the USA is 120 cents per kilogram. High levels of sugar production and exports in the USA and the EU are maintained by subsidies, which makes survival almost impossible for producers in developing countries who are constantly losing the already meagre state help. Sugar beet

producers in Turkey are facing a double production squeeze of distorted import prices and increased cost of production. Contract-farming sugar beet producers suffer from production quotas and increasing cost of production. Since 1998, 2 million decares of land are no longer under sugar beet cultivation. The same destiny awaits wheat and barley producers. In the last decade, wheat cultivation in Turkey has stabilized at around 20 million tons, although in 2007 it declined by 13.3 per cent to 17.3 million tons. (However, 2007 was a drought-stricken year and thus the decline cannot be attributed to state policies.) One reason for the stability is the protection provided by tariffs. However, in 2007 the current government reduced the tariffs on wheat imports from 130 per cent to 8 per cent, on barley from 100 per cent to 0 per cent, and on maize from 100 per cent to 35 per cent. Facing increasing input prices and competition from cheap imported wheat and maize, it is highly likely that wheat production will suffer hugely. According to the Turkish Institute for Statistics, even without any further decrease in wheat production, Turkey needs to import about 2 million tons of wheat, and it is obvious that any decrease in production will enhance dependence on imports.

In order to support our argument that US TNCs have been playing a significant role in the restructuring of Turkish agriculture, the case studies of Cargill and the dairy industry are presented below.

Cargill in Turkey

The US giant, Cargill, which operates in 61 countries with an annual turnover of US\$60 billion, is one of the five biggest agribusiness firms in the USA and one of the ten biggest in the world. As a massive conglomerate, its activities range from shipping, imports, exports, production to storage in commodities like oil seeds, grain, sugar, animal feeds, cotton, steel and iron. Established in 1865 in the USA, it is well known for its environmentally unfriendly production units and the use of genetically modified maize in sugar production. With its 90,000 employees globally, Cargill is one of the biggest firms that control genetically modified seeds and sugar production throughout the world. Cargill's activities in Turkey have been extremely influential in the gradual decline of sugar beet production and the huge increases in the importation of maize into the country. Cargill's activities in Turkey include the importing, exporting and marketing of grains, animal feed, oil seeds, cotton, iron and steel, agro-industry involving production of drinks and food processing, shipping and port administration. The firm came to Turkey in partnership with Bremar in 1960, and has been using the name Cargill since 1986, when it established a partnership with Yaşar Holding in the seed business. It bought up Yaşar Holdings' shares in 1987 and the Pendik Vaniköy starch factory in 1989. In 1991, while ending its partnership with Bremar, Cargill opened its seed processing factory in Mustafakemalpaşa and established Cargill Agricultural Industry and Commerce Company. It opened its new central office in Istanbul in 1992, established its Financial Marketing Branch in 1994, started a hazelnut processing factory in Hendek in 1995, and a commercial business in iron and steel in 1997. It transferred its seeds business to Monsanto as a result of an agreement in 1998, and formed a partnership with Rota Maritime and Commerce Company establishing a grain storage silo and shipping port in Yarımcı in 1999. The building of the controversial Bursa Orhangazi sweetcorn processing factory started in

1997 on 195,000 square metres of prime agricultural land, and was completed in 2000. Finally, having bought the British Cerestar, it became an equal partner with Ülker in Pendik Starch Industry in which the current Turkish Prime Minister, Recep Tayyip Erdoğan, was a partner. Erdoğan's son is the main distributor of the Cola-Turka drink produced by Ülker.

The production of glucose and fructose by Cargill in its Orhangazi and Vaniköy factories has been at the centre of political debates about the US influence on Turkey and political corruption. The controversies centre on the illegality of the building of the Orhangazi plant in its current location, the destruction of sugar production from sugar beet, which has serious implications for thousands of farmers, and the dependence created on Cargill as a seed merchant. Let us take these one at a time to see their significance in terms of how a US transnational agribusiness firm exerts influence and control in Turkey.

The US\$90 million Orhangazi factory, together with the Vaniköy factory, has an annual capacity to produce 440,000 tons of glucose and fructose. The building of the factory started in 1997, with the permission of the government, on prime agricultural land. The company was taken to court by a number of civil society organizations for illegally building on agricultural land. Bursa 2nd Administrative Court found the company guilty in July 1998, and ordered the cancellation of its building permission that had been granted by Bursa Governorate. Upon the non-implementation of the court's decision by the governor, the Court took a second decision in January 1999, but again it was not implemented. Having the backing of the government, the governor of Bursa Oğuz Kaan Köksal refused to implement the Bursa 2nd Administrative Court's decision to cancel Cargill's building certificate and consequently in late 1999 Cargill started its production of glucose and fructose in the premises (Kaptan 2008). In order to win the case, Cargill has been lobbying both the Turkish and the US governments to such an extent that the Turkish Prime Minister Erdoğan was sent a letter by President Bush prior to Erdoğan's visit to the US in January 2004. According to the Turkish media reports, Bush specifically asked Erdoğan two things: to eliminate all legal impediments for the establishment of the Orhangazi factory and to either completely abolish or significantly increase the isoglucose quotas in sugar production. Over the last five years, the Erdoğan government has kept its promises to President Bush and Cargill. In order to legalize the Orhangazi plant and pre-empt any more court injunctions, the government passed the Law of Land Protection and Land Use (Law number 5403) on 3 July 2005. The law declared an amnesty to all industrial establishments built on prime agricultural land as long as they paid a ridiculous amount of 5 YTL per square metre. In order to prevent any possible abolition of the law by the constitutional court, two days later on 5 July 2005, the Council of Ministers passed a special decree (Decree number 8944) declaring the land on which Cargill's Orhangazi factory was built as a Private Industrial Area. The law, ridiculed by the Turkish media as the Cargill law, is a good indication of the extent of influence an American transnational agribusiness firm has on a developing country like Turkey.

Cargill's long-term demand that was repeated in President Bush's letter to the Turkish government to eliminate or increase the quotas for isoglucose and fructose also found resonance in government policies. The first change of regulation came with the 2001 Sugar Law, which set the starch-based sweeteners at 10 per cent of

sugar production from sugar beet. This caused huge disenchantment among sugar beet farmers, who saw this as a potential danger to their production. It is instructive that Turkey has been pressurized not only by international agribusiness companies like Cargill, but also by the World Bank, IMF, the USA and the EU. In the EU as a whole, the isoglucose quota is less than 3 per cent of the sugar quota (House of Lords 2005, 34). Despite the fact that the isoglucose quota is three times bigger than in the European Union, the Turkish government has been put under continuous pressure to completely eliminate it. For reasons of political legitimacy, the governments have resisted this demand for a while, but have had to yield to the demands to increase the quota rates. Consequently, in 2003 and 2008 the quota was raised to 15 per cent and 35 per cent respectively. These changes represent a huge victory for Cargill, who intends to control the huge sugar market and maize production business in Turkey. Cargill uses maize for its starch and sweetener production. Currently, all the main sweetener producers in Turkey (Cargill, Tate & Lyle's Amylum, Ülker, etc.) are working under capacity. Current maize production in Turkey is only sufficient for oil production and Cargill has been bringing its maize in from the USA (Iyibilgi 2007). The increased demand for maize needs to be met through either increased production, or importation, which will have implications for the balance of payments. Local maize in Turkey is not as productive as genetically modified maize. The average productivity of maize in Turkey was 525 kilograms per decare in 2005, while the figure was 931 kilograms for the USA (TZOB 2006, 182, table 74). In order to meet the increased demand for maize, the government reduced the import tax from 130 per cent to 35 per cent in 2007, and then to 20 per cent in 2008 (Official Gazette 27 November 2007 and 9 April 2008). Furthermore, the parastatal Soil Products Office was given special permission to import 300,000 tons of maize with zero import duty up to the end of December 2008 to ease the increased demand. The 500,000 tons of genetically modified maize imported in 2007 caused a huge public outcry because of its possible negative impacts on health, competition and potential environmental damage (Aysu 2007). The government was also accused of corruption, as the sons of ministers were involved in maize imports. Considering that the expected 3.5 million ton maize harvest actually fell 750 tons short of demand in 2008, similar import policies and subsequent complaints from farmers and civil society organizations are anticipated (LPG Haber 2008).

Cargill is not alone on cashing in on the increased demand for maize, both for processing and for animal feed and other consumption requirements, and thus moving into contract farming in maize production. Cargill, in close cooperation with the Agricultural Bank, is aiming to have 40,000 decares of land around Bursa under contract farming producing maize for its Orhangazi factory (Çine Tarım 2002). In the scheme, the Agricultural Bank will provide financial help and Cargill will provide information, technical support and education. Cargill's scheme, supported by the Ministry of Agriculture, promises to buy farmers' crops at a predetermined price and to provide seeds, fertilizers and other chemicals at reduced prices (Çine Tarım 2002).

It is obvious that Cargill has used its economic and thus political power to gradually establish its dominance in the Turkish sugar sector, and the Turkish state has played a significant role in this by enacting a judicial infrastructure. The promulgation of the Sugar Law (2001) and the Seeds Law (2006) has given

enormous power to big agribusiness companies like Cargill to introduce genetically modified seeds or other seeds on which they have intellectual property rights, at the expense of local varieties.

Dairy Production

Another intriguing example of TNC dominance in the wake of deregulation preparing the groundwork is found in dairy production. Prior to 1980, the state was actively involved in agriculture through input and credit provision, and marketing. State and parastatal enterprises like TİGEM, TÜGSAŞ, İGSAŞ, TZDK, YEMSAN were involved in the production of inputs; TZDK, TKKMB and TŞFAŞ distributed the inputs; TCZB and TKKMB extended credits; and TMO, ÇAYKUR, TEKEL, TŞFAŞ, TSKB, TSEK, EBK procured crops, stored and marketed them. The 24 January 1980 stabilization package introduced in conjunction with the structural adjustment policies heralded the beginning of a series of deregulation policies, ensuring privatization of the parastatal and state economic enterprises in agriculture. This prepared the groundwork for the TNCs and their local partners to further penetrate into agriculture and related areas. While the US and the EU have been heavily involved in subsidising their farmers and protecting their agricultural sectors, as well as helping them find markets for their products, the state in Turkey has found itself in the undesirable position of having to gradually eliminate most of the help given to farmers. Privatization of the parastatal and state enterprises in agriculture started in 1985 in accordance with the Master Plan for Privatization financed by the World Bank and produced by the US Morgan Guaranty Bank (Morgan Bank 1986; Öniş 1991; Karataş 2006). The intriguing case of dairy farming provides a good example of how TNCs have established their dominance in the field after the deregulatory groundwork carried out by the state under the watchful eyes of the IMF, the World Bank, the USA and the European Union. The state-owned Turkish Dairy Products Industry (TSEK), Meat and Fish Board (EBK) and Turkish Fodder Industry (YEMSAN) were among the 32 State Economic Enterprises planned for privatization.

TSEK was established in 1963 by law number 227, with the specific aim of helping the large number of unorganized milk producers by providing guidance, procuring and processing their milk, establishing enterprises all over the country for this purpose and developing the dairy products industry. Between 1993 and 1998, 33 enterprises owned by TSEK were privatized. In 1992, just before TSEK's privatization, a total of 1,308 enterprises consisting of 48 public enterprise, 63 cooperatives and 1,197 private enterprises were involved in dairy production and benefited from milk support subsidies (Suiçmez 2003, 30). With TSEK's privatization, gradually six big companies have come to dominate the dairy products industry (see Table 4): Pınar Süt (Yaşar Holding), Mis Süt (Nestlé), SEK (Koç Holding), Danonesa-Tikveşli-Birtat (Sabancı Holding), Ülker and Süttaş. As can be seen from Table 4, the Turkish holdings that dominate the dairy products sector are in fact joint ventures with big TNCs like Nestlé and Danone. Danone has increased its market share to 28 per cent through acquiring local firms Birtat and Tikveşli and obtaining 50 per cent of Sabancı's shares in the sector (Durna 2008).

Table 4. Biggest industrial groups in dairy products in Turkey

<i>Main holding</i>	<i>Agribusiness subsidiary</i>	<i>International partner</i>
Sabancı Holding	Marsa, Danonesa, Carrefoursa, Tikvesli, Birtat	Kraft-Jacobs Suchard (part of Philip Morris), Carrefour, Danone
Koç Holding	Tat, Pastavilla, Maret, Fidan Tohum, Migros	Sodial, Kagomeco, Sumitomo
Tekfen Holding	Mis Süt, Toros Gübre, Marko supermarkets	Nestlé
Yaşar Holding	Pınar, Çamlı Yem Besici. AŞ	Yadex
Yimpaş Holding	Yimpaş Supermarkets, Aytaç	APV Pasilac, IFU, IFC
Ülker Holding	Ülker, Besler, Akgıda, Pakyağ	DCI, Cerestar, Al Tawfeek Company For Investment Funds, United European Bank (UEB)

Source: Suiçmez (2003, 38).

The tendency towards monopolization in the dairy industry has led to the disappearance of a numbers of small-scale producers. Following privatization by TSEK, the number of milk processing companies decreased from 4,088 in 1998 to 2,839 in 2000, and 2,160 in 2005 (Suiçmez 2003, 36; Ministry of Agriculture and Rural Affairs 2005). These companies obtain their milk from 1.7 million farmers who produced 11.9 million tons of milk in 2006 (State Institute of Statistics 2007). Sixty per cent of milk processing companies are small scale and have an annual capacity of less than 1,000 tons, using traditional technology (Gönenç and Tanrıvermiş 2008, 5). With their 56 per cent fluid milk capacity, modern dairies dominate the market. The industrial milk is mostly processed by the 10 largest dairies. The biggest six are all joint ventures with TNCs, and through their supermarket chains they apply aggressive policies against smaller companies in order to increase their own market share. For instance, smaller dairy product companies are asked to pay a minimum of US\$20,000 shelf fee for their products to be sold in big supermarkets owned by the large conglomerates. Small dairy producers are not in a position to pay this amount. Even if the firms are able to pay the amount, the supermarket chains reduce their competitiveness through price quotas and/or delayed payments to the producer firms of up to four months (Suiçmez 2003, 38). Consequently, five big holdings control 80 per cent of the dairy industry: Yaşar Holding, Nestlé, Koç, Süttaş and Ülker (Günaydın 2002). The last decade has witnessed a rapid expansion in the modern milk processing plants in Turkey. The above-mentioned holdings have been the main force behind the expansion of dairy products, which are both consumed domestically and exported, mainly to the Middle East and the Turkic states of the ex-Soviet Union. The value of dairy product exports has shown a steady increase from US\$14.3 million in 2000 to US\$124.5 million in 2007 (Sarısaçlı, 2008, 3–4). Food TNCs have found it easier to enter the Turkish market through joint ventures and acquisitions. In addition to the names in Table 4, partnerships Lamb-Weston and Doğuş Holding, Barilla and Doğuş Holding, Dr Oeteker and Piyale, Karsberg and Türk Tuborg, Dutch Development Bank and Köy-Tür were formed during the 1990s. Acquisitions include Komili, Dosan Konserve and Bozkurt Helva by

Unilever; Turyağ by Henkel; İmbat and Çukurova Schwepps by Coca-Cola; Mis Süt by Nestlé; Merko Gıda by Citibank; Tikveşli and Birtat by Danone.

As of January 2006, there were 448 foreign firms in agriculture and the food and drink industry operating either independently or in partnership with Turkish firms (TÜSİAD 2007, 177, table 3.4). The following firms, which are among the 25 biggest TNCs in the world, have all invested in Turkey: Nestlé (Switzerland), Kraft Foods Inc. (USA), Unilever (Holland), Pepsi-co. (USA), Cargill (USA), Coca-Cola (USA), Archer Danes Midlands (USA), Tyson Food (USA), Mars Inc. (USA), Anheuser-Busch Inc (USA), Bunge Ltd (USA), Diaego plc (UK) and Danone (France). In the food sector, only 35.8 per cent of the foreign investments were in the form direct foreign investment, while 64.2 per cent were made in partnership with Turkish firms (TÜSİAD 2007, 181, table 3.7). A large majority of foreign investors have so far preferred to produce for the vast internal market.

Tobacco

The speedily passed Tobacco Law in 2001 is another good example of the IMF/World Bank imposition that aims to open up Turkish markets for TNCs. While the law leaves the organizational issues of tobacco production to future legislations, it specifically emphasizes that the state will not be involved in its procurement. Despite strong warnings from the Ministry of Agriculture and the state monopoly, TEKEL, that several hundred thousand tobacco producing families will be left at mercy of the TNCs involved in tobacco business, the government went ahead with the legislation. The law leaves marketing issues to the workings of the so-called free market, dominated by a handful of TNCs operating in Turkey. In order to provide a better picture of the saga of tobacco producers it is necessary to mention the implementation of the ARIP (Agricultural Reform Implementation Project) and the Economic Reform Programme, which actively seek to reduce the production of this traditional Turkish crop by 36,000 hectares in Adıyaman, Batman, Bingöl, Bitlis, Diyarbakır, Hakkari, Mardin, Muş and Van (Ministry of Agriculture 2003).

With the Tobacco Law producers have been pushed into contract farming and as can be seen from Table 5, the number of tobacco-producing households declined from 583,400 in 2000 to 222,400 in 2006, and tobacco production dropped from 208,000 tons in 2000 to 117,600 tons in 2006.

The decline both in the number of tobacco-producing households and the area under tobacco cultivation is an inevitable result of the deliberate state policies to keep tobacco prices well below the increases in input prices and the rate of inflation. As can be seen from Table 6, between 1998 and 2006, while the tobacco price index has increased to 411.4, the input price index has increased to 1,130.5 and inflation index has increased to 791.

In conjunction with the Tobacco Law, the newly established Regulating Agency and Board for the Tobacco, Tobacco Products and Alcoholic Beverages Markets has simply put an end to the monopolistic position of the state-owned regulating agency TEKEL, which had had almost complete monopolistic control over tobacco production for almost a century until its sale to the British American Tobacco Company (BAT) in February 2008. The Agency and Board were

Table 5. Tobacco production and prices in Turkey

<i>Years</i>	<i>Area under cultivation (000 ha)</i>	<i>Production (000 tons)</i>	<i>Number of tobacco-producing households</i>	<i>Tobacco prices (YTL/kg)</i>
2000	237.7	208.0	583.4	2.20
2001	198.8	152.5	478.0	3.00
2002	199.4	161.3	401.2	4.29
2003	183.7	150.1	334.2	4.80
2004	192.7	156.7	285.4	5.41
2005	185.4	147.6	255.7	5.76
2006	146.1	117.6	222.4	5.76

Source: TZOB (2006, Tables 108 and 113).

Table 6. The relationships between tobacco prices, input prices and inflation

<i>Years</i>	<i>Tobacco prices</i>		<i>Input prices*</i>		<i>Inflation</i>	
	<i>Annual change %</i>	<i>Index</i>	<i>Annual change %</i>	<i>Index</i>	<i>Annual change %</i>	<i>Index</i>
1998	56	100	35.4	100.0	54.3	100
1999	25	125	55.2	155.2	62.9	163
2000	26	158	62.4	252.0	32.7	216
2001	36	214	122.2	559.4	88.6	407
2002	43	306	12.9	631.5	30.8	532
2003	12	343	24.3	784.9	13.8	606
2004	12.6	386	20.3	941.8	13.8	690
2005	6.5	411	5.3	991.7	2.66	709
2006	0	411	14.0	1130.5	11.58	791

* Arrived by averaging changes in fertilizer and fuel prices.

Source: TZOB (2006, table 114, p. 232).

furnished with extensive authority to ensure a smooth privatization of the tobacco industry. Like the Sugar Board, the Tobacco Board is an arbitration board, which has assumed the powers of TEKEK and the Council of Ministers in issues related to the tobacco and cigarette industry. Accordingly TEKEK has lost its regulating capacity to set the conditions of tobacco purchases and tobacco prices. Complete elimination of support purchases and price setting in the tobacco market has been the primary aim of the international tobacco corporations, which have orchestrated the long-term international pressure to open up the Turkish market. As far back as the 1980s, Turkey felt strong pressure to liberalize its tobacco sector and the Özal government gave in by lifting the ban on cigarette imports in 1984. However, the most significant change came in 1989, when tobacco imports were liberalized and opened the flood gates for (mainly) US TNCs to penetrate

the Turkish cigarette market. In the following decade (1989–1999), the share of imported tobacco in locally manufactured cigarettes increased from 6.7 per cent to 40 per cent. It was mainly the importation of higher dependency-creating brands like Burley and Virginia that increased the demand for cigarettes from 59,000 tons in 1980 to 115,000 tons in 1999. As a result of the continuation of this trend, Turkey lost its large share in the world tobacco market and exports decreased from US\$601 million in 1997 to US\$499 million in 2006. Almost self-sufficient in tobacco and tobacco products until very recently, the country spent US\$3.2 billion on tobacco imports between 1996 and 2006. This is not to deny that there was a contraband trade and some foreign cigarettes were smuggled into the country. But as far as the tobacco industry was concerned, Turkey was virtually self-sufficient. With the relaxation of the law on cigarette production, a number of international companies formed partnership with Turkish conglomerates to dominate the cigarette marketing in the country. These partnerships include Philips Morris–Sabancı (Philsa 1991), BAT–Koç (2002), European Tobacco–Arbel (2004). Furthermore, the establishment of cigarette factories by R.J. Reynolds in 1992 and Imperial Tobacco in 2005 without any Turkish partners established the dominance of private companies in the cigarette industry in Turkey. On 22 February 2008, TEKEL (State Monopoly of Tobacco and Beverages) was sold to the British American Tobacco Company (BAT) for US\$1.72 billion. BAT, already the fourth biggest company in the Turkish cigarette market, will reach second position in the ranking if the sale is approved.

2006 AGRARIAN LAW (NUMBER 5488), 2006 SEEDS LAW (NUMBER 5553), INTELLECTUAL PROPERTY RIGHTS IN AGRICULTURE AND FOOD SECURITY

The Agrarian and Seeds Laws passed in April and October 2006 respectively represent two more significant examples of how the state has been doing the groundwork for freer penetration of international agro-capital into the Turkish countryside. Passed separately, the two laws complement each other. Although law number 5553 of 2006 is called the Seeds Law, its scope is much broader. It regulates seeds for field crops, vineyard and garden plants as well as all forest plant species and propagation material. The main principles, aims and objectives of the 2006 Agrarian Law are full of contradictions. Its article 4 states the main aim of agrarian policies is to increase the level of welfare in agriculture through rural development, by improving agricultural production in accordance with internal and external demands; by protecting natural and biological resources; by improving food security and by strengthening producer organizations and agricultural marketing. These enviable aims prove to be nothing more than rhetoric when one looks at the main policy tools in place to achieve them. By recognizing intellectual property rights in agricultural crops and promising to protect the interests of the companies who develop new seed varieties, article 10 simply pushes millions of farmers, who have been using traditional seed varieties for centuries, into the arms of transnational agribusiness companies. Intellectual property rights in agricultural crops will simply lead to the monopolization of seed markets by agribusiness companies and the dependence of millions of farmers on them. When considered together with article

13, which links state support to contract farming, and article 14, which foresees special production regions for specified crops, the impact of that dependence creation becomes even more prominent.

The law reifies loyalty to the promises made to international organizations and to the commitments to ensure harmonization to the EU *acquis Communautaire*. The harmonization process with the *acquis Communautaire* necessitates reliable data on the area under production, the number of holdings, farmers, animals, and the amount of crops produced. As the amount of support given to farmers depends on healthy data, this requirement becomes absolutely vital. Given that the majority of farmers are not registered, the state is now trying hard to develop a system of registering all farmers by making it compulsory to receive direct income support. Once farmer registration is complete, then it will be possible to carry out checks on health and safety standards on animals, crops, dairy products and seeds as well as the size of holdings. In this way, it will be possible to punish offenders and push them out of agriculture unless they comply with European standards. The inevitability of the dissolution of small-scale farming rings alarm bells that further unemployment and impoverishment is likely. The severity of rising unemployment was highlighted by TISK, the Trade Union Confederation of Turkish Businessmen, at the end of January 2008. It declared that Turkey came second in the world in terms of the rise of unemployment rates between 1997 and 2006 (increased from 6.3 to 9.9 per cent). Obviously the rise of unemployment cannot be solely attributed to the decline of population in agriculture, but considering that 1.312 million people left agriculture between 2004 and 2006 it would not be wrong to assume that this would have a serious impact on the rise of unemployment. The process of harmonization with EU regulations involves the gradual elimination of state support for agriculture, the streamlining of state support to encourage the production of certain crops, institutional restructuring of agriculture to ensure the availability of massive cheap labour for the production of desired crops through contract farming, and the abandonment of traditional crops in favour of high-value crops or crops to be used as inputs for agro-industry controlled by transnational agribusiness firms and their local partners. Such emphasis on specific integration into the global economy is not conducive to food security as food crops are replaced by crops for niche markets and producers are left at the mercy of transnational agribusiness interests.

The Prime Minister's statement on 10 January 2008 that the DIS scheme is to be completely abolished contradicts the 2006–2010 National Rural Development Strategy of November 2004. However, the Prime Minister's statement reflects recent preparations by Ministry of Agriculture and Rural Affairs (MARA) to relate agricultural support to regional crop specialization. The ministry has been preparing a list of suitable crops for different regions and links instruments of support to regionally based crops. It is expected that this will encourage the production of desired crops at the expense of undesired ones. Considering the influence the IFIs and international organizations and rules and regulations have on decision making in Turkey, it is obvious that the needs of international agribusiness companies will determine which crops, in what quantity and quality should be produced. Furthermore, the envisaged regionally-based support model is to be supplemented by a new law to prevent fragmentation of agricultural holdings. The Ministries of Agriculture, the Interior and Justice have been working together to change the existing regu-

lations in order to ensure that the system of inheritance cannot lead to fragmentation of land. The aim is to establish large-scale farming units through consolidation of agricultural holdings and the elimination of small holdings. The justification provided for this is that small holdings are supposedly not conducive to the efficient and optimal use of resources in agriculture. Taken together, these factors simply mean that small producers will have to either sell or rent out their land if they are unable to consolidate their farms to the required size through purchase, renting or other tenancy agreements. Given the level of poverty among small producers, it is highly unlikely that all of them will be able to hold on to their main source of livelihood, however meagre it may be. Only those with enough capital and knowledge about the crops desired by agribusiness will be able to survive. The law specifies that average holding size will be increased from 55–60 donum to 170–200 donum (1 donum = 940 square metres) and the number of farm animals from 5 to 40–50. Only those farmers who grow specified crops in specified regions under a contractual agreement will be given support, while others who grow crops other than those specified by MARA will be punished. It is not clear how this will square with off-season fruit and vegetable production in greenhouses, which is small scale and labour intensive, unless future regulations make specific exemptions for certain types of agricultural production. The law envisages the establishment of an arbitration board to guide, coordinate and oversee the agricultural support. Furthermore, the envisaged establishment of crop councils consisting of merchants, industrialists and their organizations, occupational chambers and public research institutions to guide agricultural production is an evidence of how agricultural production is left at the mercy of corporate interests.

The newly introduced procedures of seeds certification further enhance the vulnerability of millions of traditional seed users. Based on the EU Seeds Law, the 2006 Turkish Seeds Law stipulates that all seeds have to be registered and certified before they are sold in the market. For this purpose, a Variety Registration and Certification Centre was established within MARA. Furthermore the law proposes the establishment of the Turkish Union of Seed Producers (TUSP) and grants enormous powers to MARA and TUSP to carry out field testing, laboratory controls and to check compliance with seedling standards before they certify any seeds. Only seeds whose genetic qualities are certified by either MARA or any other private, corporate or public institution authorized by MARA can be produced and marketed. The law also specifies that MARA will provide a list of suitable regions recommended for the production of different seed varieties. MARA has the power to punish farmers who grow their own seeds within the designated areas (3,000 YTL). The law gives the state or a corporate body authorized by the state the power to dictate where the seeds are to be grown and what seeds may be marketed by farmers. Apart from losing control over their hundreds of years of traditional seed saving and planting techniques and rights, the farmers also face the danger of losing control of their traditional varieties to agribusiness companies. By making a distinction between genetic resources and plant varieties, the law allows companies to have intellectual property rights on seeds to which they have made any modification. Plant varieties are the seeds that are traditional varieties modified by companies. Once firms register their intellectual property rights on the modified seeds, then farmers lose their rights to save such seeds for cultivation. Despite the rhetoric that the law was introduced to

improve the quality of plant production and to restructure the seed sector, what it does is not only look down upon the traditional knowledge of indigenous varieties but also ensures farmers are dependent on agribusiness companies which can easily claim intellectual property rights on local varieties. The establishment of the non-state TUSP is to ensure the subservience of millions of Turkish farmers to powerful agribusiness firms. The certification, provision and control of seeds are left to private companies. In the case of disagreements between farmers and commercial companies, the Union of Seeds Businesses is empowered to adjudicate. The role of the state has been reduced to ensuring the application of international rules and agreements on seeds. The law also regulates seeds marketing. Only certified seeds can be marketed in the country or imported or exported. Anyone involved in the marketing of uncertified seeds that have not been produced, prepared, treated or packed in accordance with MARA specifications will be banned from trade for five years and fined between 10,000 and 25,000 YTL (about £4,000 to £10,000). Substandard seeds found to be marketed will be confiscated and destroyed, and the cost will be borne by the culprit trader. This indicates that the state has been reduced to the policing of the interests of seed companies.

Furthermore, the promulgation of the Seeds Law in 2006 before the introduction of the Bio Security Law has left Turkish agriculture as well as public health defenceless to the encroachments of global agribusiness companies like Monsanto, Syngenta, Pioneer and Du-Pont. There are inconclusive debates about the health impacts of genetically modified food, and consumers in the west resist such crops. Yet, with the privatization of Tarım İşletmeleri Genel Müdürlüğü (TIGEM – General Directorate of Agricultural Enterprises) there is no authority to control the activities of agribusiness companies which are involved in seeds business. Maize, cotton, soy beans and rape seed are some of the GM crops imported into the country. Products like oil, flour, starch, saccharine, isoglucose syrup and fructose produced from GM crops are widely used in about 800 food items such as biscuits, crackers, chocolates, cooking oil, soups and animal fodder. If the claim that GM crops are harmful to human health is correct, then one cannot imagine the consequences for future generations.

Direct Income Support: a Mechanism for the Compensation or Dissolution of Small Farmers?

The expectation that the poverty-increasing impact of agricultural liberalization might lead to increased tension and instability has led the state and its international advisors to introduce a Direct Income Support System (DIS), which aims to speed up the process of abolishing all the existing support and subsidies for agriculture. Even the World Bank admits that the DIS scheme has been introduced as a stopgap measure to ease the rising tension in rural areas in relation to the losses made due to the abolition of subsidies (World Bank 2001, 11). Similarly, the special decree which legalized the DIS in 2000 specified that the DIS was a short-term measure to overcome some losses of farmers and to encourage them to continue with farming but in the production of alternative crops. Although recurrent, the ultimate aim of the payments was to ensure harmonization with the EU system under the Common Agricultural Policy. While not providing full compensation for the losses due to the

phasing out of the existing support and subsidies, the DIS was designed to restructure agricultural production away from crops currently over-produced, towards alternative crops. Initially implemented on an experimental basis in a small number of pilot regions such as Polatlı, Akçaabat, Sürmene, Adıyaman, Kahta, Serik and Manavgat, the DIS system has been implemented country-wide since 2002 and mostly large landowners have been registering their land with the state in order to qualify for the DIS. As holdings below one decare and above 500 decares do not qualify for the DIS, big landowners transfer any land above the ceiling to their relatives to get the maximum benefit. On the other hand, the cost involved in processing the documents and late payments simply puts small holders off from applying for the DIS. Only 2.7 million farming households out of the total 4.1 million have registered for the DIS (Günaydın 2006, 22). Given the lack of complete cadastral land records, the state aims to obtain a complete land and farmer registry through the DIS. However, this has created serious problems as in some places people do not apply for the DIS and in other places it is not possible to determine the ownership of land due to multiple claims over it. As the title deed to the land is the basis for qualification, a large number of sharecroppers and tenant farmers are excluded, and this is in contradiction to the supposed poverty alleviation aim of the DIS. Furthermore, as the Polatlı pilot experiment showed, there is a strong possibility that absentee landowners, land speculators, building cooperatives, and professionals may register to claim support from the scheme. The speed at which state support for agriculture is abolished in Turkey has no match elsewhere in the world. Unlike the US and the EU, Turkey relies heavily on the DIS scheme as almost the only form of support for agriculture. The share of the DIS in all subsidies in the USA is 10 per cent and in the EU 30 per cent. Both the EU and the USA also provide market prices support of 55 per cent and 50 per cent respectively and varying degrees of input support (Özkaya et al. 2000). Furthermore, unlike the US and the EU, where the DIS is linked to production, in Turkey the DIS is decoupled from production and efficiency. Money is simply given to producers so that they will not continue the production of traditional crops deemed to be undesirable by EU and US agribusiness companies.

The claim that the DIS will ensure more productive and efficient resource allocation and thus improve the overall economic performance in the country is challenged by Doğruel and Yeldan (2001), who argue that the DIS will generate deflationary results within 15 years, in which time agricultural production will decrease by 5.5 per cent and aggregate GDP by 2 per cent. Furthermore, they calculate that as a consequence of the new agricultural support system, the ratio of debt to the GDP will increase, and consequently capital investments will decline. The increased burden on the budget will worsen the fiscal balance, which has been in the red for a long time, and contribute to financial fragility, which in turn will enhance economic unsustainability. Their recommendation that the country would be better off by following effective planning for agricultural production needs to be taken seriously. The DIS is not only incapable of achieving efficient resource allocation and improved social welfare in rural areas, but is also conducive to the over-production of certain crops at the expense of others (Doğruel et al. 2001). The provision of the DIS for all the land in the country threatens the viability of agriculture as it encourages farmers to concentrate on a few crops at the expense of agricultural diversity and food security. It is difficult to disagree with the

arguments of Doğruel et al. (2001). However, their conclusions are based on the calculations made for a 15-year period. Yet the current government does not intend to continue with this practice for a long time, as was clear from the Prime Minister's speech made on 8 January 2008. As a stop-gap measure, the main aim of the DIS has been to ensure as smooth as possible a transition to a free market system in which large numbers of small- to medium-sized farming units will enter into direct contract farming relations with the transitional agribusiness firms.

Contract Farming

Contract farming gives indirect control of farming to agribusiness firms. During the colonial period, it was popular for international capital to establish big plantations to produce cash crops for the world market. However, there were a number of difficulties with agricultural plantations. Firstly, some difficulties were related to the nature of agriculture and others to ownership and management. Being dependent on climate, production in agriculture was fraught with uncertainties and risks. Secondly, organizing a large number of workers to produce particularly labour-intensive crops was difficult and costly. Thirdly, there was a danger of nationalization by the governments of the newly independent countries. Consequently, international agribusiness firms devised an ingenious way of shedding the risk of production to a large number of small producers by introducing contract farming under which large numbers of independent-looking farmers carry out production of agricultural commodities for a company. Through a variety of credits, inputs and extension schemes or through enforcement by law, farmers are drawn into a contractual relationship with agribusiness firms. The terms and conditions do vary from case to case and place to place. In most cases, the firm agrees to buy the crop from the producers at a pre-determined price in return for providing information, credits, seeds and other inputs. If the power of persuasion does not work, then the power of the state is used to encourage or force producers to go into the production of the desired crops. For instance, the recent attempt by the Turkish state to divide the country into production zones in which only the approved crops can be grown is a case in point. By linking agricultural support to farm size and the type of crop to be grown in each production zone, the state forces producers to shift their production to crops that are demanded by agribusiness companies. Therefore the agribusiness firm is in a position to determine the conditions of production and impose the type, quality and quantity of production. Being the sole buyer of the crop through the contract, the firm is in a position to refuse any crops deemed to be below certain standards. In other words, producers are left at the mercy of agribusiness companies who do not take any risk for the crop but manage to accumulate wealth by controlling the production and trading of commodities.

Contract farming in Turkey goes as far back as 1965, when the state-owned TIGEM (Tarım İşletmeleri Genel Müdürlüğü – General Directorate of Agricultural Enterprises) organized the production of cereal seeds and Turkish Sugar Factories (TŞFAŞ) signed contracts with farmers to control where, when and how much of certain crops should be produced. The 1980s not only witnessed the beginning of the expansion of contract farming to many crops like tomatoes and other vegetables and fruits but also the increasing entrance of private companies into contract

farming. Contract farming companies in Turkey operate in partnership with foreign agribusiness firms who are involved in seed production and food processing and cigarette production.

Both TEKEL (Turkish State Monopoly) and TÜBİTAK (Turkish Science Research Council) were instrumental in the introduction of the Virginia and Burley type of tobacco production in Bolu Adapazarı and Balıkesir, where about 4,000 farmers are currently involved in contract farming with foreign firms such as Rothmans (Özçelik et al. 1999; Ceylan 1998). One of the biggest agribusiness companies in the world, Cargill, has started contract farming in sunflowers and genetically-modified maize production with farmers in Mustafakemalpaşa, Orhangazi, Konya – Karacabey and the Aegean regions and is planning to establish a 1,000 decares pilot maize plantation in GAP region (Öztuksavul 2000; Oral 2006). The state has been instrumental in the expansion of contract farming in animal husbandry, beekeeping, dairy products, poultry production as well as agriculture and horticulture, by providing suitable conditions for it thorough the introduction of laws, special decrees, rules and regulations. For instance, a decree published on 27 February 1999 in the official gazette makes the eligibility for state subsidies in breeding cows, sheep and bees conditional upon engagement in contract farming. Agricultural Law number 5488, passed on 25 April 2006, heralds that further rules and regulations are to be introduced to further encourage contract farming and provide state support to farmers going in this direction. The state-controlled Agricultural Bank has already been very generous in extending credits to Türkiye Kalkınma Vakfı (Turkish Development Trust) and Mudurnu Tavukçuluk (Mudurnu Poultry), which have invested in poultry production through contract farming. The Agricultural Law promises to extend help to farmers who may endeavour to enter into contract farming with national and international agribusiness firms. We have already mentioned the names of some of the firms involved in contract farming in Turkey and the list is quite long. For instance, Ata Group and Koç Holding have initiated contract farming in the Harran Region to produce maize and soy beans as inputs for the animal feed industry. Increasing numbers of farmers have contracts to produce potatoes in provinces like Niğde, Nevşehir, Bolu, Sakarya, to produce cut flowers in Antalya and Muğla, and to produce fruit and vegetables in the Aegean and Mediterranean regions for food processing firms (Oral 2006, 308–9). The prospect of huge profits from commercialized agriculture has led big Turkish industrial groups, conglomerates and their foreign partners in Turkey to buy large tracts of land from agricultural enterprises privatized by the state. The prospect of benefiting from 880 million euros aid to be given to Turkey by the EU under the IPARD (Instruments for Pre-Accession Rural development) scheme has encouraged big agribusiness companies in Turkey to invest in agriculture. It is expected that IPARD money will go to big holdings so that they can lead the technological improvements in agriculture and dairy products.

Many business conglomerates traditionally engaged in sectors other than agriculture are moving into the production of organic agricultural goods. The prospect of EU financial support for rural development (in conjunction with IPARD), ranging from support for agricultural holdings and marketing enterprises to rural diversification and infrastructure, have led many TÜSİAD members to enter agri-

Table 7. The share of agriculture in GDP and employment (%)

<i>Year</i>	<i>GDP (in current producer prices)</i>	<i>Employment</i>
1980	24.2	54.2
1985	20.3	51.4
1990	16.3	47.8
2001	12.1	37.6
2002	11.6	34.9
2003	11.7	33.9
2004	11.2	34.0
2005	10.3	29.5
2006		27.3

Source: TZOB (2006).

culture and establish a niche for themselves. Investors include the Koç, Ata and Sancak Groups, who established the biggest agricultural and animal husbandry firm in Şanlı Urfa and bought Denizli – Acıpayam state production farm. Doğan, Cingilloğlu, Arıkanlı, Esas, Silkar and Söktaş Holdings, Saray Carpets, Ramsey textiles, Orka groups are some of the other business groups that have moved to agriculture and animal husbandry to take advantage of the lucrative EU support and to fill the gap left by bankrupt small farmers. Arguably the prospects of better income possibilities persuade farmers to sign contracts with agro-capital. But the most important factor in the decision to switch to a new crop and to sign contracts with agro-capital is the helplessness created by the impact of liberalization policies.

Neo-Liberalism has unleashed a process of de-agrarianization in Turkey where the share of agriculture in the GDP has declined from 24.2 per cent in 1980 to 10.3 per cent in 2005. As indicated in the table 7 this has meant a significant drop in the percentage of people employed in agriculture from 54.2 per cent in 1980 to 27.5 per cent in 2006. The total number of people employed in agriculture has declined from 8.08 million in 2001 to 7.4 million in 2004, 6.49 million in 2005 and 6.08 million in 2006. In the two years between 2004 and 2006, 1.312 million people left agriculture. Some of the remaining farmers entered into contract farming out of necessity.

CONCLUSION: LIBERALIZATION AND FOOD SECURITY

Recent figures released by the Turkish Statistical Institute (2008) show that the expectation that increased liberalization of agriculture will lead to more efficient resource use through specialization and the improved use of technologies is far from realistic. In fact, as a result of the combination of rapid liberalization and adverse climate, the production of cereals, vegetables and fruit declined by 15.5 per cent, 0.7 per cent and 4.3 per cent respectively between 2006 and 2007. Being exposed to international competition does not necessarily make producers more efficient users of resources. The majority of farmers in Turkey do not possess the necessary financial power and know-how to make immediate use of the new technology and

analyse the international market situation to make the expected shift to new crops. Globalized agriculture has put all sorts of stringent quality specifications on internationally traded crops and most small producers have not been able to meet them due to their insufficient command over land, finances and knowledge.

The economic reform package introduced in 2000 represents the pinnacle of neo-liberalist agricultural policies, which are being implemented at an alarming pace. The almost complete elimination of support prices, the introduction of direct income support in 2002, the withdrawal of support for the unions of agricultural cooperatives, the promulgation of the Sugar Law (2001) and the Tobacco Law (2001) have all been put into practice under the strict control of the IMF, the World Bank, the WTO, the USA and the EU. A number of letters of intent submitted to the IMF since 1999, the 2000 Economic Reform Loan (ERL) agreement and the 2001 Agricultural Reform Implementation Project (APIP) agreement signed with the World Bank, the 2006 Agrarian Law and the 2006 Seeds Law are indicative of the impact of external forces on the government's decision to restructure Turkish agriculture in accordance with the interests of transnational agribusiness firms.

Deregulation in the agricultural sector has meant that rural producers have to compete in the global commodity markets with no or little help from the state and without much preparation for the transition. Having lost their access to productive resources such as inputs, credits and marketing facilities, and having been starved of state investments in agriculture, rural producers are not only losing their competitive edge but are also facing the danger of being unable to sustain their production. The deregulation of national markets has been accompanied by: increasing costs of production in agriculture; an inability on the part of farmers to find markets for their crops; fluctuating agricultural commodity prices and increasing farmer indebtedness. These have led to the exhaustion of farmer survival strategies (Aydin 2002). In the early years of liberalization, poor farmers were able to develop survival strategies to counteract the welfare-decreasing impacts of liberalization. The extent and speed of liberalization in Turkish agriculture in the last five years have left very limited scope for farmers to intensify their 'self-exploitation' in the form of survival strategies. The more the state washes its hands of the poor and middle-level farmers, the more they attempt to diversify their economic activities in order to sustain a basic livelihood. This has meant less and less reliance on agriculture as their main source of livelihood. The withdrawal of state support from agriculture has occurred in stages and after each wave of new deregulatory policies more and more farmers have been pushed into the deep end. The Turkish bourgeoisie's desire to join the EU as quickly as possible, the debt crisis, and the recent economic crises have left the state quite powerless vis-à-vis the demands imposed by the IFIs, the EU and the USA. Neither the farmers nor the state were prepared for the immediate consequences of the IMF- and World Bank-engineered liberalization policies. The implementation of each new deregulatory decision has caused immediate bewilderment and hopelessness among farmers. Income-diversification strategies used by small-scale and medium-scale farmers are no longer geared towards supplementing agricultural income but towards supplanting them. There has been a very strong tendency for the agrarian labour force to move towards non-agrarian activities (Aydin 2002). The permeation of rural societies by the state and the market has

irretrievably altered the nature of family farms and village communities, so much so that the farmer's relationship with the soil has changed. The great majority of farmers in Turkey responded to the decreasing viability of cash crops like cotton, tobacco and sugar beet either by abandoning agriculture and entering into non-agricultural income diversification activities in urban areas or, to a much lesser extent, by withdrawing from the market by producing subsistence crops.

A process of de-agrarianization has been actively propelled by the state in recent years, as the politicians, policy-makers and development think tanks identify development with the decline of the relative share of agriculture in the national income. (see table 7 and Bryceson et al. 2000) A contributing factor to this has been the deteriorating terms of trade for major agricultural export commodities such as cotton, tobacco, hazelnuts and sugar (Borataş 2007a, 2007b). The loss of a productive base poses a serious danger for subsistence food production and the production of traditional commodities by small- and medium-scale farmers. Another significant factor in the process of de-agrarianization in Turkey is the availability of cheap imported foodstuffs from developed countries, which continue to subsidize their own farmers. Since the 1999 letter of intent that promised extensive liberalization measures, the total value of imports of agricultural and food products have increased from £2,369 million to £6,252 million in 2007 (TURKSAT 2008). The fact that high import duties on some crops like wheat and maize existed until 2007 meant that cereal producers were largely protected from international competition. However, as mentioned earlier, the reduction or complete elimination of tariffs on cereals and maize may take their toll on producers. In order to meet the internal demand for wheat, barley and maize, the government on 9 April 2008, authorized the Office of Soil Products by special decree to import 800,000 tons of wheat with zero tariff and 300,000 tons of maize with 20 per cent tariff (reduced from 35 per cent) (Resmi Gazete 2008).

Farmers in Turkey, who feel the scissors effect of rising import prices and declining product prices, are gradually reducing the domestic production of wheat and other cereals. The vacuum created by de-agrarianization and de-peasantization is being filled by TNCs, which move in to produce just-in-time crops using bio-technology and the abundantly available cheap labour. Agricultural production in Turkey is still largely carried out by small family firms but the TNCs such as Nestle, Danone, Lamb-Weston, Kraft-Jacobs and Suchard are gradually moving into the food sector (Yenal 2001). Consequently, direct foreign investment in the food sector quadrupled between 1980 and 2000 (Yenal 2001, 44–5). The process of the corporatization and industrialization of agriculture in Turkey is still in its infancy, yet such changes are predicated upon the restructuring of agriculture. This has profound implications for small, under-capitalized peasant family farms in Turkey. The market deregulation and liberalization at work since the 1980s have eroded the resource base of small- and medium-scale farmers and their ability to compete in the world market. Given the inability of the urban economy to provide sufficient sources of livelihood for the rapidly increasing impoverished and proletarianized rural labour force, conditions have become quite ripe for the TNCs to move in and take advantage of this huge cheap labour force through various arrangements including contract farming. The changes put into practice in Turkish agriculture since the 1980s, and particularly over the last five years, are ill

thought-out. They do not reflect any serious consideration of the long-term consequences for the economy.

It is clear that in the process of Turkey's increasing incorporation into the global economy, the state has been gradually losing its control over the economy under the influence of outside players including developed capitalist countries, their agencies and international finance institutions. The increasing indebtedness of the country has facilitated the process of Turkey's integration into the global economy. As far as the agrarian economy is concerned, globalization has meant the restructuring of agrarian structures and policies away from developmentalism to a free market economy which ensures that agriculture is put in the hands of modern technology, owned and controlled by large multinational corporations whose primary interest is to generate profits for themselves, and not the welfare of the people, or something as socially oriented as food security (Tandon 1999, 22).

Small farmers in Turkey have been becoming increasingly helpless as a result of the concentration of agricultural commodity chains in the hands of transnational corporations which are capable of pushing large numbers of small farmers out of agriculture. Not being able to compete with the monopolistic prices set by the TNCs, farmers have been gradually abandoning agriculture en masse, contributing to the contraction of agriculture and food insecurity. Taken together with other serious difficulties generated by SAPs, such as rampant unemployment, bankruptcies, unaffordable prices, high inflation and declining incomes of the masses, the destruction of agricultural production will only exacerbate Turkey's problems. Rapidly increasing mass unemployment in rural areas will speed up migration to the big cities, which are already incapable of coping with urban problems and are experiencing unprecedented social pressures.

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