

# Turkey: Second biggest tea market in the world

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With a total tea volume of about 180,000 tonnes in 2004 according to Euromonitor International, Turkey has the second largest tea market in the world. India tops the world raking in terms of tea consumption with about 300,000 tonnes in 2004, and Russia ranked third place with about 171,000 tonnes. However, in terms of tea consumption levels, Turkey has the highest per capita consumption at 2.5 kg, followed by the UK (2.1 kg) and Morocco (1.4 kg). All these figures represent consumption of packaged and branded tea sales.

Tea-drinking is a long-standing Turkish tradition and the country is not only a large tea consumer but also a tea producer and virtually all of the tea is produced in the Rize province. Nearly 60% of tea is produced by the state-owned company ?AYKUR, and as tea is a consumer staple the industry is regulated by the government.

### Black standard tea: most common cuppa

Despite the maturity of the Turkish tea market, retail volume sales of tea has enjoyed steady growth except form a dip during the recession period of 2000-2001. Retail volume sales of tea grew by about 5% to reach about 108,000 tonnes in 2004 according to Euromonitor International. It is worth putting this in contrast growth that Western Europe as a whole experienced during the same period, of under 1%. In terms of the product category, black standard tea continues to be the biggest contributor of volume sales, accounting for around 89% of retail volume sales in 2004.

Drinking black standard tea is an integral part of Turks&rsquo; life and culture. Local trade press reported that 90% of the Turkish population drinks tea at least once a day, with 33% of the population mixing different teas in order to create their own blend. Turkish consumers drink tea at home, at work, when visiting friends and at school. In every work place, there is at least one tea maker employed solely to make tea and coffee. When visiting friends, the first thing that guests will be offered is tea in small traditional tea glasses.

With regards to the tea format, loose black standard tea is the traditional and most common type of black standard tea, representing 99% of black standard tea volume sales. However, loose tea is gradually losing share to tea bags as tea bags are considered to be more modern and easier to use. Tea bags are particularly popular among young urban consumers who have relatively higher levels of disposable incomes. Euromonitor International&rsquo;s research findings show that retail volume sales of tea bags (a growth of 34%) largely outperformed loose tea (24%) between 1997 and 2004. New product launches in tea bags are increasingly active, which has facilitated the sales of tea bags. ?AYKUR, for example, has launched its own tea bag product, ?AYKUR Poset Cay. Nonetheless, the higher price of tea bags means that majority of the Turkish consumers still opt for loose tea.

### Speciality tea: consumers&rsquo; trading up

With a population of 69 million and a relatively less advanced economy, Turkey is the fastest growing consumer market in Western Europe. The rapid economic expansion and an increasingly affluent population enable the Turks to purchase higher-valued consumer goods and raise the standard of living.

Black speciality tea has clearly benefited from the improving economic conditions and has enjoyed double-digit volume growth between 1997 and 2004. Major players for speciality tea are foreigners including Unilever and Lotte. Unilever dominates the category and accounts for nearly 70% of retail value sales of speciality tea. Unilever&rsquo;s Lipton brand has strong brand equity in Turkey, which is supported by extensive distribution network in urban areas, and Euromonitor International&rsquo;s field researchers have observed that Lipton is much more well displayed in supermarkets and hypermarkets than its rival brands. Nevertheless, consumers&rsquo; trading up is mainly happening among urban middle-high income consumers, whereas rural consumers are still opting for loose standard black tea purely due to the economical reason.

### Green and fruit/herbal tea: health plays a role

As is the case in other Western European markets, the health and wellness trend is also influencing consumers&rsquo; choice of beverages in Turkey. Fruit/herbal tea and green tea are the main beneficiaries of this trend.

Fruit/herbal tea has been the most dynamic category, with retail volume sales growing by 38% between 1997 and 2004. Fruit/herbal tea is generally sold loose by weight to consumers in bazaars. The major consumers for fruit/herbal tea are the young and urban people. As the market grows, commercially packaged and branded fruit/herbal tea has increased its availability. So far, there are over 20 types of fruit/herbal tea, which are traditionally consumed by the Turkish people. The most popular of these is ihlamur tea, which is made of flowers from a particular tree. These products are promoted to

have health benefits and can be consumed by both adults and young children. The local company Dogadan Gida Urunleri is the market leader with its Dogadan brand, but international players such as Unilever and Twinings also hold significant market shares within this segment.

Commercially packaged green tea remains a novelty to the locals, and it was first introduced to Turkey in 1999. Specifically, green tea is often referred to in the trade press as being good for health. Health-conscious Turkish women are the target consumers and the main supporters of green tea. In 2004, both ?AYKUR and the Dogus Cay launched green tea on the Turkish market - the first local green tea products ever.

Considering growth opportunities, Euromonitor International believes that fruit/herbal tea and green tea will provide good potential for growth in the years to come due to the health trend and a low consumption base.

#### Challenges remain

Although the Turkish tea market is enjoying healthy growth in sales, the tea industry realises that it is faced with competition from other beverages, typically instant coffee. Modern versions of tea such as tea bags, speciality tea and fruit/herbal teas are targeted to young consumers, who are also the main consumers for instant coffee. Tea manufacturers are slightly concerned that they are chasing a relatively small consumer base and that they will probably face hard competition against coffee players. The spreading of international coffee shops such as Starbucks has further deepened the worrying of local tea players, who consider the global caf? trend a threat to their tea businesses.

On top of this the increased amount of illegal imports has posted a threat to local tea players. Industry sources believe that this is also a factor for the slowed growth of loose black standard tea in recent years. Currently, there is no official data regarding how much of this illegal tea is actually imported and sold locally. However, Euromonitor International's field researchers have observed that a large amount of illegal tea is consumed in the East and South East part of Turkey. Illegal teas are cheap, however, their quality is normally substandard. To tackle the situation, ?AYKUR launched a product similar to the taste of the illegal teas, with its strong flavour some years ago. However, early analyses show that the launch is simply a superficial act to counter the illegal tea. Industry sources commented that it needs concerted efforts from both the government and the tea industry to tackle the problem.

#### Privatisation in the long run?

As the number of EU member states is expanding, Turkey's joining to the EU is again being discussed. Although Turkey's entry to the EU in the short term has generally been ruled out by economists, in the long term, Turkey is still expected to join the EU and the entry is likely to attract substantial foreign investments. As the investment conditions improve in the years to come, industry experts expect that the privatisation of ?AYKUR could be speedier.

However, the Turkish tea industry is concerned that the entry may lead to increasing imports of cheap Asian tea, which is likely to have a negative impact on the local production and therefore affect the livelihood of local tea farmers.

On a positive note, Euromonitor International believes that opening up the tea market will eventually benefit the development of the industry, with a potential improvement of farmer's efficiency, and an proved palette of products available to consumers.

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