

# SALES MANAGEMENT IN TURKISH AGRICULTURAL INDUSTRY

**Asst. Prof. Dr. Alp PAR**



Social Sciences



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## **Sales Management in Turkish Agricultural Industry**

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## SUMMARY

The Turkish agricultural industry is still an industry in which a large part of Turkey's population is employed. For a country, agriculture is also one of its most important strategic variables. The fact that such an important industry is independent from foreign countries and is self-sufficient plays a key role for all other strategic goals of the country.

Starting from the founding period of the Republic, Turkish agriculture continues its development with increasing cultivation areas and production. However, a valid agricultural policy could not be put into practice, agricultural policies have always been evaluated within the scope of other political plans and have not had the necessary priority. The targets set have always remained on paper and have not been implemented.

There are many factors that cause this situation to occur, but the structural characteristics of Turkish agriculture and the inability to develop appropriate policies for the existing structure, and the fact that agricultural production is not carried out within a valid plan and structuring are among the most important factors.

Agricultural policies implemented before the 2000s were evaluated within the development plans. Low interest loans, subsidies were applied and support purchases were made. Due to the lack of a valid agricultural production plan, as a result of the production realized, the State had to buy more products

within the scope of support purchases and increased prices due to these losses began to be seen as the main cause of inflation.

The practices in the agricultural reform process, which were later put into practice with the influence of foreign organizations, could not reach their goals because they were not suitable for the structural characteristics of Turkish agriculture. Direct Income Support payments made within this scope could not produce a solution to the existing problem, as these payments support big agricultural companies rather than supporting small agricultural companies in Turkey, which are very numerous. As a result, a supply could not be created to meet the increasing need for agricultural products, with an increasing amount of imports, Turkey has come to meet its needs for these products from external sources. Support purchases should be continued as before, but an effective agricultural production planning system should also be established. Thus, unnecessary and excess production would be eliminated and the State would not have undertaken major financial responsibilities as it would not make much support purchases.

In order to solve the structural problems of Turkish agriculture, the cooperative process should be accelerated. Establishing a more effective agricultural organization is a solution without alternative for supporting small agricultural companies.

Importing most of the raw materials of agricultural inputs means an agricultural industry that is completely affected by commodity prices while forming agricultural prices. Making investments in countries with direct access to raw materials of agricultural input products, mergers and acquisitions with companies in these countries will eliminate this problem.

# CONTENTS

<b>SUMMARY</b>	<b>I</b>
<b>TABLE INDEX</b>	<b>VII</b>
<b>FIGURE INDEX</b>	<b>IX</b>
<b>INTRODUCTION</b>	<b>1</b>
<b>1. CONCEPT OF SALES MANAGEMENT</b>	<b>2</b>
<i>1.1. Personal Selling</i>	<b>3</b>
<i>1.2. Comparison of Personal Selling with Other         Promotion Activities</i>	<b>4</b>
<b>2. SALES STRATEGY</b>	<b>5</b>
<i>2.1. Concept Of Strategy</i>	<b>5</b>
<i>2.2. Remote Environment Analysis</i>	<b>6</b>
<i>2.3. Near Environment Analysis</i>	<b>7</b>
<i>2.4. Internal Environment Analysis</i>	<b>7</b>
<i>2.5. SWOT Analysis</i>	<b>7</b>
<i>2.6. Mission and Vision</i>	<b>8</b>
<i>2.7. Developing A Sales Strategy</i>	<b>10</b>
<b>3. BUILDING A SALES FORCE</b>	<b>11</b>
<i>3.1. Sales Representative Selection</i>	<b>11</b>
<i>3.2. Job Interview With Sales Representative Candidate</i>	<b>13</b>
<i>3.3. Sales Representative Training</i>	<b>16</b>
<b>4. MOTIVATION IN SALES</b>	<b>20</b>
<i>4.1. Concept of Motivation</i>	<b>20</b>
<i>4.2. Sales Force Motivation</i>	<b>20</b>
<b>5. SALES REPRESENTATIVE COMPENSATION</b>	<b>25</b>
<b>6. SALES FORCE CONTROL</b>	<b>30</b>



<i>6.1. Behavior-Based Control System</i>	31
<i>6.2. Outcome-Based Control System</i>	32
<i>6.3. Formal Control System</i>	33
<i>6.4. Informal Control System</i>	33
<i>6.5. Arguments Used In Control Process</i>	34
<i>6.5.1. Sales Budgets</i>	34
<i>6.5.2. Sales Reports</i>	36
<b>7. THE PLACE OF AGRICULTURE IN ECONOMY</b>	38
<b>8. AGRICULTURAL COMPANIES</b>	39
<b>9. AGRICULTURAL MARKETING</b>	43
<b>10. AGRICULTURAL INDUSTRY</b>	46
<i>10.1. Agriculture-Based Industry</i>	46
<i>10.1.1. Food and Beverage Industry</i>	47
<i>10.1.2. Leather Industry</i>	49
<i>10.1.3. Textile Industry</i>	50
<i>10.1.4. Tobacco Industry</i>	50
<i>10.2. Industries Supporting Agriculture</i>	51
<i>10.2.1. Agricultural Mechanization Industry</i>	51
<i>10.2.2. Fertilizer Industry</i>	52
<i>10.2.3. Pesticide Industry</i>	54
<i>10.2.4. Feed Industry</i>	55
<i>10.2.4.1. Roughage</i>	55
<i>10.2.4.2. Mixed Feed</i>	56
<i>10.2.5. Seed Industry</i>	56
<b>11. AGRICULTURAL COOPERATIVES</b>	58
<i>11.1. Concept of Cooperative</i>	58
<i>11.2. Agricultural Cooperatives In Turkey</i>	58

<i>11.3. Agricultural Credit Cooperatives</i>	58
<i>11.4. Agricultural Sales Cooperatives</i>	60
<i>11.5. Other Agricultural Cooperatives</i>	62
<b>12. AGRICULTURAL POLICIES</b>	<b>62</b>
<i>12.1. Agricultural Policies Implemented In Turkey</i>	63
<i>12.1.1. Agricultural Policies Implemented Until 1980</i>	64
<i>12.1.2. Agricultural Policies Implemented Between 1980-2000</i>	65
<i>12.1.3. Agricultural Policies After 2000</i>	67
<i>12.1.4. Agricultural Reform Project</i>	68
<b>CONCLUSION</b>	<b>73</b>
<b>REFERENCES</b>	<b>77</b>



## TABLE INDEX

<b>Table 3.1.</b> Recruitment Table	14
<b>Table 8.1.</b> Average Size of Agricultural Companies in Turkey	40
<b>Table 8.2.</b> Company Size	41
<b>Table 11.1.</b> Unit Numbers of Cooperatives and Partners	61





## FIGURE INDEX

<b>Figure 1.1.</b> Communication Selection	5
<b>Figure 2.1.</b> Swot Analysis	8
<b>Figure 3.1.</b> Training Timing	18
<b>Figure 5.1.</b> Sales Pricing Stages	28
<b>Figure 9.1.</b> Vegetable Distribution Channel	44
<b>Figure 9.2.</b> Wheat Marketing Channels	45
<b>Figure 9.3.</b> Sunflower Marketing Channels In Black Sea Region	46



# INTRODUCTION

A large part of the working population in Turkey still earns their living from the agricultural industry. Since the establishment of the Republic in Turkey, serious progress has been made in agriculture. Our agriculture is gradually modernized, production capacities and cultivated areas have increased, our farmers have become more conscious day by day.

However, an applicable and permanent agricultural policy could not be put into practice, policies related to agriculture were included in the development plans and the goals aimed to be achieved mostly remained on paper.

After the 2000s, the process of restructuring has started for Turkish agriculture, existing agricultural policies before these years gave their place to new agricultural policies. Over time, Turkey has lost its position of “self-feeding” country, agricultural production has begun to be insufficient for the population of the country and imports have begun to be made more and more.

One of the biggest factors in reaching the current situation, along with the instability in agricultural policies is the structure of agricultural companies in Turkey, which consists of small companies in terms of capital and agricultural area. The weaknesses caused by this structure can only be overcome through the more effective operation of the established agricultural cooperatives and the solidarity among the farmers.

Raw materials of agricultural inputs required for farmers to produce cannot be produced within the borders of Turkey. Almost all of the raw materials of fertilizers, pesticides and such inputs, which are among the most important agricultural inputs,

are imported. Fuel is also imported. Thus, Turkey is completely foreign-dependent in the production of agricultural inputs.

Thus, “price”, which is the biggest variable affecting agricultural sales, is constantly changing as it is also dependent on agricultural inputs.

In this study, first of all, general sales concepts are examined through a thorough evaluation of sales management and its dynamics. After, the current situation of the agricultural industry and agriculture-based industries in Turkey is also reflected. Cooperatives, which are an important concept for agriculture, and their contributions to agriculture are discussed. By evaluating past and present agricultural policies, By considering past and present agricultural policies, it has been researched how Turkish agriculture can be more efficient and productive as a result of all the examined concepts.

## **1. CONCEPT OF SALES MANAGEMENT**

Sales appear as the main function that generates income for a company. A company that cannot make sales will not be able to continue its life because it will not be able to generate income. With the continuous developments in the economy and business life, the importance of Management concept has become even more vital. In finding the right path to follow, a sales manager must use systematic knowledge as well as intuition. Sales Management basically includes a set of concepts that contains recruitment of suitable sales persons and their training, compensation, continuous motivation, regional replacement, organization, control and performance evaluation in order to achieve sales targets. (Taşkın, 2007, p. 42)

### ***1.1. Personal Selling***

Personal selling can be defined as “establishing a personal relationship with one or more buyers to make the sale” (Baker, 2003, p. 400). In today’s world, all kinds of products are available in the market with many options. The consumer does not want to buy a product that he/she doesn’t like and that he/she thinks will not benefit him. It is the duty of the sales person to explain the benefit of the product to the consumer. Personal selling is not only the oldest promotion method, but also the most effective method of communication with other consumers. Effectiveness here is a personal quality. The product brand value, which is gradually increased through advertising, is one of the variables that we face in the success of personal selling. Although advertising constitutes the two main elements of promotion programs together with personal selling, the number of staff employed in the field of personal sales is much bigger than the number of staff employed in the field of advertising. The sales person should know the advantages of his/her product compared to his/her competitors, and should focus on these aspects during the interview. It is a fact that a sales person who has analyzed what the consumer expects from the product and presents them well will be much more successful than its competitors. In sales made in the service industry, personal selling may contribute more to the marketing program. In sales made over a list or label price, the role of the sales person in pricing is negligible. In such a case, variables such as maturity and payment terms, which can be left to the initiative of the sales person, will enable the sales person to be more effective on the consumer.

If the seller can maintain a parallel attitude with the advertising, direct marketing and publicity activities included in



other promotional activities and can give the same message to the consumer, he/she will be more successful with the synergy that will arise from this.

Preventing delays by predicting the required stock level in future orders is an important variable in terms of ensuring customer satisfaction. Here, the sales person plays a key role.

By developing some advantages over the competitors and transferring them to the consumer by assimilation by the sales person, it is possible for the existing marketing program to be suitable for the consumer's consumption model.

These can be listed as;

- Advantages of goods,
- Advantages of services,
- Advantages of prices,
- Advantages of promotion and message source,
- Advantages of distribution,
- Advantages of sales person. (Mucuk, 1994, p. 199-200)

### ***1.2. Comparison of Personal Selling with Other Promotion Activities***

The most important difference of personal selling from other promotional activities is that the sale is made by sales person-buyer mutual personal communication. Thus, personal selling can be very flexible. The sales person can make sales by analyzing the person facing him/her, by explaining the benefits of the goods from the perspective of the buyer in line with his/her personal needs. Sales person can see the reaction of the consumer and determine the most appropriate approach at the time of sale.

Another advantage of personal selling over other promotional efforts is that less of the effort is wasted. Advertising

delivers many messages to very large audiences, but has a much smaller chance of hitting a specific target market. In order to know how many of these messages lead to sales, further research is required. In the USA, where advertising is developed, it has been determined that most companies' advertising expenses are 1-3% of net sales and 8-15% of personal sales expenses on average. (Mucuk, 1994, p. 200)

<b>Personal Selling</b>	<b>Direct Marketing</b>	<b>Advertising</b>
Personal	Personal	Multiple
Personal direct communication	Personal indirect communication	Multiple communication
High compatibility	Relatively compatible	Straight compatibility
Deep work	One-on-one work	Extensive work
Bidirectional	Bidirectional	One-way
Direct feedback	Indirect feedback	Feedback only via research
Expensive per communication	Cheap per communication	Very cheap per communication
Push effect	Pull effect	Pull effect

**Figure 1.1.** Communication Selection (Baker, 2003, p.363)

## **2. SALES STRATEGY**

### ***2.1. Concept Of Strategy***

It is thought that the origin of the word 'strategy' is based on the concept of 'stratum', which means road, line in Latin. Accordingly, the word 'strategy' means the path or the line to be followed. Another view regarding the origin of the word

‘strategy’ is that the concept of strategy is named after the ancient Greek commander Strategos, referring to his commanding art and knowledge. (Dinçer, 1998, p.16)

Factors in the internal and external environment of a company and the level of their influence on the company vary even in different departments of the same company. For this reason, it is still debated by scientists whether the emphasis should be given to the internal or external structure. Perhaps the most important goal of the strategy is to ensure the survival of the company in the first place. Only companies that can adapt to the economic, natural, social, cultural, legal and technological environment they are in can survive. (Ülgen, 1997, p. 130)

## ***2.2. Remote Environment Analysis***

Companies do not exist on their own. As defended by the supporters of the systems approach, each is a structure composed of other systems within a system. This approach predicts that companies can achieve success not only by working for themselves, but also by working in harmony with their environment. In the light of the collected information, the external and internal systems of the company are analyzed.

The upper system of the company, its external environment are further classified as remote environment and near environment. The remote environment is defined as the environment formed by factors that indirectly affect business activities. Political, legal, economic, socio-cultural, demographic, technological and global environmental factors in this environment can indirectly affect the activities of the company.

### ***2.3. Near Environment Analysis***

Near external environment, which is another external environment element, consists of factors that directly affect all activities in the industry in which the company is located. Elements such as suppliers, customers, competitors, substitutes for the goods and services of the company can directly affect the activities of the company. Events such as changing tastes of consumers, new strategies of suppliers, development of new products by competitors directly affect the company.

As a result of the analysis of various factors in the external environment of the company, opportunities and threats appear. Opportunities are indicators that can affect the company in a positive way and move it forward from its current position. Threats, on the other hand, are negative indicators that can hold the company back and perhaps can end its life.

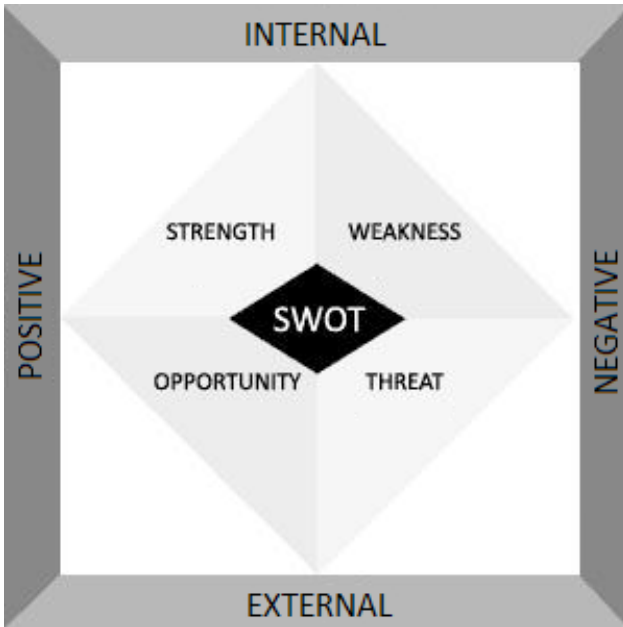
### ***2.4. Internal Environment Analysis***

Each of the sub-systems of the company and its activities such as marketing, corporate culture, financing affect its efficiency. The fact that these sub-systems are better than competitors gives a company an advantage over others. Advantages are internal variables that can take the company forward. Weaknesses are factors that hold the company back and jeopardize its market presence.

### ***2.5. SWOT Analysis***

Evaluating the strengths, weaknesses, opportunities and threats of a company or a strategic unit is called SWOT Analysis. The SWOT Analysis consists of the analysis of the internal and external environment. This analysis consists of the first letters

of the English words Strengths, Weakness, Opportunities, Threats, which stands for SWOT. To emphasize the importance of external environmental factors, the same matrix can also be called TOWS matrix. (Ülgen & Mirze, 2006, p. 65-67)



**Figure 2.1.** SWOT Analysis

### ***2.6. Mission and Vision***

As making sales is one of a company's primary goals, sales management is not possible without a roadmap. Sales strategies should primarily be parallel to the mission and vision of the company, and should not go too far from them. For example, a non-profit foundation cannot be expected to have the goal of selling its products profitably.

The most important goal of a company in terms of managers and partners is to maximize the market value of the



company. Profitable sales are no doubt the most obvious method of achieving this goal. In parallel with the existing mission and vision of the company itself, sales management should also create its own mission and vision. Thus, the direction of the efforts put forward in terms of employees and management is determined. Even though the targets have changed over time, the employees must first understand the reason of the company's and then the sales management's existence, namely their mission. The mission statement is an enduring manifesto that comprehensively defines an organization's workspace, operational activities and responsibilities to the advocacy groups it serves, as well as its business philosophy and values. (Wright & Parnell, 1996, p. 61)

In addition, the vision is the horizon drawn by the basic assumptions about the reason for existence, the purpose of living and similar issues. Vision appears as a result of the values held. The forward-looking development process starts with seeing the current situation as a problem. The vision defines the desired state to be reached in the future and is long-term. It's about making decisions, not making predictions about the future. (Özden, 2000, p. 39)

The vision of a company should be based on three basic components:

- Successes,
- Targets,
- Values,

Vision is where tomorrow begins. When employees who share the same vision struggle to achieve it and systematically think about the future, they really get a chance to change the future. (Nanus' study - citation from Formisano, 2004)

### *2.7. Developing A Sales Strategy*

Building a sales strategy in line with the company strategy is one of the main tasks of sales management. In the light of the analyzes made, the mission and vision definition of the sales management is made and its road map is obtained. In line with this roadmap, each sales representative should have an action plan and a success target to measure his/her development. In addition, sales representatives should be informed at regular intervals about sales management and how close they are to personally set targets. Once this method is successfully established, the process of implementing strategic decisions and making new decisions is simplified by the sales representative, the sales management, and the senior management. Once the sales management has built the necessary strategies, tactics are put forward to implement these strategies. A tactic is a plan of action that determines where and how the strategy will be implemented. For example, it is a tactical decision to determine to which region and in what quantity promotional and campaign materials will be sent. In today's conditions, the effectiveness of competitors is increasing rapidly, quick tactical decisions are of vital importance for the business.

While strategic-level decisions are generally made by senior managers such as the Board of Directors and the General Manager, tactical-level decisions are taken by mid-level managers such as Sales Chief, Regional Sales Chief, and Sales Manager. Managers at this level are expected to reach their sales targets by using the resources they allocate for their own team or sales region in the most appropriate places. (Taşkın, 2007, p. 54-61)

### **3. BUILDING A SALES FORCE**

#### ***3.1. Sales Representative Selection***

The sales representative is the employee who directly makes money for the company with his/her work and sales. An accountant also adds value to the company through his/her work, but a sales representative's contribution can be measured directly. Sales reps in business are like raiders in the army. Nobody wants to hire the wrong person for the wrong job. The fact that the employee who will work as sales representatives are not chosen more carefully will reveal itself very quickly by reflecting on the income of the company. In their research, Caliper determined that 55% of the 78.000 sales representatives interviewed should definitely not work in sales, and 25% of them work in the sale of a product that is not suitable for them. (Thomas, 2008, p. 15)

In this case, a company has to know whether the sales representative it will hire is definitely inclined to the sales business and whether he/she has the sales motivation for the product he/she will sell. A high-cost sales representative, if unsuitable for the job, will leave the job soon or will not leave the job and therefore may have to endure greater financial liability for the company.

In small companies and family companies, recruitment is generally up to the personal knowledge and experience of the owner or boss. When this unqualified sales team, which was first established with the advice of close people, cannot reach the required sales level, the need to establish a more professional sales organization arises. (Taşkın, 2007, p. 78)

In large companies, the decision on the recruiting team is usually made by the manager who will lead the team, and in most cases the Sales Manager. Sales Managers also bring their

personal strengths and weaknesses to this selection. Like sports coaches who choose players for the team, some may feel star sales persons. There are different perspectives to consider when selecting a sales representative;

- Requirements of the Sales Manager,
- Requirements of the sales team,
- Requirements of the sales area and customers,
- The expectations of the entire organization from an employee,
- Own expectations of the employee to be recruited

When selecting the new employee required for a successful sales team, the Sales Manager should choose candidates with the character structure that can work in harmony with him. If the current sales team consists of eminent employees who have proven themselves in sales, then the selection of employee who can support them and work in harmony with them should be made. If new sales representatives are expected to be successful, it is necessary to select a sales representative who fits the target market characteristics. Since human relations and motivation are at the forefront in the sales business, developing a respectful and good communication with the new sales representative from the selection stage will minimize the problems that may arise in the next steps.

Sales teams, by nature, are quite uniquely shaped. At this point, it is necessary to observe well whether the sales team really forms a team or whether they consist of people working independently from each other. With the determination of this, the behavior of the new sales representatives within the team and the appropriate personality structure options are determined. Whether there is an employee who has become a leader in the

team spontaneously is among the other things that need to be examined. If there is such a person, it should also be examined whether the newly recruited employee can work in harmony with this person. In addition, the sales team's perspectives on a newly hired employee should be determined in advance. Will they accept him/her and contribute to his/her education, or will they see him/her as a rival and put pressure on him/her? It is also necessary to think about what the new sales representative can bring to other team members. A sales representative with different skills that the current team doesn't have can bring the existing team to even higher levels. When hiring a sales representative, knowing what kind of sales representative the customers want can be helpful to get a different perspective. The fact that the sales area is variable or fixed, how much travel is required, and whether the employee is suitable are other issues to be researched. In relations with other departments, organizational culture is of great importance. It would be more appropriate to select a candidate who can adopt the existing organizational culture.

After finding the answers to the demands of the company and the sales management, the next thing to do is to learn the expectations of the sales representative candidate and to determine whether they can be met. The motivation of an employee whose expectations are not met will be weak, and an unmotivated employee is perhaps the biggest problem that can be encountered for an area where motivation is at the forefront, such as sales. (Simpkins, 2004, p. 73-79)

### ***3.2. Job Interview With Sales Representative Candidate***

After determining the necessary criteria for selection, it was time for a job interview. The job interview should consist of critical questions and evaluation stages that can analyze all

expectations so that the person with the desired qualifications can be hired. Especially for a position in the field of technical sales, a job interview consisting of personal evaluation can be designed in addition to a technical grading. For example, for a candidate to be recruited to a sales team that requires technical knowledge;

**Table 3.1.** Recruitment Table

Criteria	Rating (1-10)	Weight (1-3)	Total
Customer Portfolio	7	3	21
Technical Knowledge	8	2	16
Training On The Subject	6	2	12
Overall Total			49

a general success score can be calculated by determining various criteria and multiplying these criteria with certain weights. A certain weight is given to this score in the whole interview. (Schwartz, 2006, p. 72)

During the interview phase, various open-ended questions are asked to the sales representative candidate in order to help the company decide whether he/she has the required qualifications. With these questions, it is also possible to get general information about the personality of the candidate. These questions are:

- Could you introduce yourself to us?
- Why do you apply for this job?
- How would someone who knows you well introduce you to us?
- Why did you choose to study .....?
- Do you think that school life is enough to prepare you for business life?

• If you could study again, where would you like to do that?

• What do you do in your spare time?

• What benefits did social activities at school have for you?

• What are your most important achievements in your jobs that have satisfied you?

• What did your internships bring you?

• What do you think a successful superior-subordinate relationship should be like?

• In what kind of work environment do you feel more comfortable and productive?

• Where do you see yourself in five years? How do you know this is a suitable target for you?

• How will this job help you to achieve your goal?

• What are your five-year goals outside of business life?

• What is the biggest reward you expect from business life?

• How can you contribute to this task with your skills or experience?

• How can you contribute to our company?

• What are your characteristics that distinguish you from others?

• What are your strengths and weaknesses?

• What is your approach to the problems you encounter?

• What did you learn from your mistakes?

• What do you know about our company or organization?

• What are the features you look for in the companies you want to work in?

• If you were the employer, for this job, what would you look for?

- Is there anything about you that we didn't ask about but you want to tell us or add?
- Do you have any question? (Taşkın, 2007, p. 93-94)

### ***3.3. Sales Representative Training***

One of the most important tasks of sales management is no doubt the training of sales representatives. In order to get high efficiency from the sales team, both newly hired sales representatives should receive initial training, and existing sales representatives should be subjected to vocational training at planned intervals and their knowledge should be kept fresh.

Customers now expect sales representatives to have complete information about the product. If the slightest objection is not met, the sale of the product may not be possible. The sales representative needs to be like a consultant to the customer and a trainer conveying experiences about the product. In order to achieve all these, sales representatives are given an average of 28 weeks of training in industrial products companies and an average of 4 weeks in consumer products companies. IBM, a large IT company, provides initial training to new sales representatives. After that, IBM sales representatives spend as much as 15% of their time in training each year.

Sales representatives need to:

- Know and specify the company,
- Know the products of the company,
- Know the characteristics of customers and competitors,
- Know how to make an effective sales presentation,
- Understand field operations and responsibilities. (Kotler, 2000, p. 628)



Sales training is a must for sales representatives and managers. The sales representative cannot be expected to acquire the necessary attitude, behavior and competence by him/herself. Waiting for the sales representative to earn them on his/her own takes a lot of time and increases costs.

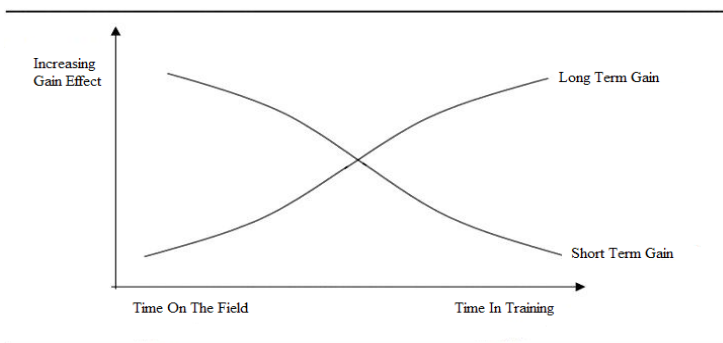
Especially when new sales representatives receive sales training, their learning time is shortened and they gain the ability to benefit from the experience they will gain in the field more quickly. In this way, mistakes made in the field against the customer are minimized, and the corporate image in the mind of the customer is not damaged. A new sales representative, with the training he/she receives, increases his/her belief and motivation in him/herself and him/his work, and also realizes that the company values him/her.

The sales trainer plays a key role as the first person to convey sales-related experience and knowledge, especially to those who are new to the sales business. The trainer must have certain superior personal characteristics. He/she should have an effective voice, good health, a positive and realistic outlook on life, also apply learning principles in the classroom, arouse curiosity, guide and have a lot of life experience and strong communication skills. In particular, hands-on topics are important as they help sales representatives adapt to the field more quickly. After the basic information is given, fiction studies and the application of sales techniques with a buyer actor will develop an increasing self-confidence. Perhaps the most important contribution of sales training is to develop the sales representative's self-confidence in sales and to enable him/her to put it into practice. Here, the trainer should communicate individually with the different people in the group he/she is training, thus reinforcing their belief in themselves and in their ability to do this job. The content and material used in sales

training are also other elements that affect the result. Carefully prepared audiovisual presentations and films including case studies help sales representatives retain what they've learned for longer periods of time.

The sales manager is actually the person who provides ongoing sales training and support to the sales team. The manager, who uses his/her own knowledge and experience for the development of his/her teammates, constantly contributes to the success of the team. With the training they receive, sales representatives learn more by seeing and experiencing in the field. At this point, the manager, who transfers his/her field experiences to them on these issues, will contribute to the sales representative's learning more quickly, and will also take a step towards establishing a warmer communication between them. (Taşkın, 2007, p. 98-114)

While training, the time to be spent is one of the variables that should be well programmed. While the training will reflect positively to the company with the success of the sales representative in the long run, the sales representative who spends all his/her time in the field will reduce the profit of the company, also in the long run.



**Figure 3.1.** Training Timing (Zoltners, Sihna & Zoltners, 2001, p. 203)

Change is also one of the main sources of training, changes that will cause the entire team to undergo a revised training can be listed as:

- The fact that the buyers become more knowledgeable,
- Increase in customer demands,
- Mergers, acquisitions, transfers in buyer companies,
- The removal of external restrictions on sales,
- Increasing competition,
- Technical developments in products and services,
- Reorganization of sales processes,
- Launch of new products,
- Switching to online sales,
- Increases in product diversification,

The sales turnover of companies that encounter such changes are starting to decrease gradually. In order to prevent this, the entire sales team should undergo a revised sales training, the points that need to be changed should be revealed and the sales representatives should be supported with training to develop new sales behavior models according to the necessary situation.

In companies with a developed organizational culture, the constant involvement of the sales team in training programs is seen as a necessity, while in companies with an underdeveloped organizational culture, this seems to be a charge and an extra expense for the company. (Zoltners, Sihna & Zoltners, 2001, p. 200-201)

## **4. MOTIVATION IN SALES**

### ***4.1. Concept of Motivation***

The word ‘motivation’ comes from the old Latin word “Movere”, which means to move. It is seeking an answer to the question of how to encourage an individual to act. The essence of the concept of motivation is motive. The factor that encourages an individual to act is called motive. (Sabuncuoğlu & Tüz, 2001, p. 120)

Motivation is to expose an individual to some external influences and make him/her behave in a different way than he/she would before these influences. (Eroğlu, 2000, p. 245)

### ***4.2. Sales Force Motivation***

The high motivation of the sales force means that the sales representatives will work harder and make more sales. More sales mean more income for the company. Therefore, researchers have conducted many studies on the factors that can increase the sales force motivation.

Some sales representatives are self-motivated, selling for them is the most attractive job in the world. But most of them need specific encouragement and incentives. (Porter, 2000, p. 631)

In a study, it was determined that a sales representative works more than others in the same company. There was a high correlation between the efforts of this sales representative and the results he/she received. Considering that more work yields better results, it is essential to motivate sales representatives to work harder and more ambitious. (Taşkın, 2007)

Various theories and models have been developed that managers can use to motivate employees. All of these theories

claim to help managers find motivating factors and make it permanent. (Koçel, 2005)

Today, companies use various motivation tools to motivate their employees and to get high efficiency from them. These tools are examined as economic tools, psychosocial tools and organizational-managerial tools.

- Economic tools: Salary increase, profit sharing, some economic rewards, bonuses, social benefits.

- Psychosocial tools: Ability to act independently in work, social status, appreciation, development and success, adaptation to the environment, suggestion systems, meeting directly with superiors, psychological security, social activities, delegation of authority.

- Organizational-managerial tools: Goal unity, balance of authority and responsibility, training, participation in decisions, job security, physical working conditions, teamwork, promotion and career development opportunities, open management policy. (Eren, 2004)

Sales representatives carry out their work without direct intervention, as per their job descriptions. This changes the type of motivation required. According to Marchetti, the reward system is the most important of the sales management arguments. During the day, the sales representative has to perform one or more of the processes such as sales, calling customers, supplying goods, training other sales representatives, learning and developing various sales techniques, planning for sales, budgeting. (Cooke, 1999)

In a study conducted by Stephen X. Doyle and Benson P. Shapiro, it was concluded that four factors motivate sales representatives:

- Clear Tasks,
- Need For Success,
- Intensive Salaries,
- Good Management (Taşkın, 2007, p. 146)

People working outside of sales have a common belief that sales representatives are motivated only by salaries. A sales management who agrees with this misconception may see that sales representatives with good sales figures over time lose their performance in the long run or even quit the job. Sales managers who make the sales representative feel that their success is also their own success and express this clearly will establish a strong communication with the sales representatives. (Cichelli, 2004)

Sales representatives want to show their managers their work. If the sales representative is visited by a manager in his/her area and his/her work attracts attention, he/she thinks that his/her work is valuable. Praise by the manager, even if it is short-lived, is also a necessary argument to encourage the employee.

If sales work, which by its nature takes place in the field, is left unattended, the sales representative will gradually begin to cool off from his/her work. Knowing that no one cares about what he/she does can also be a huge disappointment. If sales representatives are called and checked on a daily basis, this will not only put pressure on them to work but also increase their determination to work.

Evaluation meetings held at regular intervals also shed light on the success of sales representatives in the field. If the sales representative whose position is declared among his/her friends is working with poor performance, he/she will immediately straighten him/herself up. It is also an effective method for the manager to have a one-on-one meeting with

the sales representative about his/her performance. The sales representative, who is convinced that his/her own situation is constantly monitored, will speed up his/her work to show his/her manager, with whom he/she is in good relations, that he/she is constantly increasing his/her performance.

Small and large sales competitions can accelerate the efforts of sales representatives to both show themselves and qualify for the promised prize. Official or non-official competitions can also motivate sales representatives. An example of this is a nice dinner to be given to the sales representative who sells the most in the field that day in the region. An official competition, on the other hand, can be like sending the sales representative, who has reached the highest sales figure within three months, on vacation. Regardless of the form of the competition, the most important factor is that the results of the competition are evaluated fairly and that every sales representative has a chance to participate in this competition and win. (Taşkın, 2007)

Some of the sales representatives may work for a long time in their position. However, for some, when they see that they are not progressing on the career ladder or when they realize that there is no position that can be offered to them, their job satisfaction may decrease, which may lead to a decrease in their motivation or even quitting the job. Companies should be able to propose new positions to their sales representatives depending on their performance, or they should make some arrangements to increase their motivation as their seniority increases. Today, many companies organize sales meetings almost every day, telling their sales representatives the career steps they can reach, and aiming to increase employee motivation. In some companies, titles change with seniority, there are additional charge systems and increasing base salaries. As follows, the employee who starts the job with the title of sales representative

is given the title of assistant sales specialist after two years of successful work, and the title of sales specialist in the next two years. With the levels he/she passes, the base salary increases compared to a new sales representative. Thus, it is aimed to increase the motivation of the sales representative, which has decreased over time, with the given title and additional base salary. By presenting career plans in other areas of the company at the end of two successful years, in sales jobs that are not generally demanded, it is aimed to appoint employees to these positions and ensure continuity. (Bernardin & Russell, 1998)

The possibility of motivation for sales representatives with different applications than the existing classical applications is still being discussed today. With a catalog similar to the gift catalogs organized to increase dealer sales, sales representatives can choose gifts from here with the points they have earned throughout the year. These points are given, for example, by meeting the quota every month during the year and exceeding the quota on a certain percentage basis. In this way, the family of the sales representative also benefits from the products they can buy, and their loyalty to the company increases. (Lucy, 2007)

Although all the tools used to motivate employees may work for some people in various ways, it seems that the tool that is known to motivate one person may not be able to motivate another. The effectiveness of the tools used in motivation also depends on people's value judgments, social and educational levels, and environmental factors. For those who grow up in a consumer society, economic tools can often be effective. In a traditional and closed society, the effect that pushes individuals to work harder may be related to psychology and sacred beliefs. Thus, it seems that the effectiveness of the manager in motivating his/her employees is related to his/her good communication with



them and to knowing their cultural and psychological structures closely. (Sabuncuoğlu & Tüz, 2001)

## 5. SALES REPRESENTATIVE COMPENSATION

According to the results of many researches, the sales force is paid based on many criteria. In general, it is seen that 70% of the earnings of sales persons, that means a large part of them, are related to salaries and bonuses. The fee has competitive features and bonuses have enhancing and healing features. (Karabulut, 1995, p. 278-279)

In order to build a qualified sales force, there are necessary:

- Attracting talented people to the company,
- Motivating them properly,
- Keep them in the company.

This can only be possible with the development of a good compensation system. (Mucuk, 1994, p. 212)

When setting up a compensation plan, many companies consider drawing up a plan based on the remuneration systems of other companies in the industry. But systems running in other companies may not be suitable for every company. (Cichelli, 2004, p. 5)

Sales compensation system can play a role from 30% to 70% in the sales expenses budget of companies. It is not something that any senior executive can afford to see that a compensation plan that includes such an expense is unsuccessful. Since the sales compensation system brings the effective work of sales representatives, it is one of the most important issues in a company. As customer satisfaction is a measure of the success of the sales representative, many companies have

started to evaluate customer satisfaction as a criterion in their compensation system. (Berger & Berger, 1999)

In determining the salary of a sales representative, different methods are generally applied in companies such as:

- Only salary,
- Salary and bonuses,
- Only bonuses,
- Salary and commission

Although the terms commission and bonus are sometimes used interchangeably, in fact, commission is a regular and certain percentage given according to the amount of sales, while bonus is a type of payment that is separate from the commission given to sales representatives to increase sales and to sell more than usual. (Taşkın, 2007, p. 253-254)

Cichelli divided the sales representatives into two groups in his studies about compensation. Actual salespeople and customer representatives. Since the work of these two groups is completely different from each other, their compensation systems should also be completely different. Customer representatives receive a certain commission as a result of their work. Changing this would be completely against the remuneration policy. In the good times of the economic situation, the commission they receive due to the sale of the company will be high and they will earn well. The commissions they receive will also decrease during the stagnant times of the economy. Actual salespeople, on the other hand, are more numerous than customer representatives, and deserve more attention. Salary plus bonus system is more suitable for them. 60% to 70% of sales representatives meet their quotas, if possible, employers

should provide various guarantees to keep them. No company wants its sales representatives to hesitate about whether or not to work in the company. (Fiedler, 2002)

In order to establish a sales compensation system, a company should first consider the following issues:

- Company goals. What are our critical goals this year? What goals should we focus on?

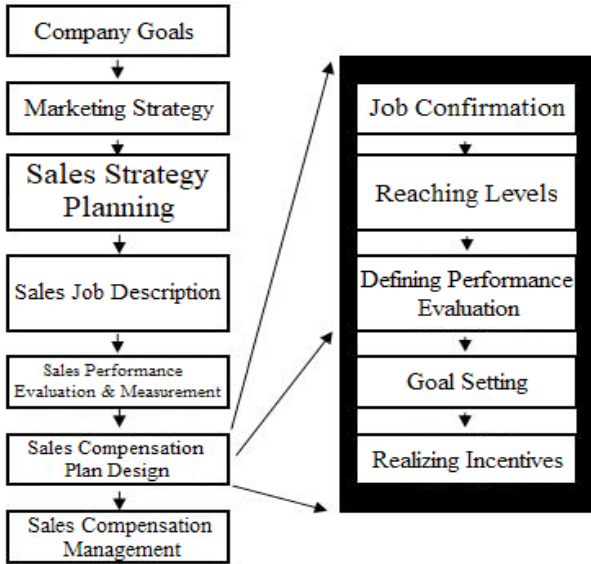
- Strategy. What is the company's marketing and sales strategy?

- Job descriptions. How should the job descriptions be in order to achieve the goals of the company?

- Performance evaluation. How should performance be defined over time and what should be the performance criteria? What progress is expected? What performance ranges should the compensation system be based on?

- Compensation plan. Who should concern the compensation plan? Which of the compensation arguments should be used when motivating the sales team?

- Management. When should payments by performance criteria be made? What should the communication strategy be? Who should be related to compensation management? (Berger & Berger, 1999, p. 301)



**Figure 5.1.** Sales Compensation Stages (Berger & Berger, 1999, p. 297)

The sales team is rewarded in line with driving the company towards its goals. The performance criteria to be selected in this direction should also be compatible with the company strategy and goals. When the company aims to promote its new products and does not present any pricing difference for the sale of new and old products, sales representatives may turn to the sale of the old product, which is easier to sell, and may move away from the point the company aims to reach. (Colletti & Fiss, 2001)

If the targets and quotas set are too high, the sales representatives will not be able to meet the quota and will not be able to earn the required amount of salaries. If the quota is too low, the sales representatives may not be able to reach the sales

figures predicted by the company, as they can exceed the quota very easily. The required quota of the sales team and the bonus it will receive will be determined by how effective the sales team is in the sale of the product. The higher the influence of the sales person in the realization of the sale of a product, the higher the weight of the variable component of the compensation system will be compared to the fixed component.

Performance indicators to be used in the compensation system should be observable and measurable. Unless the level of achievement of the given targets can be measured, it is not possible to give salaries to the salesperson in relation to target realization rate. Sales targets can be in the form of total sales volume, sales to new customers, sales to old customers, customer satisfaction.

In sales compensation systems, the shares of fixed and variable salaries in the total compensation package can be defined differently. For example, this ratio is applied at different rates such as 20:80, 30:70 according to the program to be determined by the company. In this system, the sales representative receives 20% of his/her salary as base salary and 80% of it from bonuses. Many companies also set a maximum gain point for their sales representatives. For example, an upper limit may be set so that the total bonus to be received cannot exceed 2.000 Turkish Liras, no matter how many products are sold. (Cichelli, 2004)

In addition to the compensation system, some fringe benefits will add to the sales person's loyalty to the company. These are:

- Health, life and accident insurance,
- Pension, provident fund or pension insurance,
- Paid leaves,

- Car and covering all expenses related to it,
- Private parking lot,
- Education and training support,
- Travelling expenses,
- Invoiced costs (Going to dinner with sales representatives or customers)
- Annual bonus or holiday bonuses,
- Kindergarten and school bus,
- House rent and fuel aid,
- Support for clothing or clothing cost,
- Marriage aid, birth and similar financial support,
- Issuance of company shares (Taşkın, 2007, p. 255-256)

## 6. SALES FORCE CONTROL

Control is a management and sales measurement method for companies. A typical sales check includes quotas, compensation, budgeting, activity reports, rewards, travel and training programs. It is impossible not to have control at all stages of the sales process. Otherwise, all activities can cause chaos. In case of incomplete control, it is likely to result in great time and thus labor force losses.

The control process brings with it a number of foresights. Possible sales figures, potential customer visits and travel numbers, budgeting should always be forecasted. In the light of these predictions, monthly, quarterly and annual sales budgets are built, customer visits and travels are planned. (Thomas, 2008)

Studies on the sales management control system have focused on two basic approaches. The first of these is the propositions of Anderson and Oliver (1987) regarding the consequences of behavior and output-based control systems on

sales persons' insight, influence, attitude, motivation, behavioral strategies and performances using some of the basic theories in economics, organizational behavior and psychology. The second approach is based on a conceptualization by Jaworski (1988) that comprises the formal and informal dimensions of managerial control of marketing employees.

### ***6.1. Behavior-Based Control System***

Salespeople working under behavior-based control system, receive a higher fixed salary than under bonus systems. In this system, the activities of salespeople and their results are largely observed. Management constantly intervenes in the activities of salespeople. In the compensation phase, criteria such as sales person qualifications (product information, sales technique information) and sales side activities (number of phone calls) are taken into consideration rather than sales performance.

The biggest advantage of a behavior-based control system to management is that it gives the manager a competent control capability. The image of how a sales person should be by the management is conveyed to the sales person through a strong transmission. However, sales management keeps its loyalty to the sales representative strong, and as a result, sales representatives are expected to become more attached to the company. There is no explicit pressure for sale in this control system. In the system, which is more process-based, it is aimed to train sales representatives who are more integrated with customers thanks to their services and more planned.

It is often difficult to make an objective assessment, as the assessment is not based on sales outcomes. Evaluating behaviors and processes is a much more complex and difficult process than comparing available numerical outputs. This structure can

cause problems in the evaluation of the more ambitious sales representatives. It is natural for the sales representative, who has a high output rate with more customer visits, to feel idle in this control system. (Anderson & Oliver, 1987)

### ***6.2. Outcome-Based Control System***

In this control system, sales representatives get more freedom of action to follow their own strategies in all their activities. The control system is more concerned with the results and figures. The basic part of the salary consists mostly of incentives and bonus payments. In this system, the manager observes the salespeople much less and is more concerned with the output itself rather than the method of achieving the output.

Sales work is, by its very nature, a profession that takes place in the field. It is difficult enough to oversee the sales representative's activities in the field. This method, which deals with outputs, saves sales management more time for other activities that it will take care of, and therefore saves time. As the output-based management system provides wide freedom to the sales representative, it can sometimes cause deficiencies in orientation. In order to increase the income level, the sales representative may ignore long-term relationships and exhibit some behavioral patterns that he/she should not do. Organizational culture reflection is also difficult in this system. The sales representative finds him/herself in a more selfish work system and can only focus on increasing his/her own income level. His/her loyalty to the company may also be in jeopardy. The sales representative, who thinks that he/she has already sold the product with his/her own skill, thinks that he/she will continue to do the same in another company and may



take a moderate view of the deal with better revenue generating companies. (Anderson & Oliver, 1987)

### ***6.3. Formal Control System***

Formal controls are management-initiated mechanisms to encourage the sales representative or sales team to act in support of certain marketing objectives. Although these systems are clearly designed, they also contribute to the informal control system process. Similar to Anderson and Oliver's approach, it consists of process-based and output-based control systems.

Most salespeople like more output-based control systems because they want to be free in what they do. In this way, they gain the flexibility required by the sales job.

Formal controls are determined in writing. Individual goals are often not in line with marketing goals. Sales representatives may not have a direct interest in the marketing goals of the company, as they generally aim to increase their own revenue potential. Formal controls are initiated by managers, while informal controls are mostly initiated by employees. The primary responsibility for initiating and adapting formal controls lies with the sales management, whereas for informal controls the responsibility lies with the sales representatives.

### ***6.4. Informal Control System***

These are unwritten control mechanisms that are shaped entirely by various behavioral models put forward by employees. They may or may not support the achievement of marketing goals.

First of all, it starts with one's self-control. With personal control, the person sets a goal for himself. Social control can be defined as conforming to behavioral patterns developed by

groups working in the company. The level of control of this small group is self-limited. In general, the sales representative who acts against this social control mechanism will not be able to maintain this position for a long time, will comply with the control system, or will leave the organization completely. The person who does not conform to the norms developed by the group is faced with open or closed pressure. Another informal control model includes the behavioral model of the entire organizational culture. The organization, which has developed certain cultural norms, will not keep the employee who act contrary to this model for a long time. For example, it is an organizational culture model that financial institutions always choose dark colored suits. A sales representative who always chooses light-colored suits will be strange to his/her friends, and if his/her behavior continues, he/she will be warned by his/her superiors. If he/she continues his/her behavior, he/she will not be able to stay in the organization. (Jaworski, 1988)

### ***6.5. Arguments Used In Control Process***

In process-based systems, it is not possible to use numerical methods because control is mostly on behavioral models. In output-based control models, various arguments are used to follow the outputs. These are sales budgets and sales reports.

#### ***6.5.1. Sales Budgets***

The sales budget can be considered as an initial budget for all business activities. The sales budget includes the estimation of the sales to be made and the detailing of the sales in terms of amount for the budgeted activity period. It is based on estimating the possible costs and quantities of sales. The sales budget is prepared by the marketing or sales departments. After

the budget is prepared, it is an extremely important business activity as departments such as the production and planning department and the logistics department will make connections and resource planning over this budget.

In this process, where estimation methods should be used effectively in general,

- Sales quantities and amounts can be estimated by including past sales and other important factors in regression and correlation analysis,
- The amount of sales can be estimated by examining the market share of the company, product life curves and competition,
- With the examination of consumer behavior, the amount of sales can be predicted,
- Sales volumes can be estimated by examining industries and general macroeconomic components.

After these estimation processes, a budget plan is formed by including the possible expenses of the sales representatives. (Tıǧlı & Demir, 2005)

The main purpose of preparing the budget is to realize the sales quota with the least amount of resources to be allocated to each expenditure heading. The point is not to spend the least. The important thing is that the sales management can reach the sales targets. In the short run, costs can be cut and profitability can be greatly increased. But in the long run, sales management goals will not be achieved, as productivity will decline if expenditures are not made on the training and motivation of sales representatives. Therefore, it is important for the future of the company to design a budget that also considers long-term goals. (Taşkın, 2007, p. 279)

Preparing a sales budget has the following consequences:

- It forces managers to forecast future sales and costs,
- Making a plan and implementing the plan forces managers to control sales and various other activities and departments in the company,
- Budget control requires comparison of actual results with the budget,
- The manager, who is aware of the changes with the budget control, can take new measures,
- Budgetary control increases efficiency, prevents unnecessary expenditures,
- It enables the company's resources, opportunities and sales force to be used more efficiently. (Taşkın, 2007, p. 278)

### ***6.5.2. Sales Reports***

As in other management units, sales management also needs numerical data in order to make the necessary decisions. This data they need makes it necessary to prepare various sales reports. Many reporting systems, from daily activity reports of the sales representative to annual sales reports, contribute to the decision-making mechanism of sales management. The fact that the sales representatives present their visits and results to the sales management as a daily activity report also builds a control mechanism. Periodic reports describing the realization rate of the current sales budget also show the sales management to what extent the existing targets have been achieved and provide the ability to intervene if there are deviations from the planned situation.

The numerical ratios or percentages usually derived from sales reports are:

- Total number of meetings,
- Sales volume,
- Number of successful sales,
- Successful sales percentage,
- Average sales per point,
- Average size of orders,
- Number of lost customers,
- Number of new customers making a purchase,
- Number of current customers making a purchase,
- Number of customers served,
- Number of days worked,
- Average expenditure of the sales representative,
- The ratio of the sales representative's total expenses to the number of meetings,
- Distance traveled daily,
- The ratio of kilometers traveled by car to the number of meetings,
- The ratio of the distance traveled to the number of days worked,
- The kilometer traveled for each order received,
- The expenditure made for each order received,
- Ratio of sales to new customers to sales to existing customers,
- Sales made to existing customers,
- Percentage of lost sales,
- Percentage of sales won,
- Decrease percentage,
- Average order percentage,

Other information used in the evaluation of the sales representative's activities and obtained in the sales reports, varying according to the companies, are as follows:

- Information about the customer, dealer or distributor visited,
- Competitor activities,
- Operation of shipment and distribution,
- Collecting information,
- Customer complaints,
- Market intelligence (Taşkın, 2007, p. 268-269)

## **7. THE PLACE OF AGRICULTURE IN ECONOMY**

Although the place of agriculture in the economy in Turkey has decreased relatively, it is still of great importance in terms of meeting domestic food needs, supplying inputs to the industry, exports and employment opportunities it creates. While the share of the agricultural industry in the GNP was 42.8% in the year the Republic was founded, it decreased to 36% in the 1970s, 25% in 1980, 16% in 1990, 13.5% in 2000, and 12.6% in 2003. The gradual decrease in the share of the agricultural industry in the GNP in Turkey is the result of industrialization and giving more importance to development in the services industry.

The agricultural industry, by its nature, needs a large workforce. Indeed, agricultural activity is a way of life. While the share of agriculture in employment was 50.6% in 1980, it decreased to 34.3% in 2003. With the increase in capital accumulation and use of technology in agriculture, this ratio will be lowered even more.

The sensitivity of the industry to the general economic and social conditions of the country has caused fluctuations in the

sectoral growth rate over the years. The agricultural industry showed positive growth of 7.8% in 1988, 6.8% in 1990, 8.4% in 1998, 12.2% in 2000 and 7.1% in 2002. The average growth between 1988-2002 was 1.1%.

According to the Standard International Trade Classification, approximately 4% of imports and 7-9% of exports are composed of agricultural products. According to the International Standard Industrial Classification, the share of agricultural products in imports reaches 10% and their share in exports reaches 10.3%. In terms of general export balance, it can be said that the agricultural industry has moved from being a net exporter to a net importer in recent years. Changes in consumption habits, differences in education and income growth have led to an increase in imports of agricultural products. The share of agricultural products in total imports increased from 0.6% in 1980 to 11% in 2003, including food and beverages.

Turkey exports hazelnut, dried fig, seedless raisin, pistachio, dried apricot, tobacco, olive oil, cotton, legumes, fresh fruit and vegetables to many countries, especially to Europe and the United States. Turkey is among the world's leading countries in the export of these products. The main imported agricultural products are wheat, corn, rice, oilseed, cotton, livestock and meat. (Çakmak & Akder, 2005)

## **8. AGRICULTURAL COMPANIES**

There is an agricultural structure in Turkey dominated by small family businesses based on private ownership. With the expansion of cultivated lands over time, the number of companies has also increased. While the average agricultural land was 55.3 decares in 1960 (Turkey Statistical Yearbook, 1960), it increased to 61 decares in 2001.

**Table 8.1.** Average Size of Agricultural Companies in Turkey

Land Width (Ha)	1963	2001
0.1-2	9.3	9.7
2.1-5	33.6	31.1
5.1-10	71.1	68.1
10.1-20	136.2	134.1
20.1-50	284.8	273.8
50.1- +	1458.3	955.0
Overall Average (Ha)	5.53	6.10

(General Agricultural Censuses 1963-2001)

More than 80% of the agricultural companies in Turkey are small companies. Between 1952 and 1980, the number of parcels of agricultural lands increased from 15.7 million to 22.9 million. In the same period, companies expanded by 17%, while the number of parcels increased by 45.7%.



Table 8.2. Company Size

Company Size	1950		1963		1970		1980		1991		2001	
	Number	Area	Number	Area	Number	Area	Number	Area	Number	Area	Number	Area
1-20	30.6	4.3	40.9	6.9	44.2	10.4	28.4	4.1	36.7	5.6	33.4	5.3
21-50	31.6	14.3	27.9	16.9	28.7	16.8	32.7	15.9	31.1	16.6	31.5	16.0
51-100	21.8	20.7	18.1	23.3	15.6	21	20.8	21.3	17.5	19.9	18.5	20.7
101-200	10.3	19.3	9.4	23.2	7.8	21	11.8	23.8	9.4	20.9	10.8	23.8
201-500	4.2	16.6	3.2	16.6	3.1	19.6	5.5	22.7	4.4	19.8	5.1	22.8
501- +	1.5	24.8	0.5	13.1	0.6	11.2	0.8	12.2	0.9	17.2	0.7	11.3
Total	100	100	100	100	100	100	100	100	100	100	100	100
Number of Companies	2527800		3100900		3058900		3558800		3966800		3021196	
Area 1000 Ha	19452		17143		17065		22764		23451		184329	

(General Agricultural Censuses, 1950-1963-1970-1980-1991-2001)

According to the results of the 2001 General Agricultural Census agricultural companies survey, both crop production and animal husbandry are carried out in 67.42% of the total 3075516 agricultural companies. In 30.22% of these companies, only crop production is carried out and in 2.36% of them, only animal husbandry is carried out.

The property land ratio in agricultural companies in Turkey is quite high. According to the 2001 General Agricultural Census Agricultural Companies household survey, while the rate of companies cultivating only their own land is 81.34%, the rate of land that these companies cultivate is 73.96%. The region with the highest number of companies cultivating only their own land is Southeastern Anatolia with 90.16%, and the region with the lowest rate is the Marmara Region with 70.24%.

It has been determined that only 13.4% of 37,472 settlements have sufficient sources of irrigation. This rate is the lowest in the Black Sea Region with 7.14%, and the highest in the Mediterranean Region with 18.83%. The use of chemical fertilizers is more common than the use of farm manure. For example, 46.19% of the settlements in the Southeastern Anatolia Region use farm manure, while 80.29% use chemical fertilizers. However, while pest control is carried out in 76.66% of the total settlement area, this rate is the lowest in Northeast Anatolia with 34.53% and the highest in Central-South Anatolia with 93.26%. (General Agricultural Census, 2001)

Agricultural companies operate with less capital compared to other industries of the economy in terms of capital size. More than 95% of their capital has the same feature and the ratio of land capital is around 70-80% in most of the companies. The ratio of working capital to total active capital is 15-20%. This

rate is around 45-50% in agricultural companies in developed countries. The majority of agricultural companies in Turkey lack the financial structure to use credit. ([www.ekodialog.com/Konular/tarim\\_eko/tarimsal\\_altyapi.html](http://www.ekodialog.com/Konular/tarim_eko/tarimsal_altyapi.html), ¶12, ¶13)

## 9. AGRICULTURAL MARKETING

Agricultural marketing is a branch of science that examines the processes of agricultural products from the manufacturer to the final consumer. Agricultural marketing starts with the farmer taking the first step into production and includes all activities, from the production to consumption, of the goods. Agricultural marketing also includes the sale of products, the organization of sales and the formation of prices of products. For the success of production activities, it is necessary for the farmer to know not only the technical and economic problems related to the production of the products, but also the economic, administrative and technical problems related to the sale of the product.

In agriculture, the marketing process begins with the manufacturer's decision on which product to produce and continues until the necessary input supply for production, the harvest of the product or the preparation of the harvested product to the market and its delivery to the consumer. (Güneş, 1996, p. 3-4)

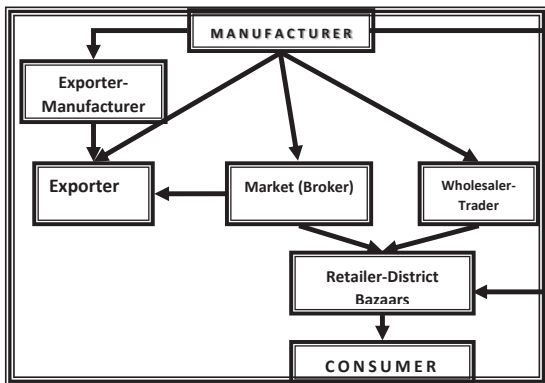
Agricultural marketing functions can be listed as the main services of agricultural marketing as follows:

1. Collection,
2. Processing,
3. Distribution.

Auxiliary services in agricultural marketing can be listed as follows:

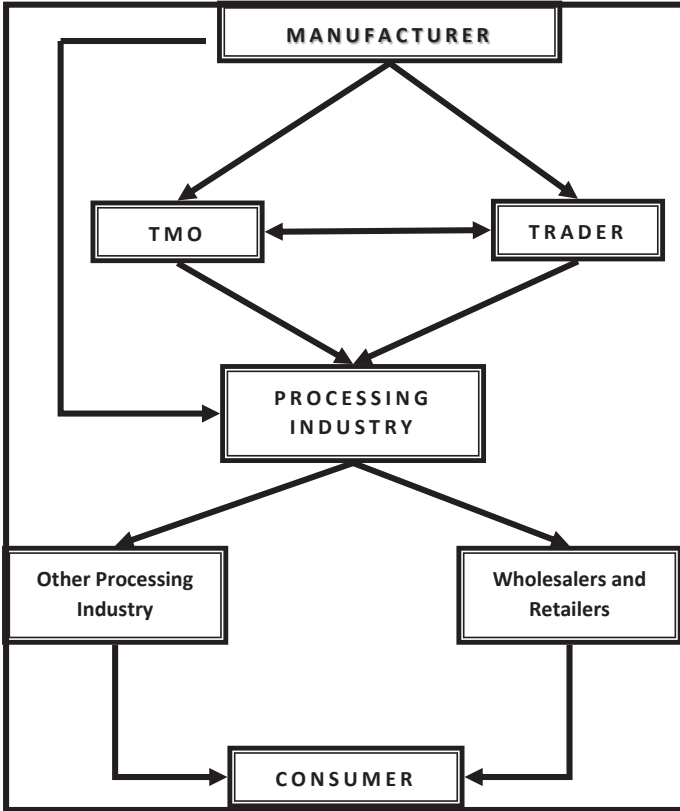
1. Harvest and collection of the product,
2. Rating, classification, grading, standardization and quality control,
3. Packing and packaging,
4. Transport,
5. Storage,
6. Taking the risk of harm,
7. Formation of price,
8. Carrying out financial transactions of marketing,
9. Carrying out accounting transactions,
10. Sales,
11. Demand generation. (Güneş, 1996, p. 124-125)

Due to its structure, agricultural products reach the final consumers through different channels. It is possible to encounter many channel structures depending on the type of product. In some cases, the manufacturer may sell his/her product directly. Fruit and vegetable manufacturers can also sell their products themselves.



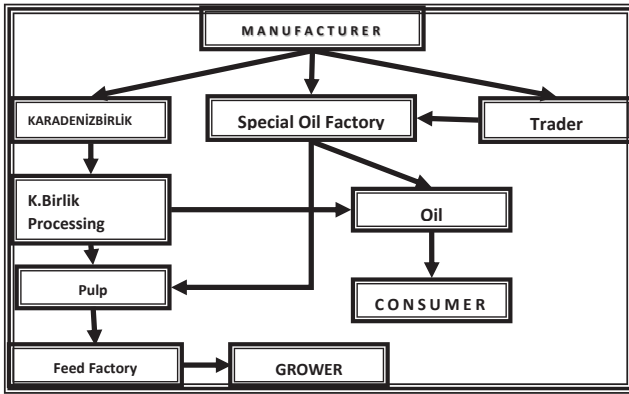
**Figure 9.1.** Vegetable Distribution Channel (Western Black Sea Region Agriculture Master Plan, 2007, p.206)

In some cases, the product needs to be processed and the farmer has to sell his/her product to the trader, Turkish Grain Board (TMO) or wholesalers.



**Figure 9.2.** Wheat Marketing Channels (Western Black Sea Region Agriculture Master Plan, 2007, p.176)

If the product has different usage areas, the marketing channels may also be different. For example, after the sunflower is processed, it can also be a raw material for the feed industry. At the same time, it finds usage area as sunflower oil that we use on our tables.



**Figure 9.3.** Sunflower Marketing Channels In Black Sea Region (Western Black Sea Region Agriculture Master Plan, 2007, p.204)

Such differences in marketing channels result in the need to develop a production and marketing strategy for each agricultural product on its own. Manufacturers are faced with many uncertain variables at the production stage. The complex structure of marketing channels can complicate product pricing and thus sales. Therefore, it is inevitable to make some macroeconomic regulations to protect the farmer.

## 10. AGRICULTURAL INDUSTRY

### 10.1. Agriculture-Based Industry

Evaluation of agricultural products, like every manufactured item, can be direct or indirect. The agriculture-based industry consists of all kinds of organizations established for customer demands, first to define the requirements for human life and then to transform some of the products obtained into different forms and deliver them to the customer.

### ***10.1.1. Food and Beverage Industry***

Turkey is one of the few countries in the world with both the diversity in what is produced and the diversity in food products made with what is produced. The food industry, which processes and evaluates agricultural products, is an industry branch that makes the raw materials taken from agriculture more durable and ready for consumption with various preparation, processing, preservation and packaging techniques. Turkey, which is in the process of social, cultural and economic change, has reached a level that can compete with the international market conditions, together with the developments.

Flour and bakery products take the biggest place in the food industry. In this industry, approximately 10 million tons of wheat and, accordingly, nearly 10 million tons of bread are produced annually. In the biscuit sub-industry, Turkey is an exporting country with an annual production capacity of 780 thousand tons and a production level of 400-450 thousand tons. Biscuit production, which was 353 thousand tons in 1994, reached 441 tons in 2000.

As a result of its export-oriented industrialization strategy, Turkey has covered great distances in pasta export. With a production capacity of 900 thousand tons of pasta and a production level of 480 thousand tons, Turkey has become one of the largest pasta manufacturer countries of the world.

In milk and milk production, serious levels such as 350 thousand tons of drinking milk, 220 thousand tons of feta cheese and 130 thousand tons of butter have been reached as of 2000. In recent years, there were significant increases in the production and export of ice cream, which is a dairy product.

In the fruit and vegetable processing industry, pickled vegetables, canned fruit and vegetables, fruit, fruit juice and

frozen fruit and vegetables are produced. Although frozen fruit and vegetable production is new in Turkey, it is one of the quickly developing industries. Peas, beans, okra and mixed vegetables, peaches, apricots and cherries are mainly used in the canned food processing industry. Tomato paste has a different place among processed agricultural products. 25-30% of the tomatoes produced in Turkey are processed. 80% of the total amount processed is used in tomato paste, the rest is used in products such as canned food, ketchup and tomato juice. 50-60% of the tomato paste produced is exported.

Being one of the world's manufacturer countries in vegetable oil production, Turkey is the world's fourth largest manufacturer of olive oil. Other important products are sunflower, soybean and corn. Vegetable oils obtained from products such as hazelnut and canola are also offered for consumption recently. In terms of vegetable oil, there is still a significant supply gap in Turkey, apart from olive oil. This deficit is covered by the import of products ranging from 300-350 thousand tons per year. This gap is closed with an average of 300-350 thousand tons of product imports per year.

Confectionery and cocoa-added products are among the other imported food products of our country. Sugary products and chocolate products consist of chewing gum, confections, Turkish delight, halva, chocolate and cocoa products. Production in this industry has increased by 59% in the last 8 years. The production, which was 324 thousand tons in 1993, was realized as 428 thousand tons in 2000.

Agriculture-based industry products are used for domestic consumption and most of them are exported. Fruit juices and concentrates, tomato paste and canned food have an important place in the exported food industry products.



The production of alcoholic and non-alcoholic beverages in Turkey has been increasing over the years. As of the end of 1999, a production increase of 3.6% in non-alcoholic beverages, 7.4% in low-alcohol beverages and 3.7% in high-alcoholic beverages was recorded. In the wine industry, Tekel, which has the status of a state-owned company, as well as 25 private sector companies produce wine and 10% of the wine produced is exported. 90% of Turkey's beer production is consumed domestically. All of the distilled drinks are produced by Tekel. Turkish raki constitutes approximately 80% of domestically consumed distilled beverages and 95% of exported distilled beverages. (West Black Sea Agriculture Master Plan, 2007, p. 284-285)

### ***10.1.2. Leather Industry***

The world industry in leather production started to shift towards less developed countries in the 1970s. Turkey has not benefited much from this situation. With the implementation of free market principles in the early 1980s, the leather products industry also started to rise rapidly. Physical proximity to European countries, the traditional strength of the industry and especially the abundance of raw sheep hides played a role in this development in Turkey. In Turkey, which exported raw leather before 1980, these exports stopped in the 1980-1983 period, and after 1983, serious increases were recorded in the export of leather products. After the disintegration of the Soviet Union in the early 1990s, exports to the former Eastern Bloc countries, especially the Russian Federation, increased rapidly and the trade in the form of luggage trade with the tourists of these countries reached high levels.

Contrary to these positive advancements, the industry was adversely affected as a result of the crisis that emerged in some

Far East countries in 1997 and in Russia in 1998. In 2000, the industry's efforts to turn to alternative markets started to yield results, and production increased with the effect of the revival of domestic demand.

Parallel to the progress in leather production technologies in Turkey, on a value basis, 5.5% of the leather processed from small cattle, 1.2% of the leather processed from cattle, 4.5% of leather clothing and 1.6% of shoes produced all over the world are produced in Turkey. (Özçörekçi & Öngüt, 2005, p. 11-12)

### ***10.1.3. Textile Industry***

The textile and ready-to-wear industry in Turkey has entered a rapid growth and development process with the export move that started in the 1980s. Turkish textile ready-to-wear industry is among the largest manufacturer and exporting countries with a share of 2.2% in world textile exports and 3% in ready-to-wear exports. About half of the production in the industry is exported. Its share in general exports is around 37%. 25% of the 40,000 companies in the industry are active exporters. European Union countries take the lead in export countries with a share of 60%. (West Black Sea Region Agriculture Master Plan, 2007, p. 285)

Turkey's textile exports entered a period of decline from 1995 to 2000. During this period, the fact that countries like the People's Republic of China, which are in an advantageous position in terms of raw materials, energy and worker salaries, have played a major role.

### ***10.1.4. Tobacco Industry***

Tekel is the biggest buyer of tobacco produced in Turkey. Tekel buys tobacco for the blend needs of cigarette brands, by

the authority of the administration and the cabinet, on behalf of the state. In our country, as of 1998, 15 private sector companies have been operating in the field of tobacco trade by actually purchasing tobacco from the markets. Of the 252 thousand tons of tobacco produced in 1998 and purchased in 1999, 186 thousand tons were purchased by Tekel and 66 thousand tons by traders. Approximately 137 thousand tons of 186 thousand tons of tobacco purchased by Tekel were taken under the supporting mission. (Tobacco and Tobacco Products Industry Special Expertise Commission Report, 2000, p. 10-11)

Turkey is among the world's largest countries in the production and export of oriental tobacco. Tobacco export, which was 82.5 thousand tons in 1995, was around 100 thousand tons in 2000 and approximately 115 thousand tons in 2004. Tobacco import, which was 21,6 thousand tons in 1995, was 10 thousand tons in 2000 and 4 thousand tons in 2004. (West Black Sea Region Agriculture Master Plan, 2007, p. 286)

## ***10.2. Industries Supporting Agriculture***

These industrial branches consist of agricultural mechanization industry, fertilizer industry, pesticide industry, feed industry, seed production and seedling production industry, which are used to produce agricultural products.

### ***10.2.1. Agricultural Mechanization Industry***

Agricultural mechanization tools, which are an input in agricultural production, are an important agricultural production input that increases labor productivity in agricultural production, reduces costs, ensures that modern production technologies are used and processes are carried out on time, in accordance with requests, increases product quality and yield.

At the same time, agricultural mechanization, which is an expensive input, has a 52% share in our country's agriculture. The level of mechanization in Turkey showed a rapid change between 1965-1975. After the 171% increase in 1975, this rate started to decrease as of the 1980s. It decreased to around 63% in 1985 and to around 12% in 1998. Along with this decrease, there have been great problems in all business lines related to the agricultural machinery industry and these problems still exist.

According to the agricultural census made in 2001, while the cultivated areas decreased, the number of tractors increased by 20.13%. In terms of regions, Central Anatolia Region has the highest number of tractors. (Altuntaş & Demirtola, 2004)

Our exports, which were \$6.15 million in 1993, reached \$16.3 million in 2000 and \$26 million in 2001. According to the data of the Undersecretariat of Foreign Trade, there are 90 agricultural machinery manufacturers exporting to 97 countries. (West Black Sea Region Agriculture Master Plan, 2007, p. 286)

### ***10.2.2. Fertilizer Industry***

Chemical fertilizer production in Turkey started in 1939 with the production of ammonium sulfate as a by-product in Karabük Iron and Steel plants. The first chemical fertilizer facility was established by the state in 1954, public investments continued in order to meet the increasing demand for fertilizer in the following years, and private companies took their place in the industry in the 1970s.

A total of 9 organizations operate as manufacturers in the Turkish fertilizer industry, 7 of which are private and 2 are public. Apart from this, there are 3 iron and steel companies that produce a small amount of fertilizer as a by-product, 3

companies that produce fertilizer raw materials as a by-product, 1 public organization that supplies natural gas to the fertilizer industry and organizations consisting of cooperatives and legal entities engaged in the import and distribution of fertilizers. (2nd Agricultural Council 7th Commission Agricultural Input and Supports, 2004, p. 10)

Raw material resources, phosphate rock and natural gas required for fertilizer production are not available in Turkey. This means that imports are necessary to produce. Since the constantly variable nature of commodity prices also directly affects fertilizer prices, it is not possible to talk about a stable fertilizer price. Although manufacturers produce some fertilizers themselves, it is a common method to import fertilizer directly in bulk and sell it by bagging.

Fertilizer is a very important agricultural input that can increase agricultural productivity up to 50% in some agricultural products. It has been revealed that the cost of fertilizer, which has a share of 10-15% in agricultural product costs, has returned as 10.5 times at the end of the same year.

Fertilizer consumption increased 13 times in the period 1960-1970, doubled in the period 1970-1980, and increased 1.7 times in the period 1980-1990. The increase in the period 1990-2000 was only 6%. There is an important relationship between the fertilizer consumption and the fertilizer/product price balance, which can be expressed as the purchasing power of the farmer. The only reason for the stagnation in the increase in consumption is the low fertilizer purchasing power in recent years.

The most effective factor in the fertilizer purchasing power of the farmer is the rate of fertilizer support to the farmer. While the rate was 81% in 1979, it was 50% in the 1995-1997 period,

37% in 1998, 27% in 1999 and 18% in 2000. As a result of all these, fertilizer consumption, which was already insufficient, decreased gradually. ([www.bianet.org/bianet/tarim/12803-imf-programinin-sonucu-gubre-kullanimi-dustu](http://www.bianet.org/bianet/tarim/12803-imf-programinin-sonucu-gubre-kullanimi-dustu), ¶3, ¶7, ¶8)

The fertilizer industry, which is dependent on imports, continues its efforts to remove this dependency with some new progresses. Gübre Fabrikaları T.A.Ş, which is the second company in the fertilizer industry in Turkey, bought the company called Razi Petro Chemical Co., located in Iran, from the Iranian privatization administration and via this company which has raw material resources, they initiated a great mobilization in this direction. Thanks to the production of this company, which also has its own natural gas production area in Iran, it will be possible to supply cheap fertilizer for Turkey.

([www.haberx.com/Gundem-Haberleri/Subat-2008/GUBRETASIN-RAZIYI-ALMASI-ULKERIN-GODIVAYI-ALMASI-KADAR-ONEMLI.aspx](http://www.haberx.com/Gundem-Haberleri/Subat-2008/GUBRETASIN-RAZIYI-ALMASI-ULKERIN-GODIVAYI-ALMASI-KADAR-ONEMLI.aspx), ¶12)

### ***10.2.3. Pesticide Industry***

The pesticide industry in Turkey began to be established in the 1950s. As of 1998, there are more than 2000 licensed pesticides and the number of technical substances included in them is 243. 16 of these substances are produced in Turkey and the rest is imported. A constantly rising trend is observed in the pesticide industry in Turkey, especially after 1995. (Özel, 2004, p. 42)

The most important stage in the production of pesticides in terms of chemical, technical and economic aspects is the production of active substances, and the industry is generally foreign-dependent at this point. In this respect, it is seen that the pesticide industry in our country has developed intensively in

formulation and packaging. Pesticide producing companies do not tend to produce active substances, which require relatively high investment expenditures and modern technology, and which have a high level of risk. As of 2003, the annual average pesticide consumption is 33 thousand tons. Insecticides constitute 47%, herbicides 24%, fungicides 16% and other pesticide groups 13% of this consumption. The distribution of annual pesticide use by regions shows an imbalance when the agricultural areas of the regions are taken into account. However, pesticide use is higher in areas where industrial crops and fruit and vegetables are grown. In Turkey, approximately 20% of pesticide use is in cotton, 19% in cereals, 17% in vegetables, 13% in fruit, 8% in vineyards, 7% in citrus fruits, 3% in tobacco and 13% in other products. According to 2002 data, 8 thousand tons of pesticides were imported, and the imported pesticide raw material was 9 thousand tons. (2nd Agricultural Council 7th Commission Agricultural Input and Supports, 2004, p. 13)

#### ***10.2.4. Feed Industry***

The use of roughage is essential in animal husbandry, especially in the feeding of ruminant and monogastric animals. Roughages are cheaper than concentrated feeds. Increasing the usage area of this type of feed plays an active role in reducing the feed inputs, of which more than 2/3 of the input resources belong to feed in animal husbandry.

##### ***10.2.4.1. Roughage***

Roughages are obtained from different sources. A total of 58.8 million annual production is available in dry grass and natural form. A large part of this consists of grain and straw of products such as wheat, barley, rye, and dry grass obtained from meadows and pastures.

There is no specific commercial understanding in quality roughage. Usage is generally local and they are used only in the regions where they are produced. Feed production in Turkey cannot develop at the desired level because there is not sufficient integration between the industries. Marketing conditions and organizations are not in any particular order. The amount of silage feed produced is around 2.5 - 3 million tons.

#### ***10.2.4.2. Mixed Feed***

Feed factories belonging to the private sector have been established since 1965. Having completed its pioneering role, Yem Sanayi Türk A.Ş. has withdrawn from the industry since 1996 by selling all its feed factories within the scope of privatization. As of 2004, there are 599 feed factories established in the industry, and 451 of them continue active production. While the capacity ratio was 77% in the 1970s, it decreased to 54% as of 2004. In 2003, approximately 6 million tons of mixed feed was produced. While 51.5% of this value is for cattle and small cattle feeds, 47.4% is poultry feed and the remaining 1.1% is other feeds. Since the production of raw materials used in mixed feed and the increase in mixed feed production figures are not at the same rate for our country, imports have become an important source of supply for raw materials. In line with the increasing demand thanks to the advancements in the poultry industry, the proportion of imported raw materials in feeds has reached 75%. (2nd Agricultural Council 7th Commission Agricultural Input and Supports, 2004, p. 28-30)

#### ***10.2.5. Seed Industry***

One of the basic inputs that will increase production and productivity in agriculture, increase the benefit of soil, water,



fertilizer and mechanization resources, and make the plant resistant to diseases and pests is seed. Along with industrialization, new varieties have been produced for various soil and climatic conditions in artificial and natural environments with new techniques. Seeds obtained from varieties bred according to regions also increase the benefits of other inputs. Good quality seed can increase grain by up to 20% and greenhouse tomato cultivation by up to 400% on its own. It is known that the seed increases the yield by 20-25% on average.

Seed production in our country, which was 184,6 thousand tons in 2003, reached 342.1 thousand tons in 2004 with an increase of 85%. In 2005, there was a 2% decrease compared to the previous year. Total seed import was 16,161 tons in 2003, 19,815 tons in 2004, and 23,804 tons in 2005. Seed exports were 16,095 tons in 2003, 15,657 tons in 2004 and 13,814 tons in 2005. While our seed exports continue to decrease, there is an increase in seed imports.

In Turkey, the production of fruit and vegetable vine seedlings in the modern sense in accordance with the standards started in public institutions in the 1930s. Later, with the developments that emerged by establishing generating stations, production was shifted to the private sector after 1985. In Turkey, certified and virus-free seedling production was first realized in 1991, and the first virus-free seedling production was realized in 1994.

Today, most of the seedling production is done by the private sector. While the share of the private sector was around 80% in 2003, this ratio increased to over 90% in 2004 and 2005. (West Black Sea Region Agriculture Master Plan, 2007, p. 288-290)

## **11. AGRICULTURAL COOPERATIVES**

### ***11.1. Concept of Cooperative***

A cooperative is a tool of solidarity that combines people's financial and moral forces to provide for needs that people have difficulty meeting. On the basis of cooperation, there is a sense of help, solidarity and the purpose of achieving business. For this purpose, people have come together under various names to overcome difficulties with the unity of hand and heart. (Erdem, 2005, p. 1)

### ***11.2. Agricultural Cooperatives In Turkey***

Due to the nature of agriculture in Turkey, organization is required. Small agricultural companies, which are many in Turkey, are experiencing difficulties in terms of production and marketing. The fact that agricultural credits are indexed to the land owned in our country drags small agricultural companies into a dead end in terms of production opportunities. Since these companies do not have the processing facilities to evaluate the product they buy, manufacturers choose to evaluate the product by selling it immediately. The contribution of cooperatives to the solution of these and similar problems is undeniable. (Başar, 1983, p. 147)

### ***11.3. Agricultural Credit Cooperatives***

This cooperative, which was established with the Agricultural Credit Cooperatives Law enacted in 1935, serves as the oldest and most widespread cooperative in our country. With the Law No. 1581 enacted in 1972, it was ensured that Agricultural Credit Cooperatives were organized at the highest level within the organization of the Regional Unions and the

Central Union. With a law enacted in 1985, the institution had a completely autonomous structure. The organizational structure of Agricultural Credit Cooperatives consists of units such as Unit Cooperative, Regional Union and Central Union.

An Agricultural Credit Cooperative can be established by at least 30 manufacturers coming together. After the request for establishment is submitted to the permission and approval of the Ministry of Agriculture and Rural Affairs by the Central Union Board of Directors, it gains legal personality.

As of 2002, there are 2,281 units of cooperatives in 65 provinces, 754 districts and 1,462 towns and villages, and more than 1,5 million partners receiving service from them.

Partner farmers who own an agricultural company on their own land in the cooperative zone or engage in cattle and small cattle animal husbandry, poultry farming, greenhouse farming, beekeeping, sericulture, fishing and other agricultural activities with the principles and sizes determined by the Central Union can request a credit with a statement showing the credit they request. Credits are approved by the board of directors.

The credits given are cash and commodity credit, and the cash portion is paid directly to the partner. Commodity part, on the other hand, is paid to the supplier organization or contracted company selling the goods for the purchase of agricultural needs such as fertilizers, seeds, pesticides, fuel oil and agricultural vehicles.

Agricultural Credit Cooperatives, by establishing partnerships to supply agricultural inputs and agricultural production tools, has 2 fertilizer producing, 11 feed producing, 2 insurance, 14 marketing, 29 service, machinery and tool producing subsidiaries. Thus, it aims to provide agricultural inputs to its partners at low prices. (Erdem, 2005, p. 195-200)

Agricultural Credit Cooperatives keep their promise of providing agricultural inputs under more favorable conditions by making new applications for farmers by signing a protocol with Ziraat Bank. As a result of the agreement made with Ziraat Bank, farmers started to buy diesel with Ziraat Bank's Başak Card with a maturity of 6 months and 0% interest. The purchase of fuel, which is the most costly item for our farmers, who receive money only at harvest time, is thus spread over a longer period. The work is still ongoing for other agricultural inputs. (<http://www.tarimkredi.org.tr/goster.php?tablo=guncel&id=32>, 2008, ¶1)

#### ***11.4. Agricultural Sales Cooperatives***

Agricultural Sales Cooperatives are the second largest cooperative movement in Turkey after Agricultural Credit Cooperatives. The aim of agricultural sales cooperatives is to evaluate the products of the manufacturers in the best way and to play an active role in the marketing of the products. Manufacturers want to turn their products into cash immediately. When there is no cooperative, the products of the manufacturers can be bought at a much lower price, and the farmer will be a victim. The aim of agricultural sales cooperatives, which combine labor and knowledge capital, is to raise awareness of the manufacturer and contribute to its education.

While the farmer sells his/her product, he/she finds intermediary traders or brokers. Generally, the sale prices to the final consumer are very high in line with the changes in the prices of the products during their delivery from the manufacturer to the consumer. In particular, export traders buy the products of manufacturers who are unaware of the foreign market at low prices and sell them at high prices.

Agricultural sales cooperatives improve the market situation of small farmers and protect farmers from traders' speculation. In addition, agricultural sales cooperatives provide access to a larger market volume, which is more convenient in sales. The quality of the products sold by the agricultural sales cooperatives is guaranteed, while this ensures a good name and credibility in the domestic and international markets. Agricultural sales cooperatives also provide assistance to their partners in technical matters required to ensure quality production, which is demanded in the market and enables the product to find buyers more easily. (Mülayim, 1999)

**Table 11.1.** Unit Numbers of Cooperatives and Partners

<b>Union Name</b>	<b>Foundation Year</b>	<b>Center</b>	<b>Number of Cooperatives</b>	<b>Number of Partners</b>
Tariş - Grape	1937	İzmir	16	18.095
Fiskobirlik	1938	Giresun	70	199.728
Çukobirlik	1940	Adana	48	55.227
Kozabirlik	1940	Bursa	6	14.042
Tariş - Fig	1949	İzmir	21	9.253
Tariş - Cotton	1949	İzmir	54	58.300
Tariş – Olive Oil	1949	İzmir	35	16.723
Antbirlik	1952	Antalya	6	31.400
Marmarabirlik	1954	Bursa	8	37.052
Gülbirlik	1954	Isparta	13	8.479
Taskobirlik	1958	Nevşehir	9	5.068
Trakyabirlik	1966	Edirne	48	134.078
Güneydoğubirlik	1968	Gaziantep	27	27.068
Tiftikbirlik	1969	Ankara	24	16.368
Karadenizbirlik	1978	Samsun	20	64.132
Kayısbirlik	1992	Malatya	16	5.500
<b>TOTAL</b>			<b>421</b>	<b>700.513</b>

(Gökalp, 1992, p. 270)

### ***11.5. Other Agricultural Cooperatives***

Other main cooperatives are those such as Village Development Cooperatives, Tea Planters Cooperative, Beet Planters Cooperative, Soil-Water Cooperatives, Fishing Cooperatives.

Village Development Cooperatives are cooperatives aiming to reduce unemployment in rural settlements and to bring technical innovations and knowledge to farmers. They aim to provide input and credit to partner manufacturer who owns the basic production tools and to market the products the manufacturer produce.

The objectives of Soil-Water Cooperatives are to support agricultural irrigation, to establish and operate relevant facilities for the use of water in agriculture, to fulfill the conditions required by irrigation technique and efficiency, and to provide educational and instructive information to their partners on this subject. Approximately 15% of the irrigated area in Turkey is still irrigated by these cooperatives. (Mülayim, 1999)

Cooperatives such as Beet Planters Cooperative, Tea Planters Cooperative, Fishing Cooperative have been established to support the farmer who produces a specific product in matters such as product-related and all other agricultural inputs.

## **12. AGRICULTURAL POLICIES**

The main reason for state intervention in the agricultural industry is the weaknesses arising from the structure of the agricultural industry. Demand and supply are less elastic and supply is slow to follow prices. The general reason for state intervention in the agricultural industry is to prevent income instability, prevent price instability, increase and direct production.

Since the agricultural industry is a market that is more prone to perfect competition than other industries, it is very difficult to see high profits. It is almost impossible for the farmer to balance the years he/she lost with the excessive profits he/she made in some years. Good or bad climatic conditions are also against the farmer. If it goes bad, the crop yield will drop significantly and if it goes well, the prices will be low because the product will be abundant. This low income level will firstly push the agricultural industry into recession. In countries such as Turkey, where the agricultural population is high, the decrease in the income level of the farmer may negatively affect all industries economically.

In the agricultural pricing function, which includes many variables, prices can be very low or very high without any intervention, for example, with changes in climatic conditions. It is not possible to make pricing in agriculture without any macroeconomic intervention.

Agricultural products are basic necessities, and they have a strategic place in the country's economy. Most of the countries adopt the strategy of producing the basic necessities themselves. For this, the state has to produce policies about how much of the scarce resources of the country will be allocated to agriculture and how much of which products should be produced. (Eraktan, 2001)

### ***12.1. Agricultural Policies Implemented In Turkey***

Until today, an agricultural policy determined with the force of law has not been implemented in Turkey. With the Agricultural Law, which came into force in 2006, for the first time, a law that defines and outlines the agricultural policies has been put into practice. However, since the relevant implementing

regulations have not been issued, it is not possible to talk about the full applicability of this law yet. Therefore, in the current situation, it is not possible to talk about the existence of an established agricultural policy in Turkey. The most important document in which agricultural policies are expressed officially is still the five-year development plan and programs.

Agricultural policy practices, which are generally not in a stable framework, give an appearance that is formed with the principles of the Republic period on a corrupt agricultural structure remaining from the Ottoman Land Order, which is called the timar system. These practices also give a supportive and intrusive appearance at home, and a protective and more nationalistic appearance at customs.

#### ***12.1.1. Agricultural Policies Implemented Until 1980***

Due to the economic crisis of 1929-1930 and the decrease in agricultural product prices, as in the whole world, protectionist policies gained importance in Turkey at that time. The instruments used before 1980 were input subsidies and cheap credit supports, along with base price and support purchases. Many products were supported under the name of market price support.

In the 1960s, with the transition to the planned development period, support practices began to be considered within the framework of the development plan in 1963. Agricultural policies began to be determined by strategic development plans and annual programs. In addition to the application of market price support, subsidies were applied in chemical fertilizers. Agriculture was tried to be supported by giving low-interest loans to the farmer.



### ***12.1.2. Agricultural Policies Implemented Between 1980-2000***

With the transition to a free market economy in 1980, agricultural policies changed as well as general economic policies. There has been a contraction in the scope of supportive and protective government interventions towards agricultural markets. The idea that low-interest loans and subsidies given to the agricultural industry have an effect on agricultural product prices and that this causes monetary expansion has caused agriculture to be seen as a major factor in the increase of inflation. Thus, subsidies were abolished and low credits for agriculture were brought to the level of credits in the market.

These goals were adopted as common goals in the post-1980 development plans:

- Meeting the nutritional needs of the growing population,
- Ensuring stability in the prices of agricultural products,
- Ensuring that production is less affected by bad weather conditions,
- Sufficient and regular income supply to those working in agriculture,
- Developing export opportunities for agricultural products,
- Ensuring efficiency in the processing and marketing of agricultural products,
- Ensuring organization in the agricultural industry, both through cooperatives and with the help of public institutions,
- Supply of raw materials to agriculture-based industries,
- Use of modern methods in agriculture.

Since 1981, the number of products in support purchases has gradually decreased, and in 1990 it was narrowed down to ten products. In 1992, the opposite policy was followed and the number of supported products was increased to 26.

On April 5, 1994, the Economic Measures and Implementation Plan was put into effect to stabilize financial markets and exchange rates, to ensure sustainable development and to implement structural reforms. In this plan, it was basically aimed to move to a state structure that ensures the functioning of the market mechanism in the economy with all institutions and rules. With this plan:

- Since the supports that are above the world prices affect the economy negatively, the movements of the world and domestic prices will be taken into account while providing the support,
- Agricultural support prices will be consistent with the targets set in prices and salaries,
- Prices of the inputs provided by the government will be determined according to the market conditions.
- The scope of agricultural support purchases will be narrowed,
- The direct or indirect use of the resources of the Central Bank of the Republic of Turkey by the institutions responsible for support will be terminated.

The mentioned policies have not been successfully implemented either. Many technical, economic and social reasons are factors in this.

Before 1999, due to the fact that product prices are inconsistent with world prices, protectionist measures were

taken against the outside. Since it is not possible to supply products to the world markets at high prices, it has become mandatory to apply subsidy to exports. Production of some products continued to be encouraged regardless of market demands.

### *12.1.3. Agricultural Policies After 2000*

In the 2000s, the destruction of excessive stocks of certain specific products such as tobacco and tea, and supply gaps in products such as animal products and oilseeds, on the other hand, revealed the imbalance and planning errors in the industry.

This situation is also a result of the policies of international institutions and organizations such as the World Bank, the International Monetary Fund (IMF), the World Trade Organization and the European Union, to which Turkey is a member and under certain commitments. (Yalçinkaya, Yalçinkaya & Çılbant, 2006, p. 102-106)

The beginning of the process that led to new searches in agricultural policies and support policies in this context in Turkey is based on a wide variety of external reasons as well as internal reasons depending on domestic conditions.

The leading internal causes are structural problems in agriculture. These problems prevent the healthy execution and direction of the existing support system and have negative effects on them. Structural problems can be listed as follows: existence of fragmented and small agricultural companies, insufficient organization of manufacturers, high agricultural population, insufficiency of farmer registration system, weak product market infrastructure, the fact that agricultural services are carried out by many institutions and organizations, the fact that the land registry and cadastre procedures have not been

completed countrywide yet, inadequacy of the manufacturer education level.

The most important internal reason is the financial obligation of the supports caused by the structural problems. At the beginning of this, there are the support purchases of the state. The subsidies should target small agricultural companies, which are very large in number, but the majority of these subsidies are paid to big manufacturers with more agricultural area.

External reasons can be listed as the compliance with the international trade rules determined by the World Trade Organization, compliance with the Agriculture Agreement within the scope of the General Agreement on Tariffs and Trade in line with these rules, compliance studies with the European Union Common Agricultural Policy, and compliance with the economic stability program under the agreement with the IMF. (East Black Sea Region Agriculture Master Plan, 2007, p. 6-7)

#### ***12.1.4. Agricultural Reform Project***

Within the scope of the Agricultural Reform Project, which has been implemented since 2001, all agricultural price supports and input subsidies were abolished, and a Direct Income Support System was introduced instead. This system is similar to the compensatory payment system introduced with the May 1992 reform of the European Union. The Agricultural Reform Project, which was started to be implemented with the support of the World Bank, includes three main elements:

1. Direct Income Support
2. Phasing out of price and input supports,
3. Reducing government intervention in the processing and marketing of agricultural products by privatizing state companies in agriculture.

Direct income support, according to the World Trade Organization, is a policy tool implemented in the form of transfers of public resources to affect the income level of targeted agricultural manufacturers.

The results of the agricultural reform were explained by the World Bank as follows:

1. Between 1999-2002, agricultural subsidies decreased by \$6 billion to \$1.1 billion. The ratio of agricultural subsidies to Gross National Product decreased from 3.2% to 0.5%.

2. In the same period, agricultural Gross National Product decreased from \$27 billion to \$22 billion.

3. The net impact on farmers was approximately \$4 billion in annual losses.

4. During the 2002-2003 reform period, the use of both artificial fertilizers and agricultural chemicals decreased by 25-30%.

5. Agricultural credit interest rates turned from negative to positive.

6. Farmers using credits did not pay their debts for three main reasons: Reductions in agricultural incomes, high real interest rates, and some farmers' expectations for partial debt remission.

7. Between 1999-2001, the gross value of major agricultural products produced in Turkey decreased by 16% in real terms.

8. Despite the increase in Turkish exports and imports in all product types in the 1997-2002 period, the share of agricultural and food products in total exports and imports decreased. The significant devaluation in 2001 helped to increase exports along with the increase in production and was the biggest factor

leading to the decrease in imports of unprocessed agricultural products.

9. Between 1999-2001, the dollar equivalent of production per hectare decreased by 28%.

10. During the reform period, the total cultivated area decreased by approximately 2% in all regions except the Mediterranean Region. Two-thirds of this reduction was due to the Central Anatolian Region, where cultivated area and fallow fields decreased by more than 300,000 hectares.

11. Between 1999 and 2001, prices for agricultural products fell by an estimated 40%.

12. Although Turkey is among the countries with the lowest support rate among the countries of the Organization for Economic Cooperation and Development (OECD), this support, as a percentage of Gross National Product, is one of the highest in the countries of the Organization for Economic Cooperation and Development.

13. The Direct Income Support program covered approximately 35-45% of the net income loss suffered by farmers. This affects those who can actually benefit from the Direct Income Support program, which includes about three-quarters of the agricultural population.

It has been revealed that the Direct Income Support policy, which has been implemented since 2001, which replaces agricultural support purchases and input subsidies, does not have the power to affect agricultural production in Turkey's current practice, but rather has the nature of social aid.

In particular, for poor farmers with small lands, the expenditures to be made in order to benefit from the Direct Income Support application may be more than the Direct

Income Support payment to be received. Therefore, the small farmer cannot benefit from Direct Income Support payments.

Big farmers divide their lands into suitable parts to benefit from Direct Income Support and distribute them to their relatives, thus they go to benefit from Direct Income Support completely. For this reason, the system cannot achieve its purpose, the victims are the small agricultural companies operating in the vast majority of Turkey. (Yalçinkaya, Yalçinkaya & Çılbant, 2006, p. 111-113)





## CONCLUSION

The agricultural industry, where a large part of Turkey's population is still employed, is increasing its importance with the ongoing developments. Even if the cultivated areas and production have increased since the establishment of the Republic, the agricultural industry continues to lose ground day by day.

Turkish agriculture must first solve its internal problems. Small agricultural companies, which constitute the majority of all agricultural companies, form the basis of the structural disorder. The external problem is that the reforms brought to agriculture together with the commitments made to universal organizations such as the European Union, International Monetary Fund, World Bank, World Trade Organization do not reflect the realities of Turkish agriculture and the regulations introduced do not contribute to Turkish agriculture, even doing more harm than good. The biggest indicator of this is the increasing import of agricultural products after the 2000s.

Until the 2000s, Turkish agricultural policies were always included in the development plans. Agricultural policies used in this period are support purchases, subsidies and low interest loans. These subsidies, support purchases and low-interest loans were seen as the cause of inflation in Turkey, and the agricultural industry was chosen as the scapegoat. With the agricultural reforms after 2000 and the effects of external organizations, support purchases and subsidies were abolished, low-interest loans were withdrawn, and a support system called Direct Income Support system was introduced instead. This system is more of a charity nature than supporting the manufacturer in production. In addition, big agricultural companies rather than

small agricultural companies with more numbers and larger areas benefit from this support, so this practice does not serve the extent of its purpose, but only supports big landowners who are already well off.

Another problem is that the raw materials of agricultural inputs, which are vital for agricultural production are not available within the Turkish territory and most of them can be met by importing.

First of all, in order to solve the internal problems, the cooperative process should be continued rapidly, the awareness of small agricultural companies should be raised and they should act together. Thus, problems such as the problem of education and mechanization, which hinder modernization in agriculture, can only be solved if the farmers act together.

Policies implemented within the scope of agricultural reform are far from being beneficial due to mistakes in implementation. With these policies implemented after the 2000s, imports started to increase rapidly. Instead, low-interest loans and support purchases applied in previous years should continue. The only problem arising from these purchases is that Turkey is far from planned agricultural production. Thus, the state is crushed under a huge financial burden and makes support purchases for the products produced as surplus. In the past, sometimes useless leftover stocks were even destroyed. The only solution to this problem is the implementation of a viable agricultural production plan. The products produced as a result of planned production and to be purchased within the scope of support purchase will be much less in number than the products purchased in the past. Practices that put the farmer in a difficult situation by reducing the supports and changing their shape may seem like a short-term solution, but in the long run,

they will have even more grave results than the practices made in the past. Agricultural import indicators are the clearest proof of this. Turkey has rapidly moved away from the position of a “self-feeding” country, which we were proud of before, with its agricultural imports that continue to increase today.

Raw material sources of agricultural inputs are always in the hands of foreign countries. To find a solution to this, these resources should be reached through partnerships or acquisitions with companies holding these external resources. A fertilizer producing company in Turkey has made a giant move for the first time in this regard by purchasing a company that has large nitrogen, nitrogenous product resources and natural gas resources. Thus, the opportunity to minimize the damage arised from the import of agricultural input sources has emerged. Public institutions and companies in the private sector also have to reach these resources by following this path. Otherwise, the variable prices of agricultural input raw materials may harm Turkish agriculture.

The training of sales representatives of all agricultural sales companies is another important variable for a more effective Turkish agriculture. A well-trained sales representative will support the farmer regarding the product he/she sells and will be able to assist him/her in implementation. In addition, agricultural sales organizations need to increase more their efforts to train Turkish farmers. Thus, as a more conscious and knowledgeable consumer, Turkish farmers will be able to produce more efficiently.



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