Asian Journal of Scientific Research

ISSN 1992-1454

Asian Journal of Scientific Research 1 (2): 103-112, 2008
ISSN 1992-1454

Development Potential of Olive Production Establishments in Akhisar-Manisa-Turkey

[1]Cevdet A. Kayali, [2]Aysun Tokmakoglu, [3]Meltem Sesli and [1]Nilgün Tille Kayali
[1]The Faculty of Economics and Administrative Sciences, Uncubozkoy Campus Manisa, Turkish Republic Celal Bayar University, Turkey
[2]Vocational College of Tobacco Expertise, Turkish Republic Celal Bayar University, 45210 Akhisar, Manisa, Turkey
[3]Akhisar Vocational College, Turkish Republic Celal Bayar University, 45210 Akhisar, Manisa, Turkey

Abstract: In Turkish economy, agriculture as well as the production and exportation of industrial products based on agriculture have a significant contribution in country economy. These agricultural products maiuly include olive and olive oil. Majority of olive production in Turkey is in the Aegean Region. There are 10 million olive trees in Akhisar district of Manisa as located in the Aegean Region. In Turkey, olive sector for consumption consists of very small family owned establishments. Olive establishments in Akhisar are also in such a structure; however, big and modern establishments started to become widespread and olive exportation developed every day as of 1990s. In this framework, a questiounaire study was performed through face to face interviewing method directed towards administrations in order to determine the current status of olive establishments in the district of Akhisar and selected villages. Results of questiounaires were evaluated by means of SPSS program. In conclusion to this evaluation, it was determined that 73% of establishments produced under their own brand; 16% thereof had regular and continuous research and development unit; the establishments distributed their products generally by means of wholesalers; they set their prices in accordance with costs; introduction activities were realized with product samples; approximately half of the establishments were working ouly for the domestic market; the other half were working both for the domestic and the foreign market; exportation potential was affected by the competing price advantage; the biggest problem in exportation was financing; and that it was necessary to improve product quality standards and to support the establishments with governmental assistance increasing the competitive power bin order to develop the olive business sector.

Key words: Olive, olive establishments, Akhisar

INTRODUCTION

Almost half of the available olive trees in the world are located in the coastal countries of the Mediterranean Sea. Our country is the second in olive sector for consumption and the forth in olive oil production throughout the world. There are 100 million olive trees in Turkey and 91% thereof are at the age of fruiting. Eighty percent there of is in the Aegean Region; 11% thereof is in the Mediterranean Region; 6% in Marmara Region and 2% thereof is in the Southeast Anatolian Region. The largest olive production in Turkey is realized in the Aegean Region and 72% thereof are of varieties

Corresponding Author: Cevdet A. Kayali, The Faculty of Economics and Administrative Sciences, Uncubozkoy Campus Manisa, Turkish Republic Celal Bayar University, Turkey
Tel: (++90) 236 233 06 57 Fax: (++90) 236 233 27 29

for oil production (Ministry of Agriculture and Rural Affairs, Provincial Directorate of İzmir, 2004). There are 10 million olive trees in the district of Manisa, Akhisar as located in the Aegean Region. Approximately 80% of green olive production and 35% of black olive production in Turkey is realized in Akhisar; especially in the production of Domat type green olive production, Akhisar is the first. In addition, Uslu type black olive is peculiar to Akhisar. There are approximately 200 olive production establishments active in Akhisar (Bilgeoğlu, 2006). These establishments in Akhisar consist of small and medium scaled establishments producing at a capacity of at least 20 tons and over. As it is in many economies of today, Turkish economy has a characteristic based on the SMEs (Small and Medium Size Enterprises). The numbers, scopes and importance in economy of the SMEs progressively expand and it is of great importance to strengthen and improve thereof (Çakici, 2002). Olive sector for consumption in Turkey consists of very small family owned establishments. Olive establishments in Akhisar are also in such a structure; however, big and modern establishments started to become widespread as of 1990s. Processed products are rather used in the domestic market but olive exportation develops every day. In the district of Akhisar, Domat type olives have a very high possibility of exportation. Uslu type olives are also famous in the domestic market and they are more advantageous in exportation as compared to Trilye type.

Small establishments are more susceptible to technical innovations and have a more flexible characteristic for the preferences of consumers; The SMEs have become significant establishments throughout the entire world as to the factors such as being more susceptible to technical innovations; having more flexible characteristics as for the preferences of consumers; their superiority in adapting to cyclical fluctuations; filling the gaps in production more rapidly; their positive effects oriented to large companies; their contributions in balanced growth between regions; their roles in the promotion of competition; their dynamism in bureaucratic structures; their contributions in the employment increase; their relationships between the employer and employee being closer. The SMEs which were established and started activities one after another especially in Anatolia had significant contributions in the development of Turkish economy. These establishments achieved important successes in exportation and production (Akdis and Bayrak, 2000).

In general small establishments are economical enterprises which are active rather with manual labor in addition to less capital use, which have the opportunity of rapid decision making and which realize low cost production by working with low level management expenses. Management and organization development is a fundamental problem in the SMEs as it is in all establishments which are included in global competition conditions. The SMEs face with the obligation to expand abroad with the effect of especially globalization and they are obliged to be adapted to change rapidly (Kayali and Aktaş, 2003). There are institutions in both our conntry and other countries supporting the SMEs and making efforts for their development. The chance to succeed in such supports is closely related to the financial performances of SMEs as required by the structure of establishment's management (Karacaer and Gönenç, 2001).

Turkey consumes the great majority of olives for consumption in the domestic market and although the exportation of olives for consumption has a very significant potential, it has not reached the desired level yet. It is dependent on the harmonization of price and quality with world standards to help our olive business reach the desired level with respect to production, consumption and exportation. It is possible to ensure development at desired level and to increase our exportation by generalizing modernization in olive production techniques and in applications in the technological phases of olive oil producing establishments and by minimizing quality losses at the establishments level (Çetin, 1994).

The province of Manisa and its districts have an important role as to the availability of olives in the Aegean Region of Turkey. Total olive production for consumption and oil producing in the province of Manisa is realized on an area of 61,476 ha. The area for olive production in the district of Manisa, Akhisar is 30,500 ha. Approximately 50% of olive production in the province of Manisa is realized in Akhisar district (Manisa Province Directorate of Agriculture, 2005). It is determined that the establishments located in Manisa, which has a significant place among the provinces where olives for consumption are produced in Turkey, use 99% of their total capacities (Fidan *et al*., 2000).

Olive is included in most important 5 agricultural products in the market of Akhisar and it is the first with regards to processes in the stock market. Akhisar olives are known with its high quality and rich selection throughout Turkey and in many places in the world. Approximately 15,000 families make their living through olive production in Turkey. About 30,000 ha of 82,000 ha agricultural lands in Akhisar are covered with olive trees; 35 of black olives and 80% of green olives for consumption in Turkey are produced in Akhisar and have become the most significant economical value of the district. As the productivity of olive trees increased as a consequence of intensive agriculture practices, the number of investing facilities increases day by day (Akhisar District Directorate of Agriculture, 2005).

Akhisar district and its vicinity is a region where olives for consumption have been produced for a long time ago and where have been marked with this characteristic even more for the last ten years. It is observed that small family owned companies were started to be converted into establishments having relatively better conditions with the efforts of industrialization. However, in spite of the increasing capacity in the region, difficulties in marketing in the recent years constrain establishments to make new investments (Akay and Tetik, 1999).

The importance of olive production sector with respect to Turkey and our region as well as the macro-economical contributions of SMEs in our country are so great that can not be disregarded. The superiorities of SMEs arising from their structures and the comparative precedence of Akhisar district with regards to olive business establishments are discussed together in present study; we also sought to consider rapid developments of olive business establishments and their contributions in the economy of region at length we emphasized on the policies to follow for their sustainable development.

MATERIALS AND METHODS

Data were obtained by means of questionnaires through face-to-face interviews with the owners and administrators of establishments engaged in the olive sector in Akhisar. These data form the original material of study. In addition, many sources were utilized, such as researches, reports, statistics that have been published with regards to the issue as well as web pages. Area study was performed in the district of Akhisar and its villages within the year 2005.

Target markets of establishments, their marketing problems, price, survival and distribution policies, exportation potentials, products exported, government supports, investment financing and promotion suggestions with regards to the olive sector are included in the evaluation scope of the study. In this framework, totally 44 questionnaires were applied in 22 establishments active in the center of Akhisar and in 22 establishments in 9 villages connected to Akhisar and the data were collected. The villages, where olive production and olive producing facilities are intense in Akhisar, have been included in the scope of questionnaires.

Random sampling method was used in the area study. The data were evaluated in accordance with SPSS (Statistical Package for Social Sciences) Program.

RESULTS

The data obtained from the questiounaire study were evaluated and following results were provided.

Structure of Establishments

As to the legal structure of establishments answering our questionnaires, 44.4% thereof are Ordinary Companies, 38.9% thereof are Limited Liability Companies, 11.1% thereof are Joint Stock Companies, 5.6% thereof are Open Companies. When the number of employees are examined as the most important quantitative factor in determining the size of establishments, following results were obtained: 37.2% of establishments have totally 1 to 5 employees; 34.9% thereof have totally 6 to 10 employees and 18.6% thereof have 11 to 29 employees. The establishments where our questionnaires were applied are rather small size and family owned companies; therefore, it is observed that the number of employees varied between 1 to 10 people predominantly (Table 1).

Products and the Applications Oriented to Products

72.7% of establishments produce under their own brand; whereas, 11.4% thereof engage in custom production as well as production nnder their own brand. The establishments active in Akhisar were asked what applications they made as oriented to the products and consequently it was determined that 6.8% thereof made applications as oriented to brand and 2.3% thereof did not make any applications at all. No applications were found as oriented to patents, utility models, TSE (Turkish Standards Institute), industrial design and geographical marks (Table 2).

Research and Development Activities of Establishments

It is observed that there are regular and continual research and development units in 15.9% of the establishments in Akhisar, which answered the questionnaires. Research and Development activities of establishments include the purposes of new product development at a rate of 63.6%, improvement of present production technology at a rate of 12.5%, differentiating products at a rate of 12.5%, improvement of present product at a rate of 10% (Table 3).

Table 1: Distribution of facilities as to their title

Type of company	Distribution (%)
Ordinary company	44.4
Collective	5.6
Commandite	0.0
Limited liability	38.9
Joint-stock	11.1

Table 2: Products produced by facilities

Production facilities	Distribution (%)
Own trademark	72.7
Contract manufacturing	-
Both	11.4

Table 3: Purposes of research and development

Purposes	Share of facilities (%)
New product development	63.6
Improvement of present production technology	14.3
Improvement of present product	10.0
Differentiation of product	12.5
Product imitation	-
Development of new production technology	-

Table 4: Distribution channels in domestic market

Distribution channels	Distribution (%)
Wholesaler	22.7
Retailer	15.9
Branch	4.5
Individual sales	4.5

Distribution Channels in the Domestic Market

It is observed that 22.7% of these establishments distribute products through wholesalers and 15.9% through retailers; 4.5% of these establishments constitute their distribution channel by means of branch offices and 4.5% through individual sales method (Table 4).

Problems in the Distribution of Products

The establishments stated that they are mostly confronted with shipment problems at a rate of 57.7%; with storing problems at a rate of 35%; with customs problems at a rate of 33.3% and with problems in delivering the products on time at a rate of 13.6% (Table 5).

Price Policies

The establishments determine their price policies in accordance with the following factors: 43.2% in accordance with the costs, 6.8% in accordance with competition, 6.8% in accordance with demands, 2.3% in accordance with the demand of gaining income. Factors resulting in increase in finished product prices are listed as follows: increase in raw material prices at a rate of 67.6%; increase in energy costs at a rate of 22.2%; increase in workmanship charges at a rate of 13.8% and increase in shipping charges at a rate of 10% (Table 6).

Market Research

The establishments stated that they do market research in marketing phase at a rate of 45.5%; in new product phase at a rate of 11.4%; in product development phase at a rate of 6.8%; whereas 18.2% of the establishments stated that they did not make any market research (Table 7).

Introduction Activities

29.5% of establishments do not perform any introduction activities; whereas, 25% of the establishments carry on their introduction activities by means of distributing product samples; 6.8% thereof by means of commercial fairs; 2.3% thereof by means of brochures and 2.3% thereof by means of continual exhibitions (Table 8).

Marketing Problems

The establishments stated that they had problems due to the following facts: 40.9% of the establishments as advertisement, sales, development, survival methods were costly; 29.4% as domestic and foreign markets were not known well; 27.8% as no efforts were made to establish the market; 21.1% as they faced problems in distribution; 11.8% as there was no general introduction; 10.5% as the market changed rapidly; 10% as marketing issues were not considered satisfactorily (Table 9).

Target Markets of Establishmeuts

47.5% of the establishments answering our questionnaire have been working as oriented towards domestic market; whereas, 52.5% of the establishments have aimed both the domestic market and foreign markets (Table 10).

Exportation Activities of Establishments

2.3% of the establishments, which were included in the scope of examination and which answered this question, perform their exportation activities by being a partner in foreign commercial companies; whereas 25% thereof by using their own facilities (Table 11).

Table 5: Distribution problems

Problems	Distribution (%)
Shipment	57.7
Storing	35.0
Customs clearing	33.3
On time delivery	13.6

Table 6: Price policies

Policies	Distribution (%)
As per competition	6.8
As per cost	43.2
As per demand	6.8
As per the necessity of earning	2.3

Table 7: Market research

Research	Distribution (%)
No market research	18.2
During product development phase	6.8
During marketing phase	45.5
During new product phase	11.4

Table 8: Instruction activities

Activities	Distribution (%)
None	29.5
TV-Radio	-
Through press	-
Through trade fairs	6.8
With brochures	2.3
With product samples distributed	25.0
Through sales promotions towards distribution channels	-
Through constant exhibitions	2.3

Table 9: Marketing problems

Problems	Distribution (%)
Lack of knowledge as to domestic and foreign markets	29.4
Lack of efforts for the purpose of market development	27.8
Costly methods of advertisement, sales development and survival	40.9
No general introduction	11.8
Insufficient importance attached on marketing	10.0
Problems in distribution	21.1
Rapid changes in market	10.5

Table 10: Distribution of target markets

Target markets	Distribution (%)
Domestic market	47.5
Foreign market	-
Both	52.5

Table 11: Exportation processes

Exportation processes	Distribution (%)
With the help of foreign trade capital stock company	-
Through partnership in foreign trade companies in the sector	2.3
Through the offices located in foreign countries	-
With the help of specialized organizations	-
With the own opportunities of facility	25.0

Exportation to Countries

13.6% of establishments export to European Union countries; 9.1% to Turkic Republics; 2.3% to countries which are not members of the EU (Table 12).

Exported Products

29.5% of the establishments which participated in the questionnaire application in Akhisar export finished products; whereas, 4.5% thereof export raw materials (Table 13).

Factors affecting the Exportation Potential

The factors affecting the exportation for establishments answering our questionnaire are listed as follows: 63.6% as superiority of the competitor as to price; 30% as technological superiority; 28.6% as the potential to develop different and new products and 25% as the superiority of raw material quality (Table 14).

Problems in Exportation

It is observed that the establishments answering the questionnaire mostly had difficulties in financing at a rate of 55.6%; followed by 44.4% in competing problems; 25% in bureaucratic obstacles; 16.7% in the image of brand and 12.5% in communication difficulties (Table 15).

Government Aids in Exportation

The targets of aids expected by exporters from the Government include market research at a rate of 9.1%; Research and Development at a rate of 6.8%; participation in national and international specialized exhibitions at a rate of 6.8% and operating and introduction activities at a rate of 4.5% (Table 16).

Suggestion for the Improvement of Olive Production Sector

The answers to the question For what purposes should the government aids be as directed to establishments active in olive production sector? were provided as for product quality standards at a rate of 42.3%; for improving the competing power at a rate of 31%; for renewing the technology at a date of 20%; for increasing the exportation capacity at a rate of 18.5%; for the employment of qualified persounel at a rate of 8% and for establishing fully equipped laboratories for olive production at a rate of 7.4%.

Table 12: Exportation countries

Countries	Distribution (%)
Turkic republics	9.1
Eu countries	13.6
Middle eastern countries	-
African countries	-
Nafta countries	-
Far eastern countries	-
Australia pacific countries	-
European countries out of EU	2.3

Table 13: Exported products

Countries	Distribution (%)
Raw materials	4.5
Intermediate goods	-
Finished products	29.5

Table 14: Factors affecting exportation

Factors	Distribution (%)
Technological advantage	30.0
Price advantage of competitors	63.6
Convenience of access to foreign markets	-
Ability to provide trademark goods	8.3
Potential to develop different and new products	28.6
Advantage in raw material quality	25.0

Table 15: Exportation problems

Problems	Distribution (%)
Financing	55.6
Competition	44.4
Bureaucratic handicaps	25.0
Image of country	-
Image of trademark	16.7
Difficulty in communication	12.5

Table 16: Government aids in exportation

Aids	Distribution (%)
Research and development	6.8
Environmental protection	2.3
Market research	9.1
National and international specialized fairs	6.8
Training	-
Operating and introduction activities for offices and stores in foreign countries	4.5
Export refunds for agricultural products	-

DISCUSSION

In conclusion to the research, it is observed that about half of the establishments, which are active in the olive sector in Akhisar and which participated in our questionnaire study, were structured as ordinary companies and were family owned companies and that the number of persons employed in these establishments was between 1 to 10 people predominantly. The owners of small size establishments, who are also the founders, are experienced in olive production in general and their being traditional family owned companies plays the most important part in their establishment policies.

It is considerably a significant development that approximately 73% of establishments participating in our questionnaire in Akhisar produce under their own brand. Applications towards brand being the first in applications towards products show that the establishments seriously make efforts for creating their brand and that such efforts in the region were brought to a positive conclusion.

It is observed that there are regular and continual research and development departments in approximately 16% of the establishments, which are active in the olive sector in Akhisar and which participated in our questionnaire study and that the research and development activities primarily included new product development. These studies are appropriate with respect to increasing the marketing chances for olives in the domestic and foreign markets; however, it would be appropriate to promote the establishments without research and development departments in this respect.

In view of the distribution policies of establishments, it is determined that they fulfill product distribution mostly through wholesalers and they had problems rather in shipping, storing and customs processes as to distribution. Especially it is of great importance to solve distribution problems of these establishments structured as SMEs with regards to the marketing problems in domestic and foreign markets.

The establishments determine their prices based on costs; and they state that the most significant effect in determining the product prices was a result of increase in raw material prices. If stability is ensured in raw material prices for the olives, the chance of olive producing establishments would be expanded.

It is observed that great majority of establishments do market research at the marketing phase. It seems important to direct market researches towards product development and new product phases with respect to increasing the marketing opportunities.

Seventy percent of the establishments under examination engage in introduction activities; however, one fourth of the establishments fulfill introduction activities by means of product samples distributed. It would be useful to emphasize on other introduction activities with regards to an effective survival policy.

About half of the establishments states that their marketing problems are due to mostly rather expensive advertising, sales improvement and survival processes. They also state that failure to know the domestic and foreign markets well and failure to make efforts sufficiently for this are important problems. It would be useful in determining accurate introduction and marketing policies if market researches are expanded by the establishments.

About half of the establishments are active in the domestic market; whereas, the other half is addressing to both domestic and foreign markets. It is observed that exporting establishments perform their export operations using their own facilities in general. The countries, where establishments export to, include primarily European Union countries and Turkic Republics. Only 30% of exported products consist of finished products. The most significant problem affecting the exportation potential is the superiority of prices of competitors. Another problem in exportation is financing problems. It is observed that exporting companies mostly expect support for market research from the government.

The demands of establishment owners with regards to improving olive sector in Akhisar include primarily the following: increasing quality standard of product; increasing the competitive power; renewing the technology; increasing exportation capacity; ensuring the employment of qualified personnel; and establishing fully equipped laboratories for olive analyses. The exporters should be provided with support to fulfill these demands.

CONCLUSIONS

In accordance with the data obtained in conclusion to the questionnaire practice, it is determined that great majority of facilities for processing olives for consnmption in Akhisar are structured as small family owned establishments. Akhisar has a considerably significant place in olive production for consumption in Turkey; the exporting establishments in Akhisar have the potential required for representing our country and region successfully in foreign markets. It is considered as absolute that the establishments are confronted with similar problems as the SMEs in other sectors; that these establishments would achieve desired success when they are supported snfficiently with Government Aids and their chance in exportation would increase even more; and that when new investments are drawn to the region and the production of olives for consumption and olive oil are realized at world standards under well-known brands, Akhisar would have a significant place within the entire exportation operations in Turkey.

ACKNOWLEDGMENT

This study was supported by Celal Bayar University Scientific Research Project Commission.

REFERENCES

Akay, Z. and D. Tetik, 1999. Examination on Present Situation of Olive Sector for Consnmption in Akhisar Region and Searching Improvement Opportunities. İzmir Bornova Olive Production Research Institute, General Directorate of Agricultural Researches, Ministry of Agriculture and Rural Affairs, Republic of Turkey, pp: 28.

Akdis, M. and B. Sabahat, 2000. Overall View of SMEs in Turkey and their Resistance against Financial Crises: A Research covering 5 Provinces, Management and Economy, Economic and Administrative Sciences Magazine, Celal Bayar University, Issue: 6, ISBN-1302-0064, Manisa, pp: 15.

Akhisar District Directorate of Agriculture, Olive Data for 2005.

Bilgeoğlu, O., 2006. Akhisar Olive Locked to the Identity of City. Olive and Olive Oil Magazine, Issue: 2, December, İzmir, pp: 55.

Çakici, A., 2002. Problems and Expectation of Small and Medium Size Establishments in Mersin, Mersin University Publications, Republic of Turkey, No. 9, Faculty of Economic and Administrative Sciences Publication No. 1, Mersin, pp: 20.

Çetin, H., 1994. Selected Agricultural Products of the Aegean Region and Possibilities to Increase Exportation Capacity, National Productivity Center Publications: 518, Ankara, pp: 72.

Fidan, F., M. Borcakli, İ. Şahin and N. Aktan, January 2000. Special Specialty Commission Report, 2001-2005, Eighth Five Years Development Plan of State Planning Organization of the Prime Ministry of Republic of Turkey, pp: 1.

Karacaer, S. and G. Halit, 2001. Working Capital Management in SMEs: Evaluation of Situation and Status in Comparison with Large Size Establishments, Magazine of Faculty of Economic and Administrative Sciences, Hacettepe University, Volume: 19, Issue: 2, ISBN 1301-8752, Ankara, pp: 58.

Kayali A.C. and A. Hüseyin, 2003. Management Crisis and Total Qnality Management in Small and Medium Size Establishments in Turkey. Management and Economy, Economic and Administrative Sciences Magazine, Celal Bayar University, Issue:10, ISBN-1302-0064, Manisa, pp: 34.

Ministry of Agriculture and Rural Affairs, İzmir Province Directorate; Panel on the Effectiveness of Cooperatives in Olive Oil Production and Marketing, February 2004, İzmir, pp: 15-16.