

TOBB President M. Rifat Hisarcıklıoğlu:

We may take the necessary steps in food and agriculture with licensed depots

Following the Covid-19 pandemic and Russia-Ukraine war, we realised once again that food and agriculture shall continue to be strategic sectors for all countries. If we intend to create a sustainable value chain in both sectors, we will need to continue to quicken the process that will facilitate the strategic steps in creating licensed depots. In this way, Turkey with its developed agricultural market and geopolitical importance can become a significant agricultural manufacture and supply hub.



The whole world understood the strategic importance of agriculture and food thanks to the escalating supply and demand crisis across the world following the Corona virus pandemic and Russian-Ukrainian War. Therefore, licensed depots that help create price stabilisation in agricultural markets and for produces to be kept in secure and hygienic environments become a major strategic development agenda item across all nations. Further, licensed depots are perhaps the most crucial ring of the sustainable values chain as they ease the agricultural trade, thanks to the incentives, add value not

only for the producers but also investors and industry players.

Aim to reach 15 M tonnes

Licensed depots are an area that brings together the private and state sector with the same vision and goal and for our country means both a good practice and a sustainable example. Of course it has not been easy to have come this far following a long and gruelling journey. In 2005, it was initiated by TOBB thanks to the licensed depot law that fostered the roots of the licensed depot concept of today. In order to incentivise the private sector

investments into licensed depots, in 2010, TMO-TOBB Lidas joint venture was created with TMO. Following these crucial steps in establishing licensed depots, the private sector also began to show interest. As of 2021, 256 companies have been granted the leave to establish a licensed depot 159 of which have completed the process and begun work as one. The licensed depot space has been raised to 8m tonnes in cereals; 53K tonnes in cotton; 13K tonnes in olives; 11K tonnes in hazelnuts; 5K tonnes in dried apricots and 4K tonnes in pistachios. The total amount of space that will allow

agricultural products to be stored in modern and healthy conditions is raised to 8 m. If all 256 initial-leave-granted companies are granted full leave, the estimated total capacity shall rise to 15 m tonnes.

By licensed depots produces with high shelf life cycle such as cereals, beans, seed oils, cotton, hazelnuts, olives, dries apricots and pistachios will be stored and traded. In licensed depots, produces such as cereals and beans and seed oils can be stored up to 24 months and olives 18 months. The categorisation and quality of agricultural produce is hallmarked in the system by the licensed categorisation labs and these produces are kept in these licensed depots with modern infrastructure. The trade of these products is run at Turkey Produce Expertise Stock Exchange using electronic produce bills that represent the licensed depo label under the ownership of it.

The total transactional value in electronic produce bills reaches 18 B TL in 2021

The licensed depots issue electronic produce bills using the system created by a central registration unit. All the transactions are done as such under the supervision of this unit. In 2021, electronic produce bills worth 6 m tonnes have been traded and the total produce bill transactions was at 17 BTL. On the other hand, licensed depots are really critical for farmers as well since they meet depot and cash flow needs of them during the harvest seasons.

The farmers that have harvested do not waste time trying to sell their products; but instead enjoy the transport, data analyses, stoppage and depot rent support leave their produces at the licensed depots and can sell their produce in Turkish Produce Expertise Stock Exchange and get their money if they like. If they do not want to, they can utilise a zero-interest loan to keep them and sell later as they wish.

In order to minimise the risks it is a must

The strategic importance of countries to be self-sufficient in their agricultural productions and in the event of critical disasters for them to survive for a while without any dependence on foreign support has become extremely critical when viewed from the perspective of climate change and geopolitical conflicts seen today. In that respect, licensed depots that allow longevity in storage are a critical tool in terms of minimising the risks in question. Further, for these produces stocked in licensed depots to be analysed and categorised and standardised by official bodies and kept in healthy depots with insurance is of utmost importance in terms of physical security and quality standards.

In the recent years, our trade stock exchange offices have also been pulling their weights. Thanks to their electronic sales saloons, accredited labs, livestock stock exchange and licensed depots, trade stock exchange offices have contributed greatly to the welfare of agricultural and livestock farming. Most licensed labs which officially categorise and endorse the analyses of the quality of a produce belong to the same trade offices in licensed depots structure. The next step in the concept of licensed depots was Produce Expertise Stock Exchange (TURIB). Thanks to the support of former Agriculture and Trade ministers, it was established in 2019. Therefore, without the need for a physical exchange, the trade of a number of produces are done electronically and over a single platform. The income derived from electronic produce bill trade is excluded from taxation until 2023. Moreover, it has taxation exemption advantages such as being exempt from agricultural income tax stoppage, VAT and revenue stamps.

45 B TL has been processed in the market of electronic produce bills

The TURIB system has allowed the electronic trade of agricultural produces over a secure and transparent platform. Using the system that was first introduced in 2019 a total 19 m tonnes transactional value and 45 BTL transactional size has been reached.

Still 17 produces are processed here. 112 trade stock exchange offices have become Turib agents. The no. of registered investors has reached 80K.

Thanks to TURIB and licensed depots, the agricultural produce prices won't be speculated by a few people. Their prices will be verified more transparently. The transactions made in licensed depots shall be exempt from stoppage tax, VAT, income tax during trading, corporate tax and revenue stamps. Further, producers shall be given a depot rent support by the state. Also, producers will be given a transport support per tonne. Analyses made in licensed depots are among incentives and producers shall be given an interest-free loan by the ministry of trade. Organisations wishing to invest in licensed depots shall be given a loan support and licensed depot investments shall take advantage of Area 5 supports. Furthermore, interest-free loans are offered by Ziraat Bankası and Agriculture Credit Cooperative.

Licensed depots have a function similar to that dams do. Harvested cereals is stored gradually and is injected in to the market when needed. TOBB and trade stock exchanges have a critical mission in the development of licensed depots and agricultural produce trade based on produce bills. Our goal is to improve the capacity of agricultural markets and to render an augmented agricultural market. Around our borders and to our South in particular, there are countries with strong cereal and food importers. In the times when the importance of food and agriculture grows, Turkey can become a central agricultural manufacturing and supply hub thanks to its advanced agricultural market and geopolitical advantages.



ICT Sector should also grow in Turkey where hunger for digital transformation is strong

The dijital transformation Index 2021 Report in Turkey prepared by Turkey IT Industries Association (TUBISAD) notes that the digital transformation index in Turkey was at 3.03 in 2020 while it rose to 3.24 in 2021. The index figures show that Turkey is open to digital transformation yet infrastructure and competencies need improving. On the other hand, it must be noted that the local progress the ICT sector has made so far is not good enough, dependency on import-oriented solutions shall rise given the demand is ever growing.

The Turkish digital transformation index was calculated out of five at 2.94, 3.03 and 3.24 respectively in 2019, 2020 and 2021. The figures could be read that the digital transformation showed an upward trend in 2021. It is good news that following the pandemic digital transformation across the world has sped up; and so was it in Turkey. However, it is not seen satisfactory for Turkey to be able to make the desired digital leap yet. In particular, when EU's 2030

goals are considered – quite assertive – Turkey seems to improve its digital transformation performance considerably.

Pleasing Developments in Ecosystem Components

All 4 components of Turkey's digitalisation rating showed a positive trend in 2021 in comparison to those in 2020. In 2021, among the 4 components, 'ecosystem' component led it to go down whereas 'use' component helped

it up. The fact that the biggest obstacle in Turkey's digitalisation process is ecosystem, it points to the criticality of this area for a whole economic growth. The component of 'ecosystem' is comprised of two dimensions; 'legal ground and operation' and 'innovation and investment environment'. Though there is considerable improvement in both dimensions, the steps to spur this improvement need quickening. The 'qualification' component of digitalisation index shows how ready and capable economy is for digitalisation. The growth rate of 'qualification' component is lower than the other components. 'Qualification' component is comprised of 3 dimensions; 'infrastructure', 'sourcing' and 'competencies'. Digitalisation is sure going to be built upon a strong infrastructure.

Unfortunately infrastructure improvement speed is low

'Infrastructure' dimension after 'Digitalising Economy' dimension is the dimension with the least progress. Further, improvement speed in infrastructure is also at low. Performance in 'sourcing' dimension is strong and rose from 4.54 in 2020 to 4.63 in 2021. 'Competencies' is also among the areas improvement is needed at for Turkey to grow its performance. When noted that digitalisation shall only be possible with competencies unique to this area, Turkey needs to take more comprehensive and quicker steps. The component of 'use' has been analysed under three sub-categories; 'personal use', 'business use', and 'state use'. All 3 dimensions have similar ratings. 'State use' is the dimension that has shown the biggest improvement when all 10 sub-categories taken into account in Turkey's digital transformation index. 'Transformation' component has two sub-dimensions; 'digitalising economy' and 'digitalising public'. Both dimensions have improved compared to last year. Among the dimensions, digitalising public is the strongest with a rating of 4. However, 'digitalising economy' has become the most ailing dimension of Turkey Digital Transformation Index among all 10 sub-dimensions at a rate of 2.25. This data corresponds to the fact that the desire for a change among business circles needs further supporting.