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Econometric Modeling of Turkey's Hazelnut Sector: Implications on Recent Policies\*

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Abstract: The hazelnut is an important product in Turkey's economy as it is an important source of income for a large number of family farms and makes up around 75% of world production and 20% of total agricultural exports from Turkey. Hazelnut production has increased in recent years along with high levels of storage and expansion of planted areas from traditional steep lands to flat lands, where alternative cropping is possible. The aim of this study was to determine the major causes of these problems using an econometric model of Turkey's hazelnut sector. Estimation results of the model comply with economic theory and the equations in the model were explained well. The major implication of the model was that the high support price policy implemented for years caused an expansion in hazelnut-planted areas and an excess supply of hazelnuts. The proposed policy with respect to the results of the model is to determine a target price very close to production cost and market price so that farmers are just guaranteed to a certain price level. In addition, direct income support should be paid only to farmers who produce hazelnuts on land within the limits determined by the law and compensation payments should continue for the removal of hazelnut plantations.

Key Words: Turkey, hazelnut, econometric modeling, policies

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