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Direct Income Subsidy Practices in Turkey

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Abstract: This study, first of all, explains the agricultural subsidization policies applied in Turkey so far and the reasons of changes in these policies. The definition, purpose and application method of Direct Income Subsidy that was put into practice instead of other subsidization tools in recent years are hereby examined in depth, and the practice is evaluated under the light of agricultural statistics. According to the conclusion of the research; Direct Income Subsidy which was applied independent from production did not provide an increase in agricultural production and productivity; on the contrary, the agricultural production and productivity decreased during the years when Direct Income Subsidy was applied. A great part of the given subsidy was not used in agricultural production. PSE (Producer Subsidy Equivalent) rates remained lower than both OECD countries and EU countries just like they were before the application of the program. In 2001, when the practice started, PSE and CSE (Consumer Subsidy Equivalent) rates went down to the lowest level and in that year; Turkey remained among the countries that gave the lowest subsidy to agriculture among all OECD countries.

Key words: Turkey, Direct Income Subsidy, Agricultural Subsidization policies.

INTRODUCTION

In Turkey, the agriculture industry has been subsidized by various subsidizing tools for many years. However, the applied agricultural subsidization policies have always been subject to criticism as the provided subsidies could not be transmitted to the target mass sufficiently, the determined objectives could not be achieved, and due to the excessive financial burden brought on public sources and failure to achieve the development oriented targets (Anonymous, 2005a).

The globalization phenomena experienced in the entire world also has some impacts on agriculture. The changes which occurred in the determination of agricultural policies in Turkey and accordingly in the subsidizing system in recent years have not generally occurred because of the internal reasons mentioned above, but they occurred due to the agreements made with international organizations and establishments, and the promises given to them. GATT (General Agreement on Tariffs and Trade)-the liabilities regarding Uruguay Agriculture Agreement, Turkey-EU (European Union) relations in agriculture, Stand-By Agreements signed with IMF (International Monetary Fund), and the promises given by Turkey to IMF, liabilities against OECD (Organization of Economic Cooperation and Development) and promises given to WB (World Bank) have shaped the agricultural policy of Turkey.

In the 17th Stand-by Agreement between Turkey and IMF, the section related with agricultural subsidy recommends the gradual abolishment of the existing subsidization policies and the establishment of DIP (Direct Income Payments) instead. Turkey considered this recommendation and declared in the letter of intent given to IMF that this system would be applied. DIS (Direct Income Subsidy) System was started in 2000 in 4 cities as a pilot practice, and began being applied in the entire country in 2001.

In the EU, DIS accounts for 30 percent of total subsidy, while market price subsidy has an importance degree of 55 percent, and input subsidy continues to remain at around 8 percent level. Besides, the increase of DIS payments in EU subsidy system is estimated to absorb further sources in the short and medium term,

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and precautions are being looked for against it. In the USA; however, the importance of DIS in the total subsidy is limited at around 10 percent, the market price subsidy accounts for 50 percent and the subsidy based on nput usage accounts for another 10 percent (Ozkaya *et al*., 2001). DIS system is not applied in any country ust on its own. However in Turkey, DIS was considered as a subsidizing tool on its own to replace with all other subsidization tools. In consequence, the share of DIS in the entire subsidies increased to 53 percent level in 2002, and approximately to 78 percent in 2003 and 2004.

There is nothing wrong in applying DIS in the countries which have resolved their agricultural problems in the industrial sense and provided the necessary infrastructure. The development of agriculture stopped being an objective, even on the contrary, in this kind of countries where high over production compared to the requirement is targeted; the preservation of the income of the agricultural segment stands out as a basic approach. DIS is also a policy tool appropriate for this purpose (Anonymous, 2004a). The replacement of all subsidization tools with the DIS system without resolving the existing structural problems of agriculture has not been rational.

As the application results of DIS so far have not given the expected outcomes, one of the subsidization tools to be applied in 2006-2010 according to the Agricultural Policies Strategy prepared with the collaboration of the Ministry of Agriculture and Rural Affairs, SPO (State Planning Organization) and TU (Treasury Undersecretariat) has been determined as DIS Payments. However, the share of DIS, which had increased to 78 percent among all agricultural subsidies in 2004, has now been determined as 45 percent. Later, another decision was taken to start this application in 2005. In 2005, decision was taken to allocate basic DIS to every land on which vegetal production is made, and additional DIS to the farmers who get soil analysis done and perform organic farming. Furthermore, it was stated that the practice would be associated with production.

However, the questions why the share of DIS among all subsidizing tools was increased to 78 percent despite criticisms from various sections of the society before the application, and why was decision taken to reduce it to 45 percent level beginning from 2005, and why DIS was applied regardless from production until 2004 despite all the warnings made remains unanswered.

This study examines all DIS practices applied in Turkey, the pilot project of which began in 2000 and which began to be applied in entire Turkey in 2001 and aims to put forth the results of the practice. Another aim is to mention the difficulties faced with the practice and to identify the weaknesses of the practices and to determine the suggested solutions to the problems faced.

Besides, determining the changes brought by the practice on the agricultural industry under the light of agricultural statistics has been aimed at. It has been targeted to clarify to what extend have the aimed results been reached with the DIS practice.

MATERIAL AND METHODS

In the research various works prepared by various organizations, institutions and people have been benefited from as materials. The statistical information regarding the subject has been obtained from the websites of international organizations such as OECD and FAO, and SIS(State Statistical Institute) and MARA(Ministry of Agriculture and Rural Affairs) publications. Besides, newspapers and periodicals have also been benefited from, as the subject is in current interest. In determining the results of the application, the reports of Agricultural Production and Development General Directorate and FRS (Farmer Record System) have been benefited from.

The work tries to determine the changes that happened in the agricultural industry with the application of DIS under the light of certain agricultural statistics. First of all, PSE and CSE calculation results, which are accepted as the measures of OECD and which put forth the influences of agricultural policies on producers, consumers and tax payers, have been evaluated from the perspective of various segments. The changes that happened in PSE and CSE rates in Turkey and the contribution of agriculture to GNP with the application of DIS system are shown in graphics.

In evaluation other statistical data, calculations are made through simple indices and the changes are examined as of years. 1995 is taken as the beginning year.

Agricultural Subsidization Policies and Practices in Turkey:

The principle purpose of the subsidization policies in agriculture are to protect the producer and consumer segments from price volatilities and to reach a fair income distribution. (Orhan, 1999). The agricultural subsidization policies are applied in a desire to reach certain goals such as balancing agricultural product

supply and demand, preventing price volatilities in the market, harmonizing the agricultural segment income level with other industries, preserving stability in the income from export products based on agriculture, fulfilling the additional demand from the expanding population and industry, increasing productivity, providing marketing organization (Filiz, 1983). The subsidization policies applied with these purposes differ as per the peculiar conditions in each country and the general economic policies applied in that country.

Until 2001, when the direct income subsidy began being applied, the agricultural subsidization policies in Turkey were generally focused on market price subsidy. Income subsidies, subsidizing through price assurance and direct payments made up other subsidizing tools along with market price subsidy. (Anonymous, 2000a; Atak, 2001).

However, in recent in consequence of the agreements made with international organizations, most of subsidizing tools have either been abolished or limited. Instead, the Direct Income Subsidy system was applied, which began in 2000 with a pilot project and started being applied in the entire country in 2001. When the practices of DIS up to now did not give the required results, the subsidizing tools to be applied in 2006-2010 period were re-determined according to the Agricultural Policies Strategy prepared as a result of the mutual efforts by the Ministry of Agriculture and Rural Affairs, SPO (State Planning Organization) and TU (Treasury Undersecretariat). The share of DIS, which was 78 percent among all agricultural subsidies in 2004, was reduced to 45 percent level in 2005.

Direct income payment system is, the income payment made by the government to the target producer mass without building any relation between the quantity of production and subsidy. As the product prices will be determined in the market in this system, the production will be determined according to market signals and there will be no failure in the market (Yukseler, 1999).

Direct income subsidy payments are practiced in two ways: independent from production or in association with production. In the Direct Income System Independent from Production, payments are made to producers without building any relation with the existing or future production quantities, income usage and income levels. In this system, the producers make their production decisions according to the incomes they obtain over the prices which come out in liberal markets. The most important aspect of the system is; the payments made do not affect these determinations. Direct Income System Independent from Production has been applied in Turkey since 2000.

Direct income payments in association with production are expressed as the allocation of compensative payments to target groups through proposing various conditions to the target groups, and the compensation of the difference between the market price and the targeted income level through the payment of differences or with a premium system (Babacan, 1999). These types of payments depend on the life standards, income-expense and other income levels of the beneficiary producer groups to certain extend, and the existing and future production quantities are also considered in determining the payments.

In the world, DIS system is being applied or was applied in the past in many countries including mainly the USA and EU, then Mexico, Romania, Canada, Switzerland, Norway, Bulgaria, S. Korea and Japan.

Direct Income Subsidy Practices in Turkey:

Direct Income Subsidy Pilot Project Application:

Direct Income Subsidy applications in Turkey began in Turkey through the publication and enactment of "the Decision of the Board of Ministers no. 2000/267 on the Initiation of Practice in Pilot Areas for the Provision of Direct Income Subsidy to Target Farmers and the Creation of a Record System" on the Official Gazette no. 23993 dated 14.03.2000 (Anonymous, 2000b).

Ankara Polatlı District, Antalya Serik and Manavgat Districts, Adıyaman Centrum and Kahta Districts, and Trabzon Akçaabat and Sürmene Districts were determined as the pilot areas. The payments were made to land owners in Ankara Polatlı District, and Antalya Serik and Manavgat Districts, while they were made to the producers who were processing the land they owner and/or leased, and had a production certificate or who were determined as target farmers in Adıyaman Centrum and Kahta Districts, and in Trabzon Akçaabat and Sürmene Districts. The quantity of payment was set for each target farmer as the Turkish Liras equivalent of 5 US Dollars per thousand square meters for up to 199 thousand square meters for each target farmer (Anonymous, 2000c).

As can also be seen in Table 1, 9677 farmers were paid 2355320 Dollars for 471064 thousand square meters area. Maximum payment was made in Polatlı with 1760725 Dollars. Although the number of farmers who received payment was higher in Trabzon compared to Antalya and Adıyaman, the amount of payment was less due to smaller land areas.

Table 1: Payment Amounts Made to Target Farmers under the scope of Direct Income Subsidy Pilot Project

Seq. No.	Province	Total Number of Farmers	Total Subsidy Area (decar)	Total Subsidy Amount (US$)
1	Ankara	5255	352145	1760725
	Polatlı	5255	352145	1760725
2	Adıyaman	1110	40384	201920
	Merkez	878	31898	159490
	Kahta	232	8486	42430
3	Antalya	1426	41081	205405
	Serik	1078	32581	162905
	Manavgat	348	8500	42500
4	Trabzon	1886	37454	187270
	Akçaabat	1113	24868	124340
	Sürmene	773	12586	62930
GENEL TOPLAM		9677	471064	2 355 320

Kaynak: Ediz ve ark., 2001.

The results of pilot application were closely monitored by Agricultural Economic Research Institute. The problems face and the efficiency of the application were identified in the prepared report. The Direct Income Subsidy began being applied in the entire country in 2001 considering the prepared reports.

The Expansion of Direct Income Subsidy Practice in Turkey and the Results of the Practice:

Decision was taken to expand the Direct Income Subsidy to the entire country with the Decision of the Board of Ministers no. 2000/2172 dated 12.12.2000. The principles of the practice, the lands for which payments would be made, the sizes of the lands for which payments would be paid, the amount of subsidy, deadline for application, the documents required for application, etc. issues are determined through the practice declarations issued every year. Payments are made to farmers who deal with agricultural/vegetal production in the entire country and who are registered considering the sizes of their arable fields.

The subsidy amount which had been 10 million TL per one decar in 2001 was increased to 13.5 million TL in 2002 and 16 million TL in 2003. There was no increase in the amount of subsidy in 2004. The amount of the subsidy to be given per one decar in 2005 was not explained in the declaration and it was stated as to be announced later. The maximum land area for which subsidy is given was 200 decar in 2001 and it was changed as 500 decar for 2002 and the latter years.

DIS practice results are given in Table 2. As can be seen in the table, total number of farmers who applied for the subsidy was 2.18 million in 2001, and it increased to 2.58 million in 2002, and to 2.75 million in 2003 and 2004. The number of farmers who applied for DIS in 2005 regressed to 2.68 million. 1.18 billion YTL ($0.97 billion) payment was made for 118 million decar land in 2001, 2.18 billion YTL ($1.44 billion) was paid for 162 million decar land in 2002, 2.64 billion YTL ($1.76 billion) was paid for 165 million decar land in 2003, and 2.66 billion YTL ($1.87 billion) was paid for 166 million decar land in 2004. The subsidized area regressed to 164 million decar in 2005. In the practice declaration for 2005, the amount of subsidy that was to be given per one decar was not stated unlike the previous years.

Table 2: Results of DIS Practice

Years	Number of Farmers (million people)	Total Land (million decar)	Subsidized land (million decar)	Subsidy Amount (billion YTL)	Subsidy Amount ($Billion)
2001	2,18	122	118	1,18	0,97
2002	2 ,58	163	162	2,18	1,44
2003	2,75	167	165	2,64	1,76
2004	2, 75	167	166	2,66	1,87
2005	2,68	165	164	--	--

Source: Anonymous, 2005a; Anonymous, 2005b.

The Agriculture Strategy Document which is planned to be applied between 2006 and 2010 was approved with the Higher Board of Planning Decision 2004/92 dated 30 November 2004. Accordingly, it was determined to reduce the share of DIS practices in total subsidies within the framework of Agricultural Strategy Document from 78 percents to 45 percents in time and to apply it with differentiation (Anonymous, 2005c).

In line with the Agricultural Strategy Document, DIS was differentiated in 2005 Application Declaration and it was expressed that the farmers would be provided with additional DIS beside the basic DIS. Decision was taken to allocate basic DIS for each land where vegetal production is made and additional DIS for each farmers who get soil analysis done and make organic farming. It was stated that the maximum amount of additional DIS that would be given to the farmers dealing with organic farming would be as much as the amount that forms the basis for DIS. It was also expressed that payment for maximum 60 thousand square meters would be made for each soil analysis (Anonymous, 2005d).

The Evaluation of Dis Payments in Turkey and the Challenges Faced:

Especially in 2001 when the application was started, approximately 35 percent of the farmers did not apply for DIS according to the Agricultural Census with the fears of taxation or the reimbursement of the subsidy in the following years through various means. Because sufficient and convincing explanations were not given to farmers regarding the DIS which was initiated in the entire country in 200 led to a low participation rate in DIS.

Denying to apply for DIS does not mean that the villager does not need subsidy, it actually means that they currently not understood the existing big confusion, some of them were not informed and some others were convinced into a wrong information suggesting that the government was trying to put him in debt in order to strip of his land (Oyan, 2002).

In the Practice Declarations it was mentioned that the payments would be made to the producers who deal with agricultural activities, while many people who had no relation with agricultural activity at all benefited from the agricultural subsidy just because they owned the lands.

Big land owners who benefited from the subsidy aimed at getting more help through dividing their lands. In order to come over the barrier of 200 decar in 2001 and 500 decar in the latter years determined by the Ministry of Agriculture, some big land owners preferred dividing their lands. They registered the divided lands on their close relatives and benefited from DIS payments accordingly (Gurek, 2002). In certain places, some people showed the section of their lands which exceed 500 decar as they rented and they obtained DIS subsidy for their entire land.

Problems were faced in the identification of lands without title deeds. Because the time given for the identification operation was short, and because the number of the staff was not enough, the identification works could not be performed in a healthy manner. Although the identifications had to be done through measuring on the land, they were actually done through guesses because there was not enough time and technical staff required for this action. In certain places, even this was not done and the identifications were made through declarations, without seeing the land actually. Under these circumstances, the land surface in some villages increased by a few times of the actual. Therefore, some villages and even districts could not benefit from the subsidies in 2001. Later, either re-identification works were carried out on these villages and districts, or the figures were reduced through guesses.

First of all, the expenses (bureaucratic transactions and the transportation costs between the village and city, etc.) may exceed the DIS payment that would be received by small land owning poor farmers. Therefore, small scale farmers stayed away from the system (Anonymous, 2004a). And it put forth that, the explanations stating small scale farmers would be protected in the transition to the DIS system were not true. It is true that the previous subsidizing tools were more beneficial for large scale enterprises rather than small scale farmers. It is possible to say that small scale farmers may be protected with DIS system because it is more transparent compared to other subsidizing tools. However, the subsidy amount given per one thousand square meters with the same amount became more beneficial for big enterprises instead of small businesses.

Although it was mentioned in the declaration that the subsidies would be given to the lands where agricultural production is made, this practice has not been realized yet. DIS payment was received for most of the lands which had a title deed regardless of whether agricultural production was made or not. Furthermore, one of the main criticisms brought to DIS is its provision for all products with the equal amount. Because, for example in the EU countries, DIS payments vary from one product to the other (Anonymous, 2004a). Besides, both Middle or Eastern Anatolian villagers and Aegean-Çukurova farmers will benefit from the same amount of subsidy although the productivity differences between them may increase up to 10 times for the same product.

The practice was only kept limited with vegetal products, and animal product businesses were excluded from the scope of DIS. The people who deal with pasture based livestock production without using hardly any land could not benefit from this practice. As it is known that the producers who deal with livestock production earn less income in many regions than the ones who deal with vegetal production, the claims that direct income system would protect the small scale producer turned out blank. (Oyan, 2001).

The average rate of subsidies given to farmers in OECD countries is over $36 per one decar (Cakmak *et al*., 2000). However in Turkey, approximately $8.2 was paid per one decar in 2001, $8.9 in 2002, $10.7 in 2003 and $11.2 in 2004. The DIS amount to be given per one decar in 2005 has not been mentioned. However, because the share of DIS in agricultural subsidies will be reduced, the subsidy will be lower than that of 2004. Compared to OECD countries, the DIS payment per one decar is very little. This made DIS payments unsatisfactory especially for the producers with small land similar to the businesses dealing with greenhouse planting on 1-2 decar area in the Mediterranean Region.

How much the given subsidy is used in agricultural activities is not clearly known. It has been expressed that some of the applicants were not farmers and most of those who were farmers used a major part of the

subsidy for their other needs. For example, a study held in Eskişehir Province showed that the farmers used the given subsidy not for agricultural production, but for their own expenses (Guler, 2003).

The allocation of the subsidy in two installments and in the following year led to a decrease in the subsidy amount received by the farmer on real terms due to inflation.

Evaluation of Dis under Certain Agricultural Statistics:

There is a wide belief in Turkey claiming that a major part of the agricultural subsidy in Turkey does not reach relevant manufacturers. Meanwhile, it is not possible to tell that the amounts that reached have completely been used in agricultural production.

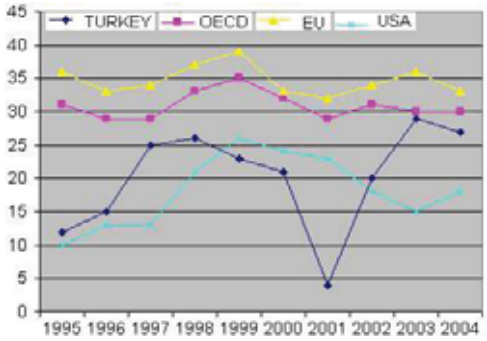
It was expressed that, the subsidy that was to be brought through direct income subsidy practice would reach to direct producers. However, when the five-year long practices are examined, it is not possible to say that this objective has been fully realized. There is not enough work on determining how much of the income subsidy given to farmers was used in agricultural production. However, the changes brought by the direct income subsidy on the agriculture segment and the amount of change it made on the agriculture segment can be put forth under the light of agricultural statistics.

PSE (Producer Subsidy Equivalent/Estimation) and CSE (Consumer Subsidy Estimation/Equivalent):

Producer Subsidy Equivalent/Estimation Percent can briefly be defined as the ratio of all subsidies provided to farmers to the agricultural production value. In other words, the proportion of subsidies in the income of the farmer is expressed with producer subsidy equivalent. Producer Subsidy Equivalent/Estimation Percent identifies how much the subsidy is reflected on consumer prices or how much price the consumers paid for the products because of the subsidies just provided to agriculture (Ergin, 2003).

PSE (Producer Subsidy Estimation) includes the monetary transfers from the agricultural product consumers and taxpayers in a set year as a result of the applied agricultural policies to the producer of that product. In other words, it shows the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers which stem from agricultural policies.

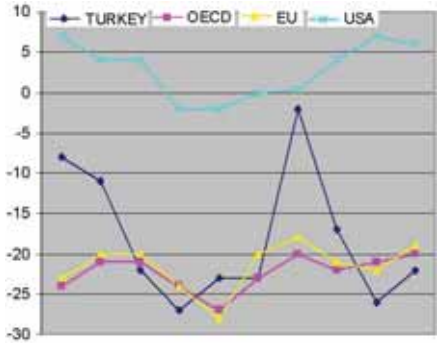
CSE (Consumer Subsidy Estimation) is the indicator of the annual monetary value of the transfers from agricultural product consumers and stemming from the agricultural policies. In other words, it shows the transfers made from the consumers because of the agricultural policies, so that it expresses the relative tax imposed on the consumer when it has a negative value (Yeni, 2000).



Graphic 1: Turkey, Europen Union, USA and OECD Countries PSE% Rates
*The values pertaining to the EU between 1995-2003 are for the 15 members and the values up to 2004 are for the 25 members.
Source: Anonymous, 2005.

PSE% and PSE values between 1995-2004 in Turkey, USA, EU and OECD countries are given in Graphic 1. PSE% values in Turkey are lower than all years OECD and EU countries. In Turkey, PSE% value is higher than the USA in certain years. In the mentioned period, average PSE% values are around 35% in the EU countries and 31% in OECD countries, while it is 20% in Turkey and 18% in the USA.

In Turkey, the highest PSE% value was calculated in 2003 with 29%. The lowest PSE% was calculated in 2001 as 4%. In 2001, Turkey became one of the lowest agricultural subsidy providing countries among OECD countries. The cancellation of most subsidizing tools in 2001 and passing to DIS system, while the applications for DIS were not at the desired level in 2001 have been influential in that. The PSE value was calculated as 20% in 2002, 29% in 2003 and 27% in 2004 when DIS was applied. According to these figures, 27 percent of the income obtained by the farmers in Turkey in 2004 was coming from agricultural subsidies; while this rate was 30% in OECD countries, 33% in the EU and 18% in the USA.



Graphic 2: CSE% Rates in Turkey, European Union, USA and OECD Countries (1995-2004)
*The values pertaining to the EU between 1995-2003 are for the 15 members and the values up to 2004 are for the 25 members.
Source: Anonymous, 2005.

In Graphic 2, the CSE% and CSE Values in Turkey, USA, OECD and EU countries are given. Between 1995 and 2004, the average CSE% percent in Turkey was -18% while this rate was -22% in OECD countries, -21% in EU countries, and 3% in the USA. In the USA, in certain years CSE% values were calculated as (+) not (-). This shows that the price paid by consumers did not increase in certain years due to agricultural subsidizing, on the contrary that it decreased.

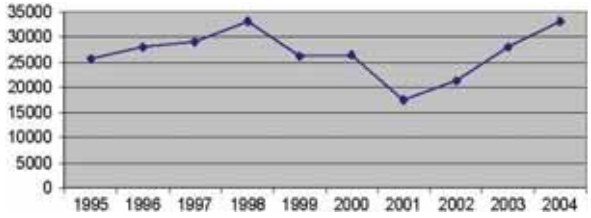
In Turkey, CSE value was calculated as maximum -27% in 1998. The lowest CSE value was calculated in 2001 with -2%. Since 2002 when DIS started being applied, CSE value rose again. CSE was calculated as -17% in 2002, -26% in 2003, and -22% in 2004.

In Turkey, the prices of the products purchased by the consumers increased in 2004 due to agricultural subsidies to 22%; while the increase was 19% in the EU, and 20% in OECD countries. In the USA, the prices of the goods purchased by the consumers in 2004 decreased 6% due to agricultural subsidies.

All these values indicate that agriculture is not subsidized quite much in Turkey, contrary to what is mostly said, and in fact it is not subsidized sufficiently.

Contribution of Agriculture to Gross National Production:

In Turkey, when the contribution of agriculture to GNP during 1995-2004 period is examined in Graphic 3, it is seen that most contribution was obtained in 2004 when the direct income subsidy was applied. In 2004, the contribution of agriculture to GNP increased 29% compared with 1995; and reached $33.24 billion. After 2004, the highest contribution of agriculture to GNP was in 1998. In Turkey, during 2001, 2002 and 2003 when direct income subsidy was applied, the contribution of agriculture to GNP was lower than the level of 1998. Especially in 2001, the GNP decreased 32.3% compared to 1995 and bottomed to the lowest level at $17.54 billion. According to these results, it is possible to say that the direct income subsidy given to farmers did not cause to a significant increase in agricultural production.



Graphic 3: Tarimin GSMH'ya Olan Latkisi (Milyon$)
Source: Anonymous, 2004b; Anonymous, 2005e.

Production and Productivity Quantities of Some Agricultural Products:

In Table 3, the production quantities of some agricultural products are given. The chosen products cover approximately 72% of the total area according to Farmer Registry System. When the table is examined, it is seen that direct income subsidy did not cause to a significant increase in the production quantity. Especially

for wheat and barley, which accounted for 66% of the lands for which DIS was paid in 2005, in the years 2001, 2002 and 2003 when DIS was applied, the production was lower than the level of 1998. In 2004 and 2005, the production appeared slightly above that of 1998 level. For other products, it is seen that DIS practice generally did not cause to an increase in production and it has even led to a slight decrease.

Table 3: Production Quantities of Some Agricultural Products (thousand tons)

	Wheat		Barley		Corn		Sugar beet		Sunflower	
Years	Quantity	Index	Quantity	Index	Quantity	Index	Quantity	Index	Quantity	Index
1995	18000	100,0	7500	100,0	1900	100,0	11171	100,0	900	100,0
1996	18500	102,3	8000	106,7	2000	105,2	14543	130,2	780	86,7
1997	18650	103,6	8200	109,3	2080	109,5	18401	164,7	900	100,0
1998	21000	116,7	9000	120,0	2300	121,1	21941	196,4	860	95,6
1999	18000	100,0	7700	102,7	2297	120,9	16854	150,9	950	105,6
2000	21000	116,7	8000	106,7	2300	121,1	18781	168,1	800	88,9
2001	19000	105,6	7500	100,0	2200	115,8	12551	112,4	650	72,2
2002	19500	108,3	8300	110,7	2100	110,5	16523	147,9	850	94,4
2003	19000	105,6	8100	108,0	2800	147,4	12623	113,0	800	88,9
2004	21000	116,7	9000	120,0	3000	157,9	13517	125,0	900	100,0
2005	21000	116,7	9000	120,0	3500	184,2	13500	120,8	950	105,6

Source: Anonymous, 1995-2002; Anonymous, 2003-2005.

Table 4: Productivity Quantities of Some Agricultural Products (kg/hectar)

	Wheat		Barley		Corn		Sugar beet		Sunflower	
Yıllar	Prod.	Index	Prod.	Index	Prod.	Index	Prod.	Index	Prod.	Index
1995	1915	100,0	2128	100,0	3689	100,0	35516	100,0	1538	100,0
1996	1979	103,3	2192	103,0	3636	98,6	34554	97,3	1357	88,2
1997	1997	104,3	2216	104,1	3817	103,5	39431	111,0	1607	104,4
1998	2234	116,7	2400	112,8	4182	113,4	44036	124,0	1468	95,4
1999	1919	100,2	2101	98,7	4434	120,2	40499	114,0	1596	103,8
2000	2234	116,7	2204	103,6	4144	112,3	45936	129,3	1476	96,0
2001	2032	106,1	2060	96,8	4000	108,4	34926	98,3	1275	82,9
2002	2101	109,7	2307	108,4	4216	114,3	43770	123,2	1551	100,8
2003	2089	109,1	2382	111,9	5000	135,5	40034	112,7	1468	95,4
2004	2258	117,9	2500	117,5	4286	116,2	42864	120,7	1636	106,4
2005	2258	117,9	2500	117,5	4375	118,6	42587	119,9	1979	128,7

Source: Anonymous, 1995-2002; Anonymous, 2003-2005.

The production quantities of some agricultural products are given in Table 4. When the Table is examined, it is seen that DIS application did not cause to an increase in productivity and it has even led to a slight decrease. Especially for wheat and barley, which accounted for 66% of the lands for which DIS was paid in 2005, in the years 2001, 2002 and 2003 when DIS was applied, the productivity was lower than the level of 1998. In 2004 and 2005, the productivity appeared slightly above that of 1998 level. For other products, it is seen that DIS practice generally did not cause to an increase in productivity and it has even led to a slight decrease.

Chemical Fertilizer Consumption:

In Table 5, the fertilizer consumption of Turkey between 1995 and 2004 are given. As can be seen in the table, the maximum fertilizer consumption after 1995 was made in 1999 with 5.6 million tons. In 1999, the index was calculated as 127.2. Between 2001-2004 when the direct income subsidy was applied in the entire country, total chemical fertilizer consumption was lower than 1999. In these years, the index was calculated as 97.1, 103.3, 116.1 and 118.0 respectively. In 2001, total chemical fertilizer consumption was at the lowest level with 4.3 million tons. The economic depression experienced in 2001 was also influential in that. IN 2002, 2003 and 2004 when DIS was applied; although chemical fertilizer consumption increased slightly compared

Table 5: Chemical Fertilizer Consumption in Turkey (thousand tons)

Years	Total Fertilizer Quantity	Index	Years	Total Fertilizer Quantity	Index
1995	4386	100,0	2000	5294	120,7
1996	4596	104,8	2001	4262	97,1
1997	4642	105,8	2002	4529	103,3
1998	5465	124,6	2003	5094	116,1
1999	5581	127,2	2004	5175	118,0

Source: Anonymous, 2005f.

with 2001, the chemical fertilizer consumption in these years was still less than the levels of 1998 and 1999. This fact verifies the criticisms stating that an important piece of the given subsidy was not assessed as an agricultural input. Along with it, it should also be kept in mind that the cancellation of chemical fertilizer subsidy after 2001 was also influential in the decline.

Conclusion and Recommendations:

The changes made in determining the agricultural policies of Turkey and in the subsidization system in recent years along with that, and moving to DIS practice occurred in consequence of the agreements made with international organizations and institutions and the promises given to those organizations rather than internal factors. The given promises; brought "Agricultural Reform" in the agenda in Turkey. Agricultural Reform, and these policies which were built completely due to financial concerns ignored the structural problems of agriculture in the country, therefore they failed to bear successful results.

Although it is stated in the direct income payment declarations in Turkey that vegetal production would be taken as the basis, the land assets were actually taken as the basis in the practice. Because the basic criterion is the title deed with this characteristic, it is difficult to provide a success oriented at the productivity and development of agricultural production. Although the protection of small scale farmers who could not benefit from the previous subsidies was aimed with DIS, the five-year long practices showed that again it the big land owners and people with many lands but whose involvement in farming activities are dubious have benefited from that. Direct income subsidy system does not have any target or feature aiming to increase the soil productivity, input usage, high-quality production, technology utilization and consequently the productivity.

The application of direct income subsidy in Turkey has not had a significant contribution on the agricultural production. The agricultural statistics of recent years indicate this fact. The production and productivity quantities of many products grown in Turkey did not change significantly during the years when DIS was applied and they even decreased in certain years. The contribution of agriculture to GNP was at the lowest levels especially in 2001 and 2002. One of the most important problems in agricultural subsidies is the utilization of the given subsidy in agriculture. A major part of the given DIS was used for other means than agriculture. It is possible to indicate that through, for example, looking at the decline in the utilization of chemical fertilizer in agriculture.

Consequently, the application results of DIS during 2001-2004 have not given the expected results.

Therefore, it is possible to list the issues to be taken into account for DIS practices in the forthcoming years:

1. One of the most important agricultural problems of Turkey is the realization and application of production planning. DIS should be used in order to orient production for the products the production of which faces some obstacles.
2. Land registry-cadastral works should be accelerated in order to use DIS system in an efficient and healthy way.
3. The bureaucratic obstacles required for the applications of the producers should be removed. The fees required from producers during application should be abolished. Because the fees taken from the producers are influential in leading producers, especially small farmers to abstain from applying for DIS, as seen in the five-years long practice.
4. People who are not involved in farming should be prevented from benefiting from the payments. Therefore, more care should be spent on making the payments to the lessee or the share cropper instead of the land owner.
5. The subsidy given to producers should be given as a single installment and in the plantation season. Because the subsidies given as two installments and in next year both lose value in real terms and they are not used in agricultural production because of being given at a time other than the plantation season.
6. Vegetal production comes into mind in Turkey when talking about agriculture. However, livestock breeding also has an important share in the agriculture of the country and it should benefit from the given subsidy.
7. The payment amount to be given on unit area basis should be organized in declining rates. Payments with declining rates will enable small businesses to benefit from DIS more proportionately. Thanks to that, DIS payments can become meaningful for the businesses which make input-intense production on a very small land (such as greenhouses) (Koc and Bayaner, 2001).
8. Regional differences should be considered in DIS payments. Underdeveloped areas should be paid with more DIS as in the EU countries.

In conclusion, the subsidies given to the agricultural segment should be oriented at obtaining low-cost production with high productivity and quality. Furthermore, any kind of new arrangement in this field should not cause worsening the already bad situation of the agricultural segment which has a low welfare level and which obtains the lowest share from the national income and opportunities should be brought to improve their economic conditions.

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