

THE EFFECTS OF PRIVATIZATION ON AGRICULTURAL SUBSIDIES AND SMALL-SCALE FARMING: THE CASE OF TURKEY (1998-2012)

NEVZAT EVRİM ÖNAL ⁽¹⁾

ABSTRACT

The agriculture sector of Turkey had gone through an evolutionary process of change in line with the general development path of capitalist economy starting from the first years after the establishment of the republic. The result of this process was a structure in which large and small scale producers coexisted in the sector. Until the last years of the 20th century, the main element that held this structure together had been the agricultural subsidies provided by the state. These subsidies somewhat lessened the unpredictability and the adverse effects of the market on producers and provided incentive to increase production. Nevertheless, these subsidies came to be seen as an item of spending that needs to be done away with by mid-1990's when public sector economy first became financially unstable, then unsustainable. The structural adjustment agenda started in 1999 by the government with consultation from IMF was resumed under the name Strengthening the Turkish Economy and the state system of agricultural subsidies was almost completely dismantled in this period. An important method in this process was the privatization of public institutions that were used in subsidizing the sector. This paper will study the results and impacts on agricultural employment of this dismantling.

Keywords: Agrarian change, privatization, agricultural economics

JEL Codes: L32, J43, N55, Q18

Yrd. Doç. Dr., Beykoz University Faculty of Business Administration and Management,
nevzatevrimal@beykoz.edu.tr

ÖZELLEŐTİRMENİN TARIMSAL DESTEKLER VE KÜÇÜK ÖLÇEKLİ ÇİFTÇİLİK ÜZERİNE ETKİLERİ: TÜRKİYE DENEYİMİ (1998-2012)

ÖZ

Türkiye'nin tarım sektörü cumhuriyetin ilk yıllarından itibaren kapitalist ekonominin gelişme doğrultusuna uygun, evrimsel bir dönüşüm geçirmiş ve bu dönüşüm çerçevesinde büyük toprak sahipleri ile küçük üreticilerin bir arada var olduğu bir yapı ortaya çıkmıştır. 20. yüzyılın son yıllarına dek bu yapının, onu bir arada tutan en önemli unsuru, devletin tarım sektörüne verdiği sübvansiyonlardı. Bu sübvansiyonlar, küçük üreticiler üzerinde piyasanın olumsuz etkilerini ve öngörülemezliğini bir ölçüde azaltmakta ve üretimi teşvik eder nitelikteydi. Ne var ki, 1990'ların ortasından itibaren finansal açıdan önce istikrarsız, ardından da sürdürülemez hale gelen kamu kesimi ekonomisinde, tarımsal destekler ortadan kaldırılması gereken bir harcama kalemi olarak öne çıktı. 1999'da IMF danışmanlığında başlatılan yapısal uyum programı, 2001 krizinin ardından Güçlü Ekonomiye Geçiş Programı olarak sürdürüldü ve bu süreçte devletin tarımsal destek sistemi büyük ölçüde tasfiye edildi. Bu tasfiyede, tarımsal desteklerin sağlanmasında kullanılan kurumların özelleştirilmesi önemli bir yöntem olarak öne çıktı. Bu çalışma, yaşanan tasfiyenin tarım sektöründeki sonuçları ve tarımsal istihdama etkilerini incelemektedir.

Anahtar Kelimeler: Tarımsal değişim, özelleştirme, tarımsal ekonomi

JEL Kodları: L32, J43, N55, Q181

1. Introduction

The neoliberal economic policies adopted in the developing countries in the last quarter of the 20th century differed only slightly among countries. The neoliberal agenda had two important articles concerning the restructuring of the state apparatus which, when enacted together, made a serious impact in the life of small-scale peasantry of the developing world. One of these was the dismantling of state-owned enterprises (SOEs) through privatization; the other was the commercialization of agriculture sector through shrinking agricultural subsidies and restructuring the so that they will not “interfere” with the working of the market economy. While the impact of the latter is more obvious, the impact of the former on the life of the peasantry is usually overlooked.

This study would try to illustrate the close ties between commercialization of agriculture and privatization by using Turkish experience as a case example. Our main thesis is this: Privatization was used as a special, demolishing tool in the “restructuring” of the agricultural support system in Turkey since this system relied particularly on SOEs in providing support to small-scale peasantry. The scope of this paper is limited to the case of Turkey, but we sincerely hope to discuss other cases during the presentation since privatization should have played a similar role in countries that had similar agricultural support systems.

The paper consists of four parts. In the first part, we would briefly discuss the political economy of privatization and the commercialization of agriculture. In the second part, we would describe the agricultural support system of Turkey that existed before the neoliberal economic policies were enacted, briefly discussing how it came to exist in the first place. In the third part, we would summarize how this system was dismantled by neoliberal economic policies and what impact this had on the life of the peasant. In the last part, we would try to convey our expectations concerning the future of this process.

2. A Brief Abstraction of the Central Concepts

To make a coherent analysis of the privatization process in Turkey, we must first clarify our approach to the key concepts. However, the scope of this paper does not include a detailed argument of each of these: This section would only state the theoretical position of the author on these concepts while keeping in mind that this position is, in itself, open to discussion.

a. Neoliberalism

The ideologues of neoliberalism claim that neoliberalism is the revival of classical liberalism. For example Hayek, in the first chapter of his most important book *The Road to Serfdom*, expresses a dramatic disquiet in the fact that the principle of *laissez-faire* has been abandoned (Hayek, 2006: 12). Similarly, Friedman (1982: 14) argues that “liberalism in its original sense” is the key to freedom. The non-Marxist critique of neoliberalism, on the other hand, claims that neoliberalism is a regression to “aggressive” capitalism (aggressive here meaning whatever the user of the term finds “immoral” in capitalism: poverty, inequality, rent-seeking behavior etc.) whereas a more humane, or moral capitalism is possible as the world experienced in the Keynesian policies of welfare state.

The common ground between these views is that both claim that neoliberal economic policies and ideology has its roots in the capitalism of 18th century. Looking back to that era; one side sees a golden age where liberal bourgeoisie suppressed the parasitic interests embodied in the state apparatus while the other side sees more or less what Engels depicted in *The Conditions of Working Class in England*.

Both of these views are ahistorical. The neoliberal ideologues take Smith and Ricardo’s arguments, which were voiced as the demands of the nascent bourgeoisie against a state apparatus that still belonged to the remnants of feudality and apply them to the bourgeoisie state apparatus of the post-war era. This is not an error but a deliberate deception as is seen in the name of Hayek’s book; and it is obvious that neoliberalism should be understood not as a philosophical concept, but a very material political project that aims at very material results (Clarke, 2003: 58). The non-Marxist critics, however, are very much in error and these errors should be appropriately addressed since it has a strong impact on the general conceptualization of neoliberalism in the left.

The main problem is that neoliberalism does not seek to evaporate the state apparatus as it claims to. Whatever happens to the state in the process of neoliberal transformation is formal and incidental. The objective of neoliberalism is restructuring the state apparatus and, through it, the social order once more according to the material needs of financial oligarchy. The problem is that this process *did* remove many constraints placed on imperialist capital formations during the Keynesian period to the extent that bourgeoisie could promote it to the middle classes as a general liberalization. However, Keynesianism was not a covert form of socialism as the liberals claimed. Keynes himself, with obvious disquiet, states the impending need to solve the problem of unemployment “*whilst preserving efficiency and freedom*” unlike the “*authoritarian states*” (Keynes,

1997: 381). Keynesian policies of welfare state, financial repression and full employment were forced concessions imposed on imperialism by the widening influence of socialism (Eaton, 2009: 135) and this widening influence, although it materialized most prominently in the existence of the Soviet Union, was also prevalent in the class struggle across the capitalist world. These policies provided an environment of class collaboration much needed by imperialism in the cold war years and they were abandoned when they proved ineffective against the crisis that developed in the beginning of 1970's. By then the imperialist system had consolidated itself against the threat of socialism and the social-democratic welfare state was no longer needed.

Besides, new needs had arisen in the crisis environment. Keynesian policies, while providing a more or less stable political environment, had exacerbated an inherent trend of capitalism: the declining rates of profit. Neoliberal policies as a whole were formulated to counter this problem. These policies, later summarized as the Washington Consensus, brought about widespread financialization, restructuring of the state apparatus and deregulation of the labor market. Vanguarded by Thatcher in United Kingdom and Volcker and Reagan in the USA, they were swiftly imposed on and adopted in the rest of the capitalist world in the second half of 1970's. This imposition was carried out via military coups backed by the USA in underdeveloped countries where the abandonment of developmental policies met with strong public resistance. In the end, imperialist finance capital reversed all the concessions it had to make to labor and its interests became prominent one more over all other forms of capital (Duménil and Lévy, 2003).

All these point to the fact that neoliberalism is not a temporary trend of capitalism, but the hegemonic political economy imposed on the world by imperialism. Therefore, all implications about neoliberalism being an "excessive" or "aggressive" form of capitalism are without foundation. The only thing that keeps the "aggressiveness" of bourgeoisie in check is the intensity of class struggle. Neoliberalism is obviously much more harmful to the material interests of the working class, but it is so because the working class has lost much ground in the class struggle. In short, neoliberalism, in all its aspects, is contemporary capitalism.

b. Privatization (and state)

It is a general misconception that neoliberal ideology is ultimately against the existence of the state itself and seeks to confine it strictly to a solely regulatory position. This misconception is mostly created by the neoliberal ideology itself. The main fallacy in this

argument is that it defines state as an ahistorical structure outside the class dynamics of modern society.

However, the state is a product of classed societies and, regardless of the myriad of forms it may take, its sole purpose of existence is the perpetuation of the relations of production particular to the present form of production (Althusser, 1971: 132). Therefore, the state is the apparatus that facilitates the power of the ruling class and serves as the nexus of its collective will. Nevertheless, the state cannot be defined as an exclusive property of the ruling class because it is also a contested ground in class struggle. The oppressed classes, in their struggle to overthrow the ruling class, try to gain influence in the state apparatus mainly by forcing their interests unto state institutions and legislation.

The concessions made by capital to labor worldwide in the Keynesian era of capitalism fit into this concept. The public services, social security schemes, the complex structure of SOEs that take a role in regulation income distribution and the like should be seen as acquisitions gained by labor via its international struggle. The objective of the privatization agenda of neoliberalism was the cancellation of these acquisitions; therefore, it cannot be seen solely as an anti-statist policy.

c. Peasantry

The more or less undifferentiated peasant of the pre-capitalist era becomes differentiated as the capitalist relations take hold in the countryside. This is usually a gradual process through which most of the peasantry lose their land and become wage laborers while land ownership becomes more unequal and centralized. The natural inclination of capitalism is towards the dissolution of all small-scale peasantry and organization of agricultural production in large-scale capitalist farms (Marx, 1887).

However, dialectic processes do not reach their logical conclusions but converge towards them. The same is true for the dissolution of the peasantry. Many of the peasant families lose their land and become dependent on selling their labor-power. Most of these migrate to the cities while some remain in the countryside to form the rural proletariat, the owners of the large-scale lands become the rural bourgeoisie and a mass of small-scale farmers exist between these two much like the petty bourgeoisie of the cities (Bernstein, 1979: 431). This is the peasantry of capitalism: An endangered mass of people clinging to its petty ownership through any means possible.

The relation between peasantry and the bourgeois state is a complex one since this state imposes market imperatives upon the peasantry (Marx, 1937) and at the same time, protects it from the destructive effects of capitalism to an extent by agricultural support policies. The peasants themselves cannot effectively organize and defend their collective interests against the bourgeoisie: their petty ownership disperses them, sometimes sets them against one another and ultimately acts as a fetter against anti-capitalist organization. The diverse forms of agricultural cooperatives are the only means of organization open to peasantry and they are, but they are not tools that can be used against capitalism since they organize on the basis of private ownership and market relations (Lenin, 1964).

The state, on the other hand, is a perfect tool for the bourgeoisie for subordinating the peasantry already dependent on the rules of private ownership and commodity exchange for its existence. It uses agricultural support policies to regulate the dissolution of peasantry; stemming the process if the working class has the upper hand in class struggle and more workers migrating to the cities would only mean more trouble, and leaving the peasants to their own devices against market forces if proletarianization of peasantry would mean lower wages. Therefore, it is no coincidence that the life of peasantry becomes easier when the working class struggle hard against the bourgeoisie.

3. What Was: The Agricultural Support System of Turkey

When Turkish bourgeois revolution established the republic in 1923, the important points in the general outlook was:

- i. Almost all of the productive capacity of Anatolia consisted of agriculture: Ottoman Empire had almost no industrial facilities (Boratav, 2004: 20).*
- ii. According to the first population census of the republic, more than 75% of the population was living in rural areas.*
- iii. The land ownership was already very unequal: The large landowners who constituted 1% of the total agricultural population had 39% of all land, the middle peasants, who constituted 4% of the total agricultural population had 26% of all land and the remaining 95% of the agricultural population had the remaining 35% (DiE, 1973: 24).*
- iv. The large landowners, who were not on very good terms with the Ottoman State during the last period of the empire, sided with the republican revolutionaries and gained considerable influence in the new republic. Besides, they were the only*

group in the society that had the necessary accumulation of wealth on which the material base of the bourgeois revolution could be established (Önal, 2012).

It is important to keep in mind that Republic of Turkey was founded as a neighbor of the Soviet Union and the first socialist state in history had given a considerable amount of support to its foundation. This does not, in any way, mean that Turkish revolutionaries were inclined towards socialism. On the contrary, they were wary of the political ascendance of the working class. Therefore, they were also wary of taking steps that would lead to the urbanization and proletarianization of the massive rural population. On the other hand, capitalist relations of production had to become dominant if the revolution would be successful and the republic it established would be lasting. The alliance with large landowners provided a reactionary solution to this dilemma: Turkish state established its rule over the rural masses through rural elite, the peasantry stayed in the countryside and when the first industrialization plan that was put into effect in the first half of 1930s, the textile and sugar factories built according to the plan were scattered across Anatolia so that the working class would not be concentrated in a couple of cities. Apart from this, financial means of support was also created: The Bank of Agriculture (BoA) was properly established just a year after the revolution, even before there was a Central Bank. These institutions provided the basis on which the agriculture support system of Turkey would be built.

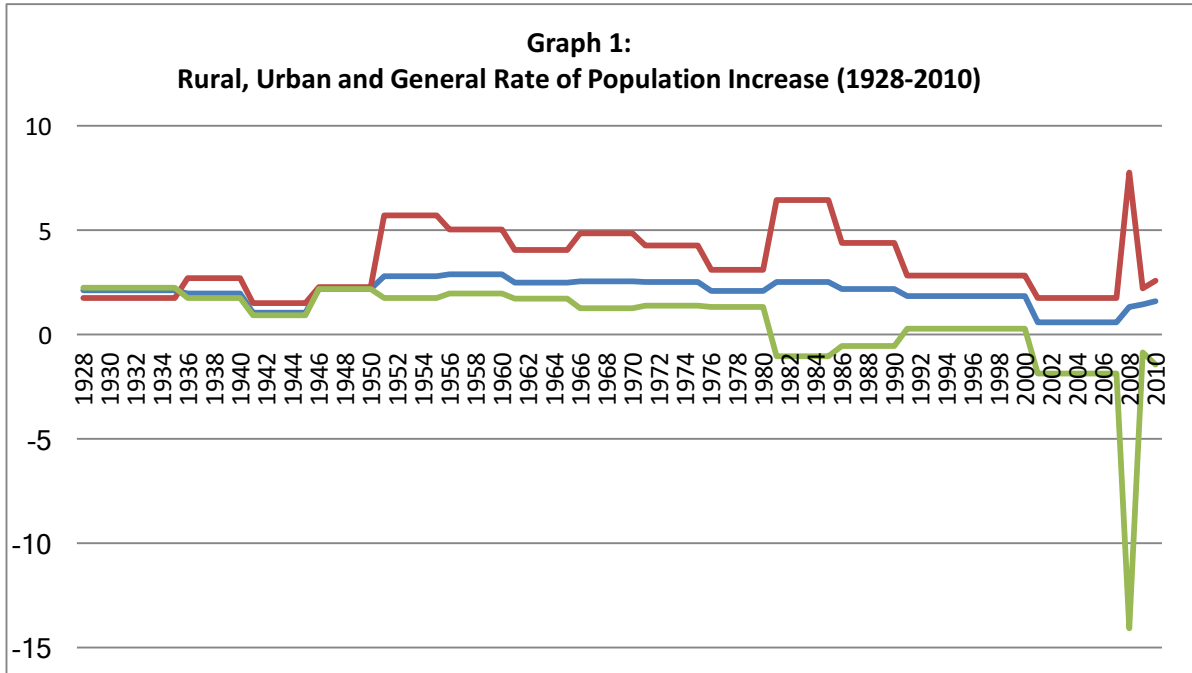
The alliance between the large landowners and progressive statesmen remained intact until the end of the Second World War. After the war, the single-party regime was abolished and the ruling party divided into two parties, one of which supported the interests of the rural elite (Democratic Party – DP) while the other stood generally for the interests of the urban bourgeoisie and petty-bourgeoisie (Republican People's Party – CHP). The landowners, who had gathered enormous amounts of wealth in the cereal black market of the war years, came to power in 1950. By this time, Turkey had become a part of the Marshall Plan with the precondition that it would raise its foodstuff production and export to West Europe. To this end, Turkish agriculture was hastily modernized with tractors and other agricultural machinery bought with Marshall Plan loans, and the financial support to agriculture was seriously widened. Naturally, these opportunities were mostly exploited by large landowners, particularly those with government connections. This process raised the organic composition of capital in agriculture, caused more land centralization and by the end of 1950s, the bourgeoisisation of the large landowners had reached the point that clear distinction between the urban and rural bourgeoisie was no longer possible. Another result was that as mechanization

of agriculture advanced, a serious portion of the rural proletariat lost their jobs and had to migrate to the cities (see Graph 1).

DP was removed from power by a military coup in 1960 and state-planned industrialization and development was adopted as the economic policy. The official policy of state planning concerning agricultural support was stated in the First 5-Year Development Plan as follows:

The prices of agricultural produce should be protected mainly by subsidizing the components used in their production. Direct subsidization of some types of produce should only be put into practice under extraordinary circumstances and only until the development of Agricultural Sales Cooperatives (DPT, 1963: 498).

However, the agricultural sales cooperatives never “developed”. Rather, they gradually became semi-public bodies and the subsidization of products remained the main subsidization channel of agriculture. By 1980, 24 different agricultural products were bought at floor prices either by different SOEs or state-backed sales cooperatives. On the input side, however, the only significant subsidization was given to fertilizers. BoA completed this imperfect triangle by giving subsidized loans to farmers directly and through agricultural credit cooperatives. This three-way support system had many defects, the most important of which was that it favored rich farmers to the point that poor peasantry was harmed from the high prices as consumers more than they benefited from them as producers. However, this system provided a considerable amount of support to all farmers and by the end of 1970s, it was still possible for a large peasantry to stay in agricultural production and more than half of Turkey’s population still resided in the countryside (see Graph 1).



Source: Calculated using the population census data provided by TurStatistical Institute (www.tuik.gov.tr)

4. Neoliberal Dismantling of the Agricultural Support System of Turkey Through Privatization

During the second half of 1970s, Turkey experienced a revolutionary period: The economy of the country became increasingly unstable while the working class took the upper hand in class struggle. By the end of the decade, the economy became unmanageable and crisis conditions became perpetual. The “24 January Decisions” taken at the beginning of 1980 marked the transition to neoliberal economic policies. However, the intensity of class struggle and the advanced class consciousness of the working class precluded the implementation of these decisions.

The solution to this dilemma came through an excessive use of military violence. The army seized power with the 12 September coup and Turkey went through 6 years of extraordinary rule in which all the parties that existed prior to the coup and the trade unions were banned, strikes and any kind of public demonstrations were illegalized and a military junta was formed. This junta stayed in power for three years, after which an election for a civilian government was held, albeit without the banned parties.

The political conditions were ideal for the bourgeoisie to push forward with neoliberal reforms. However, although many steps were taken (trade liberalization, financial liberalization etc.), the bourgeois state hesitated at the privatization agenda. Therefore, until the end of 1990s, privatization was a topic that was frequently brought up but never pursued in earnest.

Therefore, the impact of the neoliberal reforms on agriculture in the last two decades of the 20th century was limited. The subsidies were drastically cut after the coup, which triggered massive migration to the cities (see Graph 1); however when the political system normalized and the bans were lifted on all the parties, subsidies once again became a tool for vote gathering. The peasantry lost a serious portion of its income during the 1980s, but the institutions through which that income was generated stayed untouched.

The real push towards privatization started with the IMF plan of 1999. By then, the economy of Turkey had once again become unmanageable and prone to crisis at almost every turn.

a. Privatization agenda and its implementation

The letter of intent presented to IMF by Government of Turkey on 12.09.1999 (Government of Turkey, 1999a) marked the beginning of the second phase of neoliberalism in Turkey. This phase started with the standby agreement, gained considerable speed after the massive economic crisis of 2001 and extended into the AKP years. Article 40 in the letter clearly stated that *“the medium-term objective of [the] reform program is to phase out existing support policies and replace them with a direct income support system targeted to poor farmers.”* The measures that will be taken to this end were gradual equalization of cereal support prices to world prices, commercialization of state sugar factories, legislation that will grant total financial independence to agricultural sales cooperatives, phasing out the credit subsidies and fixing nominal support levels to fertilizers and other inputs. The privatization program, given in the second appendix to the letter (Government of Turkey, 1999b), was still very moderate and as far as agriculture was concerned, contained only the fertilizer factories and the institution responsible for providing agricultural machinery to farmers.

The Government of Turkey presented four more letters to IMF before the crisis that broke out on the first days of February 2001. In these letters, the privatization agenda was gradually widened to include sugar factories and tobacco and alcohol monopoly. However, the most important passage in these was not about privatization promises but

the rationale behind privatization itself. In Article 46 of the letter of intent dated December 18, 2000, the link between privatization and agricultural support was addressed as follows:

The phasing out of the indirect support policies would lead to a reduced involvement of the state in the production and marketing of agricultural products. This will lead to a rapid privatization of the [State Economic Enterprises] involved in this area (Government of Turkey, 2000).

This passage must be underlined because it clearly shows that the intention behind the “phasing out” of subsidized involvement of SOEs in the market is to turn them into dysfunctional institutions that can easily be liquidated. The primary objective in the transformation of the agricultural support system of Turkey was not the establishment of a leaner and efficient system that gave support to those who actually needed it. The primary objective was the demolition of the present system to the point that a reversion to that system was no longer possible. Therefore, the rationale behind privatization was the same destructive intent, which pretty much resembled vandalism.

The structural adjustment plan implemented under the auspices of IMF collapsed on February 2001 and Turkey experienced the hardest economic crisis in its history. In the crisis environment, the management of the economy was delegated to Kemal Derviş, who was one of the vice directors of World Bank at that time. Derviş arrived with an agenda titled “Strengthening the Turkish Economy” which was merely an advanced version of the IMF plan. “Irreversibility” of the transformation was still one of the main targets and it was stated in Article 27: “There can be no question of returning to the previous system” (CBRT, 2001)

From this point onward, the process gained considerable speed. The crisis created an extraordinary environment much like the military junta years after the coup of 1980; only this time the repression was ideological. “We are doomed if we do not immediately abandon and repent our erroneous ways” was the motto of the day and nobody could criticize the policies dictated by Derviş. The parliament was forced to pass “15 laws in 15 days”, some of which were directly related to the abolishment of the agricultural support system. Naturally, once the havoc caused by the crisis was left behind the three-party coalition government started to drag its feet. At this point Derviş resigned, creating a political impasse the only way out of which was early elections. The general election was held on November 2002, and all three parties in the coalition were devastated. Justice and Development Party, which was formed after the crisis, came to power and the part

of the privatization agenda concerning the agricultural support system of Turkey was completed under its rule.

The part of the privatization process concerning agricultural support can be summarized as follows:

- BoA, which was counted among the institutions to be privatized in the Derviş program, is still public. However, it stopped providing subsidized loans from 2001 onwards. The share of agricultural credits in total credits fell from around 17% in 1990s to less the 5% after 2001. The major share in these credits is still held by BoA but private banks are gradually raising their share in this market.
- Among input supports, fertilizer support was the most important support given by the government. This has been an issue since the beginning of 1980s and it was addressed in the Agriculture Sectoral Adjustment Loan project approved by World Bank (World Bank, 1985). This support was completely abolished in 2001, and all the SOEs involved in the production and distribution of fertilizers were liquidated in 2006.
- Most of the price supports were provided by agricultural sales cooperatives. The government support to cooperatives was abolished after the 2001 crisis. This turned the cooperatives into specialized trading companies that have to take decisions under normal market conditions and therefore unable to give price support to its members. Apart from these two special laws were passed in accordance to the Derviş program, creating independent government bodies to regulate the sugar and tobacco markets. These laws also ensured that the SOEs active in these fields operated just like normal capitalist companies. Of these, the monopoly producing tobacco and alcohol products was privatized. The sugar factories are still public, however they no longer buy sugar beet at support prices and therefore, the beet production is on the decline. The SOE responsible for buying and stocking cereal is still active, but it no longer offer subsidized prices and is more engaged at regulating the cereal market through imports.

This does not mean that the government has altogether stopped supporting agriculture. However, by privatizing most of the SOEs that gave support to agriculture and forcing all others, including the sales and credit cooperatives to act according to market rules, the Government of Turkey opened up the agriculture sector to all the volatilities and destructive impacts of the market forces. We will try to summarize the results below.

b. Impacts

The first impact of the transformation was seen in the ability of small-scale agriculture to support the people engaged in it. Before 1999, approximately 9 million people were working in agriculture. Among these, paid workers and employers were only a small portion of the whole (500 and 73 thousand respectively) while people who worked for their own account (typically heads of peasant families) were 3.3 million and unpaid family workers (typically the rest of the family) were 5.1 million. The abolishment of the support system quickly eroded these two groups, decreasing both groups to around 2 million in 2007. After this year, Turkey began to feel the effects of world crisis and around 1 million people gradually returned to agriculture (see Graph 2). However, these numbers are misleading because unemployment and insufficient employment climbed from 17% in 2006 to 23% in 2009. It is obvious that agriculture is now hiding a serious amount of unemployed in Turkey.

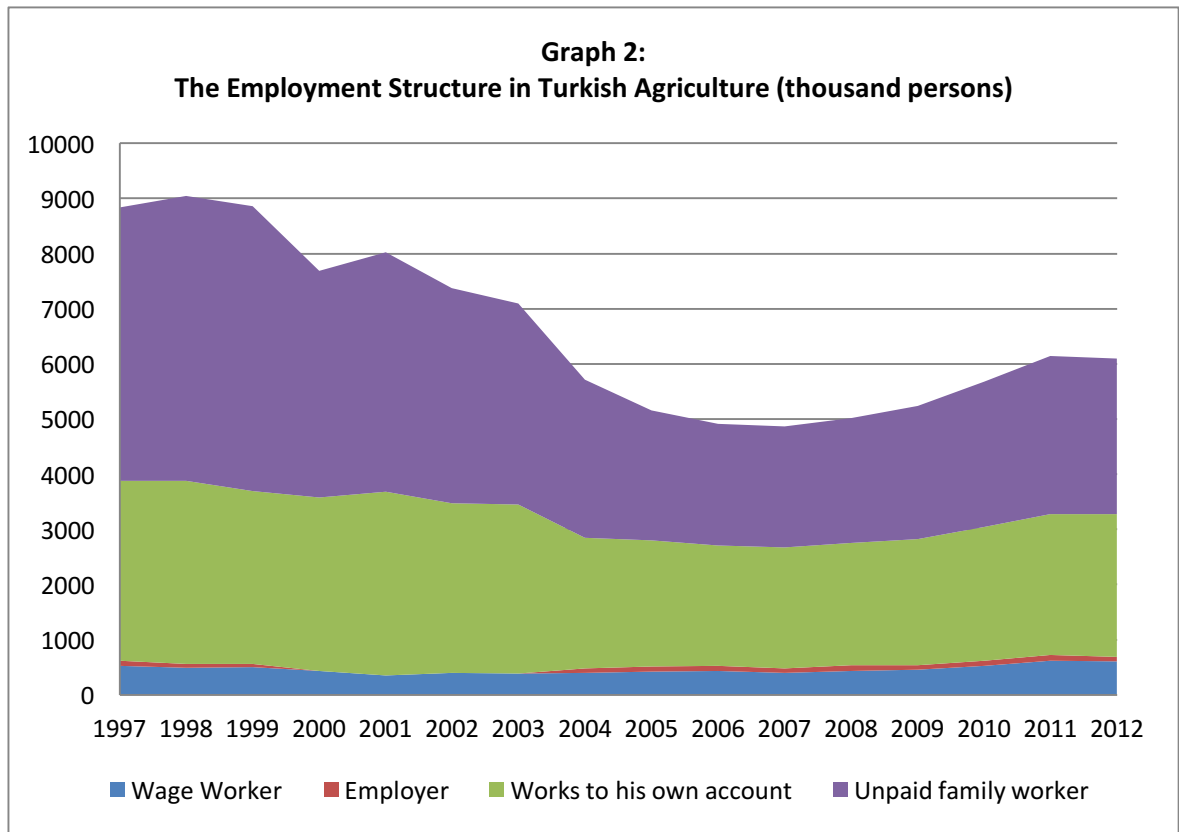
Under what conditions these people stay in the countryside is a different story altogether. The indexed prices of the major agricultural products are given in Table 1. As shown, they lagged considerably behind the price rises of fuel oil and fertilizers. In many of the products, the price rise also lagged behind the CPI. This shows that agriculture is gradually becoming unsustainable for small-scale producers, who have to cope with both the price rise of inputs and subsistence goods.

It is almost impossible for a peasant family to sustain itself under these conditions unless it either has access to sources of income other than agricultural production or opportunity to produce high-profit products like fresh fruit and vegetables. The latter are usually owned by rich farmers who are not of our immediate concern. However, there are still many peasant families that manage to stay in the countryside relying not primarily on income from agricultural production but from retirement pensions and other types of transfer payments. This poses another serious problem because these families usually stop producing altogether because the money gained from selling their produce do not even cover the necessary input prices.

Naturally, these families try to utilize their land for non-agricultural purposes. In the years between 1998 and 2012, 3.2 million hectares (more than 10%) of agricultural land lost this status in Turkey, particularly near large cities and in areas near touristic centers. This made a serious impact on the production on cereals since they do not yield high profits even if they compose the most important product group concerning nutrition. The

amount of cereal production stayed almost the same between 1998 and 2012 while the production of wheat actually dropped around 5%.

Moreover, maybe the most important setback caused by this environment is the alienation of the peasantry from agricultural activities. Families that rely on income generated by transfer payments come to take this nonproductive existence for granted and immediately lose their land when there is a cut in their income. This is the reason behind the numerous cases in which families, sometimes even whole villages lost their land because of their debt to commercial banks.



**Table 1:
Price Index for Major Agricultural Products Compared to Price Index of Basic Inputs
and CPI (2003=100)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Diesel	100	130,2	173,2	214,3	214,4	308,4	209,6	262,0	394,9	434,0
Fuel	100	7	5	1	1	1	1	8	4	2

Fertilizer	100	121,1 1	131,5 5	136,7 1	163,1 9	359,2 7	240,4 3	227,1 2	329,0 6	349,4 2
CPI	100	108,6 0	117,4 8	128,7 6	140,0 3	154,6 6	164,3 2	178,4 0	189,9 5	206,8 4
Chick peas	100	109,7 1	109,5 8	115,8 1	129,9 7	154,8 6	149,6 9	165,6 3	218,7 6	278,1 9
Peas	100	107,1 3	123,1 5	131,8 3	132,5 4	182,6 9	215,6 9	196,3 5	170,9 1	264,7 6
Broad beans	100	115,1 8	126,1 6	138,4 6	142,1 6	159,7 1	196,0 7	195,0 9	211,2 3	251,9 9
Soybean s	100	112,0 8	112,6 8	115,5 7	119,8 4	143,2 2	166,2 6	202,2 1	216,1 9	251,9 1
Barley	100	124,0 8	121,3 3	117,5 5	145,5 4	202,0 2	170,2 5	166,4 7	200,9 5	232,6 5
Tobacco	100	112,6 4	105,4 1	117,1 3	131,0 5	158,9	163,3 4	164,7 4	225,7 4	225,7 4
Kidney beans	100	108,6 1	119,2 8	111,5 5	129,3 7	165,4 4	154,8 3	169,1 5	168,1 7	190,2 3
Dry beans	100	107,5 4	118,7	121,3 3	137,8 5	171,0 2	161,6 5	155,7 7	163,2 1	189,2 6
Lentil (Green)	100	108,0 9	109,7 5	109,7 9	123,1 9	159,9	175,1	185,4 9	181,8 2	187,5 6
Wheat	100	108,4 8	106,3 7	106,0 1	125,6 5	171,1 8	152,4 7	158,1 5	176,1 6	180,7 6
Maize	100	109,4 6	114,3 1	110,0 2	124,6 8	134,4 5	137,0 1	144,5 4	194,7 8	179,3 6
Lentil (Red)	100	108,1 3	107,5 5	100,9 7	95,42	197,7 8	267,6 6	200,6 1	185,8 3	172,3 9
Sunflowe r	100	103,7 8	108,4 8	95,52	90,55	114,8 4	98,59	105,3 4	147,2	172,2 2
Cotton (raw)	100	113	91,41	96,58	94,01	98,66	100,3 5	156,9 6	239,3 1	156,5 6
Sugar beets	100	126,1 1	116,3 6	103,5 6	110,5 4	116,3 6	127,9 6	133,8 1	152,1 9	146,6 1
Rice	100	109,1 4	110,6 6	110,7 4	112,2 8	168,2	186,7 8	173,9 9	144,2 6	143,7 9
Potatoes	100	110,8 4	114,3 6	130,6 3	148,2 8	151,6 6	168,1 1	188,7 9	212,0 7	142,7 4
Dry onions	100	117,7 5	102,3 2	120,9 2	137,5 1	124,5 8	157,2 8	256,4 7	220,1	134,7 4

Source: Turkish Statistical Institute (www.tuik.gov.tr)

5. Conclusion and Future Outlook

There has been a strong link between agricultural transformation and privatization in Turkey since the SOEs and state-backed agricultural cooperatives were the structure which the agricultural support system relied on. The liquidation of these institutions meant the liquidation of the whole support system after which agricultural support was never again systemized. Today, agricultural supports are much lower, have very few links to actual production and serve only to keep some of the excess population in the countryside in a very unproductive existence.

This is a very unsustainable situation. The small-scale producers usually shy away from production because of the risks involved and much of the agricultural land stays uncultivated year after year. The impact of this on food prices and the general livelihood of the urban population is outside the scope of this paper but suffice it to say that Turkish economy has come to rely on imports in this area more than any time in its history.

Another important point is the remaining pillar of the old system: the Bank of Agriculture. Although no longer providing subsidized loans, the bank gives out around 70% of all agricultural credit every year and holds a massive amount of outstanding debt in its portfolio, some of which is insolvent. The bank, being a public institution, is hesitant to pursue these debts since it will result in a massive number of farm bankruptcies. In the case of its privatization, a new wave of farm closures will be imminent.

In any case, Turkish agriculture is moving towards more market oriented and large-scale production. The peasant families either lose their land, or become dependent on companies to which they sell their produce. Contracted farming is becoming more and more widespread and the situation of the farmers under these contracts are little better than rural workers.

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