An Examination of the Competitive Advantages of the Raisin Industries in California and Turkey

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The global raisin industry is impressive in terms of the value of production and the dollar volume in trade. The United States is the largest producer of raisins in the world. Almost all U.S. raisins are produced near Fresno in California's Central Valley. In 2003, U.S. (California) raisin production amounted to 358,000 tons (USDA FAS 2003). Turkey is the second largest producer of raisins in the world, and is the largest exporter. In 2001, Turkey's exports were valued at more than $161 million dollars. Exports for marketing year 2003–2004 are projected at 200,000 tons, a 5% increase from the 2002–2003 marketing year (Sarigedik 2004). Because of the financial importance of the raisin industries in the U.S. and Turkey, these industries are good candidates for comparison, in terms of relative competitiveness. Porter's (1990) diamond model of national competitive advantage is a relevant framework for comparing two production regions. In Porter's diamond model, four attributes affect the achievement of competitive advantage by particular industries: factor conditions; demand conditions; related and supporting industries; and firm strategy, structure, and rivalry. Data for this research were obtained from secondary sources and from key industry informant interviews.

Summary of the Diamond: California

The Central Valley of California became the center of the U.S. raisin industry due to its hot growing season and abundant water supply. As with practically all crops, raisin grapes need to be planted in a region that has access to water yet will not be in danger of flooding. The vast majority of water is brought in through an irrigation system.

Labor is another important factor for California's raisin industry. Farm laborers must be hired for harvesting each season, which requires financial capital. Furthermore, California is a relatively high-wage region. It has been able to compete internationally in dried fruit markets by capturing the high end of the market.

The U.S. population is large, currently estimated to be more than 294,000,000. Since 1994, however, domestic demand for raisins has been steadily declining (Brunke and Chang 2002, 2004). California is the national center for producing many fruits, and the growing of wine grapes and table grapes is also a major industry in California (CDFA 2002). The Raisin Administrative Committee (RAC) implements the federal marketing order which determines the amount of a crop that will eventually be allowed to be marketed and serves to stabilize the market situation (USDA FAS 2003). To solve the problem of reduced consumption, the U.S. initiated the raisin diversion program, which limits production by destroying part of the crop. This has been successful; during 2002-2003, approximately 43,000 tons were diverted from the market (USDA FAS 2003). When volume regulation is applied by the RAC, growers can only sell a percentage of their output in the open market. The growers are required to store the excess by placing it in a reserve system until it is needed; or they can choose to sell the excess to government aid programs (USDA ERS 2003).

Summary of the Diamond: Turkey

The Turkish raisin industry also has good agro-ecological conditions for growing raisin grapes, and has lower labor costs than does California. The production areas of Turkey experienced good weather conditions in the latter part of 2003, and if this persists through 2004, the harvest season is expected to see production increases of 15,000 MT from the previous year (Sarigedik 2004). Despite the good weather experienced recently, Turkey endured a plant disease (*phomopsis viticola*) and unfavorable weather conditions in the early part of 2003 (Sarigedik 2003).

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The population of Turkey in 1997 was 62.6 million. With a smaller domestic market (relative to the U.S.), Turkey must focus more on exports. The country is conveniently located for export to the European Union. Major purchasers of Turkish raisins are the UK, Germany, the Netherlands, Italy, and Australia, which together make up 69% of the country's raisin exports (USDA FAS 2003). There are now about 1,000 different types of grapes grown in Turkey. Quality wines are produced in Turkey. Today, Turkey is one of the largest grape producing country in the world. In 2003–2004, the Union for Agricultural Sales Cooperatives (TARIS) recommended that growers limit production to avoid oversupplying the export market. The growers and processors declined to take this advice. Production is increasing, and is forecast to continue increasing (USDA FAS 2003).

Conclusion

Turkey appears to have an advantage in factor conditions, and California appears to have an advantage in demand conditions. The two areas are essentially equal in terms of related and supporting industries, as well as in industry strategy, structure, and rivalry. California and Turkey are expected to maintain their current markets for the foreseeable future. The primary challenge for both regions is oversupply, which must be effectively dealt with to ensure the long-term prosperity of both industries.

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