

Happy Life Region
West Mediterranean



ROSE SECTOR REPORT

WEST MEDITERRANEAN DEVELOPMENT AGENCY

February, 2011

FOREWORD

Regional development agencies whose history dates back to old times in developed countries are the models newly adopted in Turkey. These agencies aim to accelerate regional development, ensure sustainability and reduce interregional development disparities in accordance with the principles and policies set in the development plans and programs, through a cooperative networking between local authorities, private sector and civil society.

One of the tasks given to agencies to achieve their aim is whether to do research on determining the resources and opportunities of the region, accelerating economic and social development and enhancing the competitiveness or to support the researches done by other individuals, organizations and institutions.

West Mediterranean Development Agency which largely completed its process of establishment and institutionalization is responsible for providing free consulting services to investors in Antalya, Isparta and Burdur. In addition, through a one-stop shop approach, the agency offers an extensive range of services including coordinating and following-up the permits, licensing procedures and other administrative works within the scope of public institutions and organizations of investors. Furthermore, the agency promotes the investment opportunities of the region both at national and international level in cooperation with relevant organizations.

In line with the mentioned task above, the sector reports were prepared to guide the investors willing to invest in the region and promote the investment opportunities of the region.

At first, Marble, Milk and Dairy Products, Solar Energy, Golf Tourism and Health Tourism Sector Reports of West Mediterranean Region, Tourism Potential of Egirdir Report and Antalya – Konya High Speed Rail-Line Report have been prepared. Over time, many sector reports related with the region will be prepared and investment opportunities of the region will continue to be promoted. Being helpful with these sector reports to investors and all other institutions operating in the region is our greatest wish.

Tuncay ENGİN

Secretary General of WMDA

Dr. Ahmet ALTIPARMAK

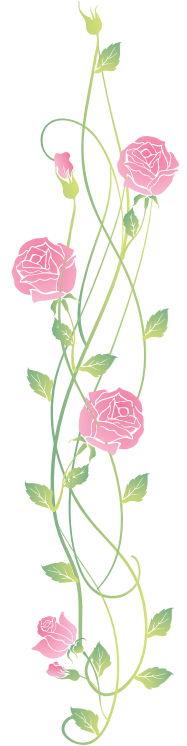
Governor of Antalya
Chairman of WMDA





1. BACKGROUND OF ROSE

Every city is known with a specific symbol. Rose, as a symbol, is attributed to Isparta. Isparta Rose (*Rosa Damascena*) is a hybrid type obtained from the mixture of *Rosagallica* and *Rosamoschata* species. The history of Rose in Isparta dates back to 1870's. Having been brought oil-bearing rose by Bulgarian immigrants, Anatolia met with rose. Brought by an immigrant in 1870, Bursa, Denizli and Manisa were first planted regions. Müftüzade İsmail Efendi planted the very first roses to Isparta Gülcü Neighborhood in 1888 which were brought from Kızanlık, Bulgaria. İsmail Efendi realized that the products cultivated in Isparta bring no income and revenue to the region. He started to search new products and visited Burdur, Denizli and Çal. He met the rose cultivation in these towns, but he also thought that action will bring good money, if large areas would be planted. He went back to Isparta and purchased a 30 hectares land to cultivate rose.





Isparta oil rose production begins in 1888. The first rose oil also produced by Ismail Efendi in 1892. Isparta has become a city of roses with intensive efforts of Ismail Efendi. Rose oil and rose water were two kinds of products manufactured 118 years ago, but today 43 different rose products are offered for sale.

Isparta began to produce rose oil in 1892 in simple and primitive boilers which is so called alembic and manufactured by this method for many years. Village-type method, also known as rose oil production gave its place to large scale industrial type production by direction of Mustafa Kemal ATATÜRK, the founder of the Republic of Turkey in 1935. While just rose oil and rose water could be produced 118 years ago, today more than 38 different products such as rose lotion, rose concrete, rose soap, roses cream etc. are being manufactured.

“Every city is known with a specific symbol. Rose, as a symbol, is attributed to Isparta.”



2. CURRENT SITUATION

Today, total number of people working in the sector, revenues and export figures show that rose has the distinction of being very important product for the region. 3.5 tons flowers can be picked from a rose garden five acres in size and one kg rose oil can be produced from this collected flowers when they are distilled freshly. The average monetary value of one kg rose oil is around 6500 dollars. Every year 1.5 tons rose oil is produced in Isparta province. Approximately 10 thousand families are engaged with rose agriculture.

There are 18 companies that process rose produced in Isparta. According to figures of 2009, total number of people working in these companies are 227 and total sales are 27.788.762 Turkish Liras and export number is \$ 12.687.515.

15 rose oil factories (5 of them are huge) are running in the city that belong to Association of Rose Producers named Gulbirlık and private sector. Gulbirlık has 6 cooperative, 8000 manufacturer partner, 5 unit rose oil plants located in four different places and one unit rose concrete plant. In these plants rose oil, rose concrete and rose water production is carried out.





Significant portion of export is made to EU countries, USA, Switzerland, Bahrain, Kuwait, Japan, UAE, Australia, Azerbaijan, Turkmenistan, Iraq and Cyprus. According to 2009 export figures, rose oil export in total was France's share of 62%, Germany's share of 13%, USA's share of 10% and Switzerland's share of %9.

ROSE SECTOR IN FIGURES	
Number of Company	18
Employment	227
Revenue (TL)	27.788.762
Export (\$)	12.687.515
Rose Production (ton)	8.500
Rose Oil Production (kg)	1.450
Concrete Production (kg)	9.400

“Gülbirlik, the most important rose oil supplier of world's leading perfume and cosmetic brands, produces consistently high quality products and provides reliable services.”

Gülbirlik, with the average annual export turnover of 5 million dollars, obtains almost half of export revenues of the region. The roses produced in the region are processed in the rose oil factories of Gulbirlik in Isparta established in 1958, then in Kılıç and Yakaören established in 1976 with the advanced technology.



Due to increase demand of Turkish rose oils in world markets, the number of rose processing plants in the region is increasing rapidly. In Isparta and around, world standardized rose oils are obtained from the roses grown in the region of 1050 m above sea level. Rose production season starts on mid-May and depending on seasonal conditions continues till the end of June.

Gülbirlik, the most important rose oil supplier of world's leading perfume and cosmetic brands, produces consistently high quality products and provides reliable services.

Gülbirlik started manufacturing cosmetic and food products in 1998. Since the beginning of 2003, it has been operating with its own brands Rosense and SweetRose in the shops and retail stores in Turkey and abroad. Today, Rosense is one of the most well-known beauty and skin-care products brand. Cosmetic products are mainly exported to Germany, France, Belgium, Netherland, Luxembourg, Austria, Canada, Russia and Azerbaijan.

“Gülbirlik, with the average annual export turnover of 5 million dollars, obtains almost half of export revenues of the region.”



2.1. Important Firms in the Sector and Stakeholders



- Rose and Rose Products Research and Implementation Center (GÜLAR)
- Gülbirlik Inc.
- Aksakal Rose Oil ve Essential Oils
- Biolendes Rose Inc. Trade Co. Ltd.
- Erçetin Rose Oil Inc.
- Gülkent Cosmetic, Textile, Tourism and Food Co. Ltd.
- Gürkan Carpet and Rose Oil Industry Inc.
- Nem Rose Oil
- Robertet Rose Oil Co. Ltd.
- Sebat Trade Co. Ltd.





2.2. Organic Rose



Organic farming and organic products are getting more and more popular in Turkey, in parallel with the growing importance and popularity of organic products in Europe. Production has been realized according to the standards and certification systems of the importing countries, mainly the EU, since the majority about 80-90 percent is exported. Contract farming has been an important feature in organic agriculture production. This method enables contractors to ensure that the production meets certain standards and for producers to guarantee previously agreed payments. No explicit incentives or policies exist for organic agricultural production, neither are there momentarily initiatives for free trade; however, changes are expected soon.

“Rose production season starts on mid-May and depending on seasonal conditions continues till the end of June.”



3. COSMETIC VALLEY

Isparta offers a great potential for a cosmetic valley for the development of the cosmetics and perfumery industry in the region and even for Turkey. With a partnership approach from regional authorities, a network of companies, and research centers and training institutes, a cosmetic valley could become a real global success.

The Cosmetic Valley's mission is the development of cosmetic and perfumery industry in France. Cosmetic Valley was hailed as a "center for competitiveness" by the French inter-ministerial committee for regional development and competitiveness (CIACT) on 12 July 2005. It is now the leading worldwide center for resources in perfumes and cosmetics and contributes to the cosmetic industry development. Cosmetic Valley coordinates with support from regional authorities a network of companies, research centers and training institutes committed to a partnership approach based on innovation and conquering international markets. Cosmetic Valley features a vertical integration approach with over 400 SME's in its area in the perfume – cosmetics sector working on the Luxury "made in France" industry. There are a twenty or so major brands producing the flagship products of the beauty industry including:

- Nina Ricci and Paco Rabanne (Groupe Puig),
- Lolita Lempicka (Pacific Création,Groupe Amore Pacific),



- Gemey-Maybelline and Yves Saint Laurent Beauté; (L'OREAL),
- Clarins, Caudalie, Chanel, Jean-Paul Gaultier,
- Head & Shoulders,
- Herbal Essence (Procter & Gamble),
- Signal, Axe, Dove, Rexona, Sunsilk, Timotei (Unilever),
- Neutrogena, Chopard, Chloé (Coty)
- Le petit Marseillais (Johnson & Johnson),
- Calvin Klein, Davidoff, Veet

Figures of French Perfume – Cosmetics Industry



- Turnover excluding taxes in 2007: €16.3 billion
- Growth of 7.4% of which 43% in the French market (+ 5.5%) and 57% in exports (+ 6.8%)
- 2nd biggest French exporting industry after aviation in 2008 according to French customs

The Cosmetic Valley Cluster



- 550 companies accounting for 47,000 jobs (€11 billion in turnover)
 - 6 universities
 - 200 public research laboratories
 - 7,680 scientists
 - 41 research project worth €75 million
 - 136 training institutes
-

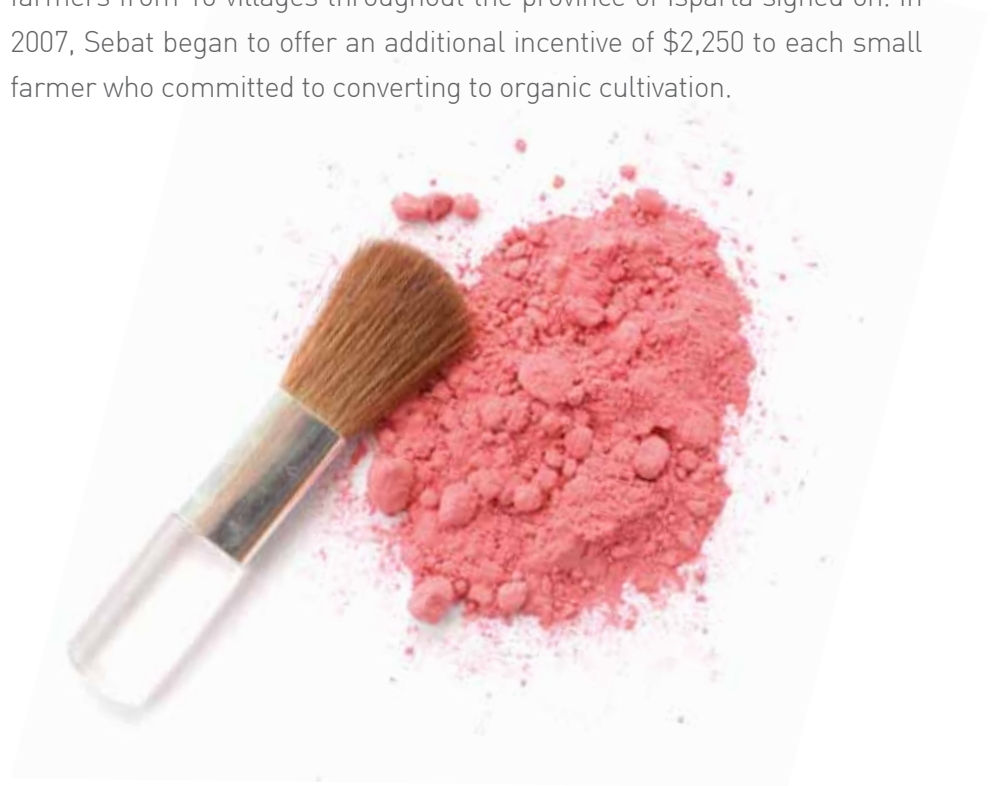


4. SUCCESS STORIES

Rosense Kozmetik Urunleri A.S. was founded in 2005 by Gulbirlilik, the world's largest producer and exporter of rose oil. Rosense is the world's unique producer and retailer of beauty and cosmetics products sourced purely from the rose flower. Today, Rosense is in footsteps of becoming a world famous brand. As one of Turkey's leading cosmetics brands, Rosense is currently sold in export markets such as Germany, the Netherlands, Canada, Australia and Japan.

Producer of essential oils and extracts for perfumes, cosmetics and flavors, the French company, Biolandes, offers today a range of 300 products extracted from 80 plants collected in 30 countries. Biolandes established a factory directly on a production site near Isparta in 1991 with 12 distillation stills for Rose essential oil and 2 extraction lines for Rose concrete. With 1000 tons of flowers processed each year in June, Biolandes is one of the largest producers of rose products in Turkey.

Weleda AG, a world producer of pharmaceutical and beauty products, started a partnership with Sebat, a producer of rose oil in Isparta, in 2002. Weleda needed roses-nearly 400 million flowers annually. In fact, in order to fragrance and harmonize their Wild Rose skin care products, they needed more roses than anyone else in the world; however, buying available roses wasn't enough. Weleda wanted organic roses-plants that supported the health of the environment and the people. At first, 30 farmers joined the project, but as time passed, word spread about the initiative and the farmers' success and over the next seven years, more than 240 additional farmers from 10 villages throughout the province of Isparta signed on. In 2007, Sebat began to offer an additional incentive of \$2,250 to each small farmer who committed to converting to organic cultivation.





5. TURKISH MARKET

Rising living standards, as well as an increase in the number of working women, the desire to look young and attractive and young population in Turkey is a pioneer in the development of cosmetic industry. The basic factor in the development of the cosmetic industry is depending on growing domestic and overseas demand. Turkish cosmetics and personal care products industry is growing rapidly in recent years in terms of quality, production capacity and product range.

According to data from the Ministry of Health, Turkish cosmetics and personal care products industry operates with approximately 1,372 companies and approximately 14 thousand people are employed. Depending on economic developments in Turkey, cosmetics and personal care products market is increasing every year with an average of 10%. The dollar value of cosmetics and personal care products market is over 2 billion.

Natural cosmetics and personal care products in the market share is estimated to be around 5%. This situation seems parallel to the world market. Only 10% of products marketed in Turkey are originating in Turkey.

In recent years, natural soaps, shampoos, hair care products skin care products, body care products and some other natural cosmetic products are being produced in our country. In particular the production of natural soap and shampoo are carried out by many small-scale firms all over the country. The world famous laurel and olive oil soaps are produced in large quantities in Turkey.

Natural cosmetic products are being marketing with 30% higher prices than other cosmetic products in the market. 50% of natural cosmetic and personal care products are being sold in herbalists, 40% in perfumery and cosmetics stores and 10% in pharmacies.

Turkish cosmetics and personal care product exports began to increase in recent years. The export volume increased from \$ 61 million to \$ 378 million in 10 years since 2000. The total export volume is about \$ 739 including soap export values. The increase in exports was due to technological developments in the sector and the expansion of our product range.

“The world famous laurel and olive oil soaps are produced in large quantities in Turkey.”



“The basic factor in the development of the cosmetic industry is depending on growing domestic and overseas demand.”



Turkey's exports of cosmetics and personal care products industry can be examined in five groups:

1- Bath and shower preparations (before-shaving, during, or after-shave products, shaving cream, shaving soap, and other shaving products, bath soaps, body deodorants, antiperspirants, bath salts, bath oils and other bath preparations, hair removal, room fragrances, and other toiletries and cosmetics) are 41% of total exports of cosmetics and personal care products.

2- Hair preparations (shampoos, hair conditioners, perm, hair sprays, hair lotions, hair dyes and other products) constitute 28% of total exports of cosmetics and personal care products.

3- Beauty, makeup and skin care products (skin care creams, moisturizers, powders, skin cleansing products, body lotions, eye make-up products, lip make-up products, manicure and pedicure supplies, sunscreens, tanning products and other make-up preparations), constitutes 22% of the total cosmetics and personal care product exports.





4- Perfumes, cologne and other preparation waters constitute 7% of total exports of cosmetics and personal care products.

5- Oral Health and dental preparations (tooth pastes, powders, liquids, dental floss and other products) constitute 3% of total exports of cosmetics and personal care products.





6. COSMETICS EXPORT BY COUNTRY

Cosmetics export is increased by 24.7% from 2007 until 2009 and reached 779 million dollars. Iraq, Russia and Ukraine are ranked top 3 in cosmetics export of Turkey. Particularly, Iraq, Libya and Holland are noteworthy increase in the export. Russia took second place in the list and because of the economic crisis export figures decreased by 26.55% to the level of 75.7 million dollars in the period of 2007-2009.

In the cosmetics export by country, first five countries are shown in the table below.

NO	COUNTRY	2007	2008	2009	CHANGE 07/09 (%)
1	IRAQ	65,723,134	118,227,763	119,771,332	82.24%
2	RUSSIA FEDERATION	103,103,721	108,666,470	75,732,101	-26.55%
3	UKRAINE	44,078,643	52,581,053	37,098,324	-15.84%
4	GERMANY	23,961,907	27,934,901	36,652,452	52.96%
5	AZERBAIJAN	17,842,855	25,340,077	27,189,483	52.38%

Source: Undersecretary of Foreign Trade (Soap export was added)



7. COSMETICS IMPORT BY COUNTRY

Turkey's cosmetics import was \$ 872 million in 2008 and \$ 876 million in 2009. France, Germany and Ireland take the first three places in cosmetics import.

In the import numbers by country, the first five countries are shown below

NO	COUNTRY	2007	2008	2009	CHANGE 07/09 (%)
1	FRANCE	131,983,422	152,160,200	200,823,957	52.16%
2	GERMANY	137,694,071	145,937,864	155,921,885	13.24%
3	IRELAND	112,795,852	156,992,175	100,775,226	-10.66%
4	SWITZERLAND	73,894,648	80,815,892	84,774,405	14.72%
5	POLAND	59,896,999	61,815,645	76,094,705	27.04%

Source: Undersecretary of Foreign Trade (Soap export was added)





8. COSMETICS MARKETS NEIGHBORING TURKEY

Russia's cosmetics import (soap import also added) in 2008 was \$ 3,264,005,631. Hence, it is an important export market for Turkey and the World.

Furthermore, since Iran is bordered to Turkey and confidence towards Turkish products increases in recent years, Iranians' demands for Turkish product increased. Iranian ladies spend 9 billion dollars for make-up and care products in a year. This number is about 2 billion dollars in Turkey. Due to giving much importance to their care and make-up of Iranian women, Iran is the biggest cosmetics importer of Middle East. Because of the proximity to the Iranian market, domestic producers can receive a share of this country's large cosmetics market.



“Russia is an important export market for Turkey and the world in cosmetics.”



Another considerable market close to Turkey is Iraq such that export number was \$ 119,771,332 in 2009. Because of the growing trade relations, Iraq is a significant cosmetics importer in the region.

Greece, with a population of 11 million, spends nearly seven times more than Turkey per capita for cosmetics. So, there is a great export potential for Greece in cosmetics products and export share to this country can be increased.

“Greece, with a population of 11 million, spends nearly seven times more than Turkey per capita for cosmetics.”





9. INVESTMENT INCENTIVES

The Turkish incentive regime provides equal opportunities to both local and foreign investors, and includes custom duties and VAT exemption. In order to benefit from customs tax exemption on imported machinery and equipment for projects, investors need to acquire an incentive certificate given by Undersecretaries of Treasury. The Turkish incentive system operates depending on the location, scale and subject of investments, and, incentive zones. Isparta, Burdur and Antalya are located in the so called second incentive zone. Furthermore, there are some special investment zones for the investors such as organized industrial regions and techno parks. In the region investors may benefit from Süleyman Demirel Organized Industrial Region and Göller Bölgesi Techno Park.





10. CONCLUSION

Isparta offers a great potential for a cosmetic valley for the development of the cosmetics and perfumery industry in the region and even for Turkey. With a partnership approach from regional authorities, a network of companies, and research centers and training institutes, a cosmetic valley could become a real global success. In addition, other investment advantages listed as follows:

- It meets 60% of world rose oil production.
- It is close to Antalya, which is one of the most important tourism centers and is connected to Afyon, which is the main transportation crossroad, with motor and railway.
- Perfumery, cosmetic and toilet productions are within scope of investment incentive supports.
- West Mediterranean Development agency is established.
- Transition to organic rose production with the development of organic farming techniques
- Rose and Rose Products Research and Implementation Center located in Suleyman Demirel University.
- Middle East's largest cosmetics importer Iran has an increasing sympathy to Turkey and Turkish Made cosmetic products.