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# Intermediaries in agro-food networks in Turkey: How middlemen respond to transforming food market structures

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## Abstract

Traditional wholesale intermediaries in the fresh fruit and vegetable segment tend to get expendable in markets with an increasing demand for traceability and for the fulfilment of quality and hygiene standards. The demand for these specifications is usually induced by transnational retail corporations that enter new market environments. This is also the case for Turkey, where since 2010 trade with fresh fruit and vegetable products can be conducted outside wholesale markets. Dualistic structures in accordance with socio-economic realities have emerged and the reactions of intermediaries towards these transformations vary between strategies of resilience and reworking. Therefore completely new purchasing channels emerge, whereby at the same time long-established trading patterns remain important to supply all groups of the society. This article is based on interviews conducted in Turkey.

## Zusammenfassung

Traditionelle Großhandelsintermediäre verlieren in Märkten mit erhöhter Nachfrage nach Zurückverfolgbarkeit von Produkten sowie nach der Einhaltung von Qualitäts- und Hygienestandards zunehmend ihre Bedeutung. Die Nachfrage nach solchen Spezifikationen stammt oft von transnationalen Unternehmen, die in diese Märkte expandieren. Dies ist auch der Fall in der Türkei, wo seit 2010 frische Obst- und Gemüseprodukte außerhalb von Großmärkten gehandelt werden dürfen. Dadurch sind duale Strukturen entstanden, die die sozio-ökonomischen Strukturen der Türkei widerspiegeln. Die Reaktionen der Intermediäre variieren dabei zwischen Reworking- und Resilience-Strategien. Daher entstehen auf der einen Seite komplett neue Lieferketten, während gleichzeitig über lange Zeit aufgebaute Handelsmuster bestehen bleiben, um alle Gruppen der Gesellschaft zu versorgen. Der Artikel basiert auf Interviews, die in der Türkei geführt wurden.

**Keywords** Wholesale, food, reworking, Turkey

## 1. Introduction

Intermediaries (middlemen, brokers, wholesalers, etc.) in agro-food networks have often been blamed for ineffective trade resulting in large quantities of spoiled food, the exploitation of farmers and inflated

food prices (e.g. Kumar et al. 2008). The dependence on middlemen is especially emphasised in studies on the market situation and livelihood of smallholders (e.g. Dannenberg 2012). Therefore, reforms in the regulation of food trade systems, such as the abolishment of the obligatory integration of state-con-

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trolled wholesale markets into trade systems, aim, for example, to improve the market integration of smallholders. Such reforms are often part of broader agro-food market liberalisation activities including the acceptance and encouragement of foreign direct investment (FDI) into food markets (wholesale and retail), also resulting in the so-called supermarketisation of a country (e.g. *Reardon et al. 2005*). While much has been written about the impacts of supermarketisation on, and the reactions of, indigenous retailers (e.g. *Goldman 2000, de Rocha and Dib 2002*) and farmers (e.g. *Dannenberg 2012, Trebbin and Hasler 2012*), the impacts on established middlemen structures and strategic responses to these reforms have so far been largely neglected. In this paper, we aim to address this lacuna by focusing on analysing market responses of middlemen in the Turkish food sector.

Since the 1990s, with the entrance of transnational corporations (TNC) to the Turkish retail sector, the demand for standardised and packaged products according to international standards in the fresh fruits and vegetables (FFV) segment increased. However, demand often exceeded supplies because wholesale markets in Turkey still lacked required infrastructures, such as cold storage and packaging facilities. In response to these inadequacies a new generation of intermediaries evolved to serve the demands of (trans-)national actors in food retailing and increasingly hotels, restaurants and caterers (HORECA) in the Turkish market. Simultaneously, wholesale markets still fulfil important socio-economic functions (e.g. market access for small-scale actors, workplaces) particularly in urban areas. Similar evidence could be found in more mature markets in Europe as well: “[...] wholesale markets have suffered from a declining role in the distribution of food into Western European cities [...]. However, their basic function of providing food to small retailers, catering firms and institutional customers in the city centres has not disappeared” (*Cadilhon et al. 2003: 3*). In general, wholesale markets have more and more to compete with other wholesale and retail formats. The strategies to respond to the transforming competition patterns vary from place to place and are highly connected to socio-economic characteristics (e.g. ethnicity of population, customer structure, food retailing structure, consumption habits).

The Turkish case is interesting as the transformation processes in the wholesale segment are in their very beginning and set into an emerging market context.

There is evidence that these transformation processes will happen faster than they did in the more mature economies of Europe. For a long time regulations of the wholesale trade prevented such developments in Turkey; liberalisation paves the way for an accelerating development in this segment.

As *Atasoy (2013: 549)* argues, these “[...] shifting relations of food provisioning under the recent expansion of a supermarket model remain a largely neglected area in social-science research in Turkey”. With this paper, we aim to contribute to the debate on changing market structures in relation to the deregulation of food trade in Turkey. The specific aim of this paper is to investigate the differing strategies of intermediaries in the trade of FFV towards the diversifying food trading systems and demands in Turkey. To analyse these strategies we use three fluid and overlapping categories: resilience, reworking and resistance (*Katz 2004*).

The paper is based on 26 semi-structured qualitative interviews we carried out between February 2011 and September 2012 with representatives of actors, at both the supply and the demand end of the Turkish food market system. Interviews were conducted with food retailers (transnational and domestic) as well as food supplier organisations (private wholesalers, middlemen and state-run wholesale markets). The interviews were performed in English and Turkish. The Turkish interviews were translated into English for this article. The interviews were analysed via qualitative content analysis. Overall, evidence is taken mainly from two major case studies (Metro Group and *Uzmanlar Gıda*) as well as visits to wholesale markets in Turkey (Istanbul, Antalya, Trabzon), where randomly selected small-scale actors were interviewed. In this work the underdeveloped topic of the role of intermediaries in transforming food retailing structures is explored through the analysis of longitudinal case studies. Thus, it is necessary to further expand this line of research and investigate further strategies of intermediaries in the food retailing segment as well as the dynamics and characteristics in other emerging market countries.

The paper is structured into three sections. In the first section we outline a theoretical framework for the analysis of the empirical data. We introduce the different expressions of resistance, reworking and resilience to underline how individual and collective action can be influenced by transforming value chain structures and vice versa. Section two outlines the empirical data on the market dynamics in Turkey, in which we focus

on the reworking strategies of market intermediaries. We consider the state and large-scale retailers as key actors within food supply systems, initiating transformations and/or resilience, resulting in a range of differing actor-related governance structures. In the third and final section we draw a conclusion.

### 2. Resilience, reworking and resistance in food wholesale markets

Food trading and market systems are complex in their organisation and may “change from country to country, sometimes even from one product to another and from one producer to another” (Demirbaş 2005: 1535). Alongside these systems goods are transferred from places of production to places of consumption. For FFV products “[p]roduction is generally in rural areas and consumption primarily in urban areas. Trade is the process that overcomes this separation, [...]” (Yilmaz and Yilmaz 2008: 85). Intermediaries are agents who mediate this process. Intermediaries can be commissioners (brokers, commission agents) or merchants. Commissioners arrange purchasing agreements between producers and traders (e.g. merchants or retailers) on behalf of the producer, without owning the produce. In contrast, merchants take the ownership and re-sell the products in their own name. The latter often perform value adding processes like cleaning, sorting, packing or labelling of the produce.

Wholesale markets have different functions according to their location within a certain country, but also within certain regions of a country. Cadilhon et al. (2003) describe the shifting functions and marketing strategies of wholesale markets in different European countries, where they compete with other food trade formats. Functional differences can also be found in relation to their spatial proximity to either a production (mainly rural) or a consumption area (mainly urban). Production side wholesale markets function as collectors of agricultural produce. At these places produce can be gathered in bulk, sorted, packed and also branded. Dominant customer groups for these market actors are usually merchants/wholesalers located at places of consumption, food retailers, HORECA or export-oriented traders. In consequence, every locale of production is simultaneously a locale of consumption, however, not vice versa. Consumption area wholesale markets are often marketing points with the function to de-bulk produce and distribute them to actors of redistribution such as retailers and HORECA.

Wholesale markets and their intermediaries can be seen as fundamental elements in the trading of agricultural goods, e.g. their function as facilitators for (small) farmers to gain market access – especially when efficient producer organisations are rare and when farmers are not very market-oriented (Mittendorf 1986, in Cadilhon et al. 2003: 5). However, wholesale markets with their intermediaries and middlemen also have to be seen as “[...] creating unnecessary bottle-necks in the food distribution system” (Cadilhon et al. 2003: 10) in market environments with an increasing role of supermarket chains. Transforming demands of these large-scale retailers with respect to product quality, hygiene and trade volume lead to a professionalisation of the fresh food segment and an increasing amount of vertically integrated food supply chains. “The governance exercised by such companies [large-scale retailers] has consequences not only for the inclusion and exclusion of firms in the chain, but also for the opportunities they have for upgrading – moving into more sophisticated functions within the supply chain or into the production of more sophisticated commodities” (Dolan and Humphrey 2000: 150).

In such supply chains wholesale markets can be used by the state to increase the level of traceability of products and, if implemented in accordance with all agents, to reduce grey and black market trade, as well as to increase tax income. If appropriate storage facilities and laboratories to analyse food residues are provided, public health and quality issues in the FFV segment can be improved (Seidler 2001).

It has to be recognised that “[...] the structure of final distribution, with variable importance of supermarkets, stores and restaurants, is a key factor in the development of wholesale markets” (Cadilhon et al. 2003: 30). Therefore changing demands with respect to traceability as well as quality and hygiene standards are often induced by globalisation and liberalisation processes. These processes include a growing importance of TNCs which in turn are drivers for transforming agro-food networks and demand patterns in the supply chains. Reardon (2005: 13) identifies three groups that try to build up the capacity to fulfil these transforming demands: “(1) the large-scale processors/food manufacturers, sometimes foreign firms like Nestle or Campbell’s Soup, or large domestic firms like Bimbo in Mexico, that in the 1980s or early 1990s in a number of countries set up their own supply channels (not via traditional brokers) to supply supermarkets [...]; (2) the export or import

wholesalers who 'spotted' the growing domestic supermarket market and set up a division or even a subsidiary to serve them [...]. (3) Following on the heels of these first two is a third, which is the 'sui generis' transformation of a traditional broker into a specialised wholesaler; that can be outside the retailer [...], or can be 'in house' in the retail chain." Such changes in the supply chains are not only reactions to processes of globalisation; they are also parts of processes of globalisation themselves and cause reactions of those who are potentially impacted by these changes.

Autonomous reactions on processes of globalisation and the interlinked changes in power structures have often been addressed by using the umbrella term 'resistance'. For instance *Coe and Wrigley (2007: 350)* described the economic reactions of old-established retailers to the investments of TNCs as "indigenous retailer resistance". *Katz (2004)* developed the three categories resilience, reworking and resistance to analyse reactions to the impacts of globalisation in a more differentiated way. "We cannot understand oppositional practice or its possible effects if we consider every autonomous act to be an instance of resistance" (*Katz 2004: 242*). While she applied them for the analysis of the reactions of children to processes of development and global change they have been utilised for other fields by other authors. *Franz (2010)* used them to analyse the protests against FDI in the Indian retail sector and the collective power of actors other than firms or states to shape global production network (GPN) structures. Other works apply *Katz's* differentiation in the realm of labour geography (*Cumbers et al. 2010; Coe and Jordhus-Lier 2011*).

Resistance can be defined as "the activities of individuals or groups against power structures and processes of power development" (*Franz 2010: 318*). Resistance as well as reworking are both active responses to system transformations. In the case of food trade both can be important factors that shape the development of the market conditions. If actors like retailers or intermediaries can adjust to the changing market conditions without reworking, this can be called resilience. Resilience is referred to as the ability of a system and its individual or collective entities to cope with disruption without changing the main conditions (e.g. *Adger 2000*). This term is commonly applied in the context of climate change and global warming (e.g. *Hughes et al. 2003*). But resilience is also increasingly employed to describe the reactions of societal (e.g. urban planning) and economic entities (e.g. *Gilbert et al. 2012; Hassink 2010*) towards disruption.

Practices of reworking can be defined as: "those that alter the conditions of people's existence to enable more workable lives and create more viable terrains of practice. [...] Projects of reworking tend to be driven by explicit recognition of problematic conditions and to offer focused, often pragmatic, responses to them" (*Katz 2004: 247*). Thus reworking – as well as resistance – is always a reaction towards transformations and implies their cognition. Reworking of businesses can have different patterns: either a concentration of business activities in the core segment, downgrading and eliminating of certain functions, or upgrading in different dimensions. In contrast, upgrading strategies always aim to maximise profits and usually go hand in hand with financial investments, whereby investors bear the risk not to succeed with their new strategies. Upgrading not necessarily is a reaction to transformations and can be undertaken any time.

*Humphrey and Schmitz (2002: 1020)* define four different types of upgrading: (1) process upgrading, which is characterised by a more efficient organisation of transforming inputs into outputs; usually production systems are reorganised or superior technologies are introduced; (2) product upgrading, which means that a producer moves into new products lines with increased unit values; (3) functional upgrading is characterised by acquiring or abandoning functions to increase the skill content of activities; (4) inter-sectoral upgrading, whereby firms move into new segments by using their knowledge acquired in other production activities.

Especially the latter can frequently be observed in emerging-market countries. One example in Turkey is Mavi Jeans, the upgrading of which was analysed by *Tokatli and Kızılgün (2004)*. In most cases actors combine different forms of upgrading. Lead firms can play a major role to initiate upgrading of certain actors in the supply chain (*Humphrey and Schmitz 2002*). Upgrading can belong to the forms of reactions that can be described as patterns of reworking when using *Katz's (2004)* vocabulary. But it should be noted that upgrading as well as other forms of reworking not always result in better working or social conditions. Recently questions about the interconnection of economic and social upgrading (e.g. wages, labour rights) were discussed (e.g. *Rossi 2013*).

### 3. The food sector in Turkey

The idea to formalise the organisation of Turkey's food supply system aimed in particular to ensure food

supply for an increasing urban population, to control tax payments and sales prices as well as to limit black markets (Özcan 2008). These developments, beginning in the 1950s for the retail sector, were accompanied by efforts of the government to make food wholesale more effective. In 1960, the law for the administration of wholesale markets came into effect with the aim to form a regular marketing system for FFVs (Yilmaz and Yilmaz 2008). Similar dynamics to facilitate the distribution of FFV could be observed in Western European countries since the end of World War II (Cadilhon et al. 2003). The highly regulated market environment in Turkey started to open in the 1980s with increasing market liberalisation and deregulation tendencies. However, only in the 1990s Turkey attracted again transnational investments within the food trading sector. Since then the Turkish food trading sector has gained a dynamism characterised by format diversification that influenced urban structures, differentiated consumption habits as well as distribution organisation (Franz and Hassler 2011).

The diffusion of supermarkets in Turkey was not only the result of an increasing presence of transnational retailers, but also of strategic adjustments of Turkish actors in the market. Domestic actors also opened supermarket chains or reworked their one-shop business strategies towards developing retail chains. A representative of PERDER, the Turkish retailer association, estimated in an interview (2011) that more than 450 local or regional retail chains exist in Turkey. Besides the changing demands from supermarkets also the customs union agreement between Turkey and the European Union (EU) established in 1995 and the negotiations about Turkey's full membership since 2005 influenced transformations in standards and trade in FFV. These developments also led to changes in the regulation of the ways wholesale markets were allowed to operate.

The most recent regulatory adjustment came in 2010 mainly concerning the certification of standards and the traceability of produce, their quality and origin. "Thus, the law aims to ensure industrial certainty about local quality at the level of wholesale markets" (Atasoy 2013: 559). As a result, wholesale agents face a number of laws and regulations they have to comply with:

1. compulsory barcoding systems for every produce to increase traceability;
2. the establishment of a central registration system on quantities and prices, so that knowledge

and information can be retrieved from everywhere;

3. allowing purchases outside of the wholesale market upon the condition of presenting the invoice and producer receipts;
4. prohibiting the trade among commissioners and among merchants.

Even though the law has been in force since 2010, the obligations concerned with infrastructure developments, like the implementation of laboratories and testing facilities, as well as appropriate cold storage facilities or the barcoding system were delayed until 2013, due to high financial investments and technological adjustments.

In terms of governance structures and towards reworking patterns of actors the most important change in the law of 2010 was the possibility to trade outside wholesale markets upon the presentation of invoice and tax documents through the purchaser of the products. The obligation to present invoice and tax documents aims to prevent unregistered trade and guarantee traceability. This is an important feature, as unregistered trade in Turkey is estimated to be very high (e.g. Albayrak 2010) often resulting in tax avoidance or misleading labelling of products, e.g. in relation to modes of production (organic vs. conventional) or regional origin.

The option to legally trade outside of wholesale markets is increasingly used by TNCs (e.g. Metro) or domestic supermarket chains (e.g. Migros). Also vertically integrated supplier companies are increasingly using this channel.

As Lemeilleur and Codron (2011: 272) argue: "[t]he rapid growth of supermarkets in Turkey over the past ten years and the subsequent development of quality requirements (volume, regularity, quality, homogeneity, range of varieties, or even packaging) have given rise to new market opportunities for local agriculture". But even though efforts have been undertaken to fuel producer unions and support local agriculture opportunities – agricultural producer unions were allowed to trade outside wholesale markets already since 1995 – the integration of small-scale actors into the newly emerging supply structures of large-scale retailers and traders turned out to be limited.

Turkey's growing population and the corresponding increasing demand for food is still largely sup-

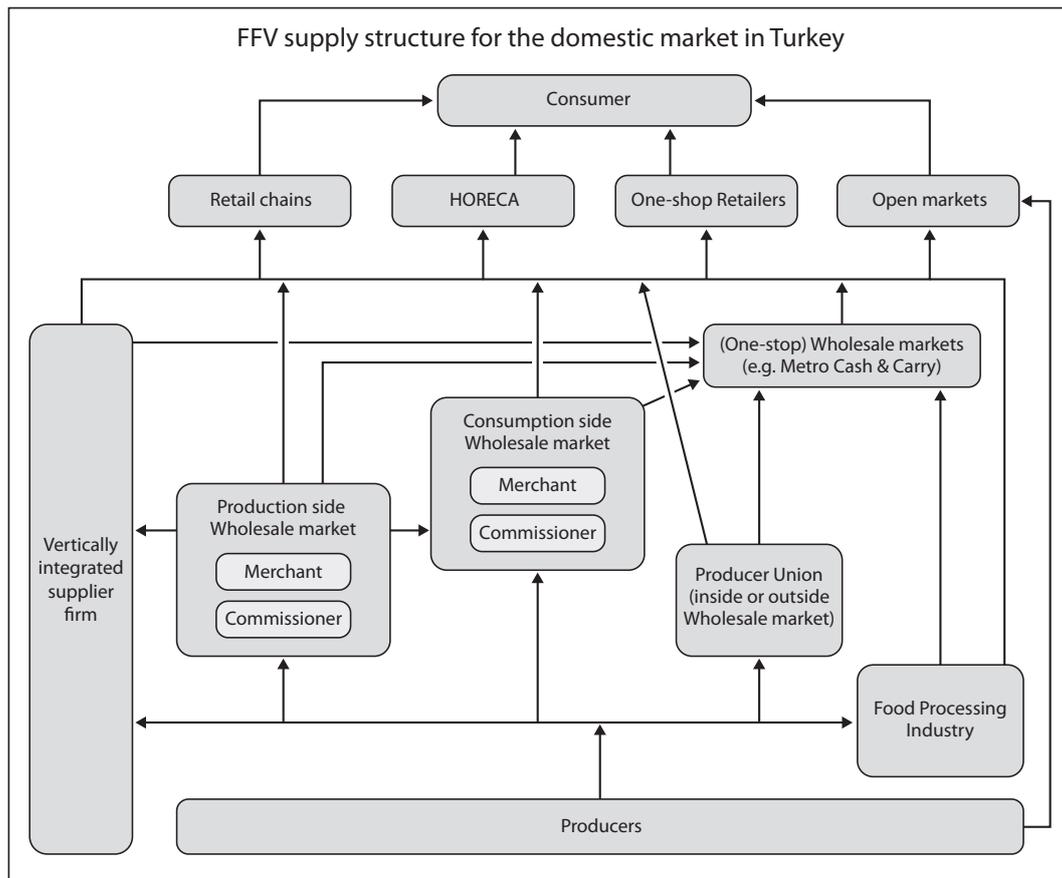


Fig. 1 Network of production and supply of FFV in Turkey since 2013 (source: own design based on Yilmaz and Yilmaz 2008; cartography: C. Mann)

plied from domestic sources. The large majority of farmers work on a semi-subsistence level where surplus quantities are still often integrated into the national food supply system through relatively loose “market-coordination arrangements” (Atasoy 2013: 557) organised by commissioners.

Subsequently the food trading system in Turkey is characterised by the diversification of trade and governance structures for FFV produce (Fig. 1): one sector which established over decades and includes several intermediaries that serve long-term customers including small retailers and HORECA as well as local and regional supermarket chains, and one sector which is dominantly governed by the demands of large supermarkets, wholesale formats and high-end HORECA customers.

Commissioners and merchants exert strong roles in the Turkish wholesale market. Bulk buyers in Turkey for fresh produce include transnational and domestic retail chains operating at different spatial scales, traders on bazaars, neighbourhood shops as well as HORECA. Although farmers can market their pro-

duce via direct marketing to the end customer for amounts up to one ton or through producer organisations, wholesale intermediaries are usually the dominantly chosen option for Turkish farmers to market their produce in larger quantities to the expanding domestic market (e.g. Bignebat et al. 2009, Lemeilleur and Tozanli 2007, Atasoy 2013). Here producers set the minimum sales prices. The commissioner then arranges the transaction. Bignebat et al. (2009) found that one reason for the stability of the commissioner-producer relationship is that commissioners often pay in advance. In consequence, power asymmetries are established through the fact that many of the commissioners also fulfil functions of financial institutions. “Financial support that should come from banks or financial entities is often provided by commissioners at the moment. This seals the bond between the farmer and the commissioner” (interview with head of Antalya FFV wholesale market, 2011).

Eliminating the commissioners thus would also mean to eliminate certain financial structures. Power asymmetries are also the result of the inability of smallhold-

ers to produce the required volumes of larger buyers and their lack of market information (*Demirbaş* 2005: 1537). As a matter of fact, there is no control mechanism that enables farmers to observe the negotiation process between commissioner and buyer. Producers therefore have to rely on the information provided by the commissioner which underlines the role of trust in such networks and leads to an information advantage and a considerably high power of the commissioners over the producers. The main disadvantage of commissioners is that they usually do not offer technical assistance or consulting to the producers. Therefore small-scale producers cannot adequately adapt to newly emerging market demands and rework their business. The weak power position of the farmers together with the low degree of competition, due to a limitation of the number of commission agents through the municipalities (*Lemeilleur* and *Codron* 2011), result in a high level of resilience of the commission agents.

In contrast to commissioners, merchants on wholesale markets have had a less dominant role in terms of power over producers. This derives from the fact that commissioners do not take ownership of the produce and therefore cannot suffer from lock-in effects stemming from the perishability of the produce. In contrast to merchants, commissioners do not have the risk to invest in purchases they cannot sell.

Since 2010 wholesale agents have faced a number of challenges, due to the fact that FFV trade can be performed outside the wholesale markets which decreases expenses. It can be expected that in the future more and more retailers will source their products in direct agreements with producers, vertically integrated supplier firms, producer unions or cooperatives. However, traditional trading structures are likely to remain stable and will thus be resilient in the foreseeable future since personal networks and relations to other actors in the system including farmers and buyers often define a successful operation. Thus the willingness to resist against the changes is surprisingly low. Until now resistance is limited to lobbying by the organisations of the intermediaries. “[I]f we check the trade in the last ten to twenty years, you can see the share of retailing is always increasing while at the same time the share of wholesale is decreasing. They [the intermediaries] are gaining less money. That is why they are always creating laws against us. And when they make a special meeting with hal [means: wholesale market] members, they have special associations, [...] like the association of commis-

sioners. But from the other side, [...] the retail market share is increasing and unregistered trade is decreasing. It is really important, for the governmental side also. The government is gaining more money with the help of us. Not with the help of [commissioners and merchants]. They are strong in lobbying. As they use these associations. So during regulation change, they may go to ministers or to parliaments themselves and via associations” (interview with a representative of Metro Group in Turkey, 2012).

It cannot be expected that the existing trading structure including commissioners will be disrupted in the short term – neither by law, nor by farmers or supplier companies. “Farmers’ taking a role in marketing is almost none at the moment. [...] Farmer’s low education level and the lack of collective production tradition are important factors” (interview with head of Antalya FFV wholesale market, 2011). Indeed, these personal networks are the result of long-term business relations and not easy to be replaced or substituted. Therefore, long-established commissioners and merchants can benefit and gain a high level of resilience.

A number of reworking strategies can be observed among wholesale agents. These reworking strategies are characterised by a high level of vertical integration of firms and the trade of produce outside wholesale markets. These changes can also be described as functional and process upgrading. Product upgrading often follows the before-mentioned forms of upgrading. Intermediaries who apply such reworking strategies grow their own crops or let them grow through contract farming. Some act in the name of large food trading chains. They contract with farmers and provide them with seeds or fertilisers and transfer product-specific knowledge to producers. In some cases contracts are signed after the harvest as suppliers do not trust every producer to comply with the conditions. In addition, intermediaries also perform functional or inter-sectoral upgrading and provide cold storage and transport facilities to develop cold chains required by modern retailing. This aims to provide a better product quality and traceability and to increase the shelf life of produce. Service processes, such as cleaning, sorting, packing and labelling of fresh produce are part of this form of functional supplier upgrading. “Some merchants wash, clean and pack products and sell them. Especially in the ready-to-consume fruits, business tends to go this way” (interview with head of the Istanbul FFV wholesale market, 2011).

One example of various functional upgradings and vertical integration of different processes is the supplier firm *Uzmanlar Gıda*, which was founded in 2002 mainly by old established intermediaries. "One of our partners, a shareholder of *Uzmanlar* was working on the wholesale market [*Bayramapaşa* wholesale market for FFV in Istanbul] and one day he could observe some changes in demands – consumer prediction, supermarkets needs etc. And he said to himself there is no way to continue business, to continue to supply supermarkets from this area, from *Bayramapaşa*, [...] so we need a more modern place to meet supermarket needs. So *Uzmanlar* was established like this" (interview with representative of *Uzmanlar*, 2012).

This company iteratively integrated more and more operations into its profile. Initially the former wholesale agent at the Istanbul wholesale market began to sign contracts with logistic companies for cold chain delivery and rented a packing house with cold storage facilities, where also cleaning, sorting and labeling procedures can be undertaken. The purchases still were done from wholesale markets. After some time own production activities and greenhouses were installed to guarantee traceability. Additionally contracts with other farmers were signed to meet the amount demanded by supermarket chains.

These reworking activities were characterised by the desire to purchase safe, hygienic and traceable products and particularly came from the supermarket side. As a representative of *Uzmanlar* stated in an interview (2012): "our core business is on food safety". The demand for products of these characteristics is largely generated at the upper end of the urban retail and *HORECA* spectrum in Turkey. It is therefore rather a niche market phenomenon than a mass market tendency. The transformations were initiated by retail TNCs in the food segment. Subsequently certain customer groups, high-income consumers in particular, gained more awareness about product quality and safety: "Our customer is a high-level income consumer. [...] They are more careful than traditional customers. They have money and they want to know what they are buying" (interview with representative of *Uzmanlar*, 2012).

The upgrading and learning process is often characterised by learning through market observations. As such, the interview quotation of a Metro Group buyer is quite indicative: "The customer is very important to me. He can give me a lot of information about his needs" (interview with a professional buyer for Metro Group in

Turkey, 2012). The market observation process thereby rather takes place in informal business communications and talks. Following customer demand, Metro for example started to offer a certain kind of tomato which has less juice to be better used on bread-based dishes like sandwiches. Farmers were equipped with particular seeds and agreements were signed. Further examples for the adaptation to customer needs are the trading with peeled garlic cloves especially for *HORECA*. Thus they can save preparation time in their daily business routines. "So they [*HORECA*] want fruits and vegetables in the most convenient way for them – ready to use" (interview with category manager of Metro Group, 2011). The peeling of garlic cloves or potatoes is an additional service that is added to raise the value of a product for certain customers and can be described as process upgrading, whereas the introduction of a new type of tomato is product upgrading.

At the time of the fieldwork the representative of *Uzmanlar* could already name six other companies operating with a similar business strategy in Turkey. Most of them were founded by old-established intermediaries that reworked their business. However, most of those competitors are not involved in agricultural activities, but solely involved in contract farming and contract labelling, often on behalf of a supermarket chain. Their core business reworking is characterised by providing service and process activities. However, the importance of these newly emerging business networks and trading structures between actors of production and actors of consumption for individual firms are also very much influenced by the retailing structure in the Turkish market and the societal embeddedness (see *Hess* 2004) of the lead firms. Whereas retail TNCs like Metro Group, Carrefour SA or Tesco-Kipa apply international and private standards and thus reshape trading channels, local or regional retail (chains) stick to their established trading routines and only slowly have the capacity to rework their supply relationships. "Most of the [local and regional] retail markets still want to do business in the old school fashion. Some want to do it the old school way, some do not have the technology or capacity, some do not have delivery facilities, some do not have enough storage" (interview with representative of supplier company for dry food, 2011).

In addition, traditional wholesale markets often lack technical and physical infrastructure. Shipping and logistics is still frequently conducted in open trucks affecting the quality of produce, e.g. through rain, heat etc. while quality testing mechanisms are not

conducted on a regular basis. Therefore, large-scale supermarkets and vertically integrated supplier companies benefit from the regulatory adjustments whereas small-scale producers, traditional merchants and commissioners are still largely following their usual business routines.

### 4. Conclusion

The FFV trading patterns in Turkey are characterised by a dualistic structure. Old-established networks and business routines, which involve producers, commissioners, merchants and buyers, coexist next to dynamically transforming network structures. Within these new network structures vertically integrated supplier companies, often founded by established intermediaries, fulfil production tasks – either by themselves or by contract farming – as well as service tasks, like storage, shipping, and adding value procedures. Whereas the activities of the former are characterised by a high level of resilience and nuances of resistance, which are limited to lobbying, the latter apply distinct reworking strategies. These reworking strategies in our case study dominantly correlate with upgrading. The new companies fulfil the tasks of commissioners (arrangement of contracts), merchants (cleaning, sorting, packing, labelling) and producer organisations (marketing and technical assistance for producers) at the same time. Regarding traceability and the compliance with quality and hygiene standards, these actors are much more transparent than the trade conducted in traditional channels with several intermediaries. For supermarkets therefore they turn out to be far more reliable business partners.

However, the traditional intermediaries that are resilient in their business strategy still form an important part of existing food supply structures in Turkey. However, these intermediaries may also end up in a locked-in market situation. They may be left behind in the future when the demand for their traditional services declines, while intermediaries who have reworked their strategies are able to take market opportunities opened by regulatory reforms. Recently, wholesale markets were still an important instrument for the regulation and control of FFV trade and the compliance with standards. For small-scale actors they provide market access. However, first steps have been undertaken to loosen ties between small scale producers and commissioners.

Still, it cannot be expected that governance structures including wholesale markets will be overcome in the short term. Therefore also wholesale markets have to functionally upgrade and invest into infrastructures for appropriate storage and processing of FFV products. This form of upgrading of wholesale organisations, however, is less a strategic decision than the result of regulatory pressure. Therefore, these processes have to be seen as resilience rather than strategic reworking. Still, the resilience of traditional purchasing and supply patterns also mirrors the socio-economic reality in Turkey where not everybody has the financial capacity to buy sorted, packed and branded FFV products. For policy-makers this evidence shows how important it is to recognise the role of small-scale actors (possibly informal) as they can fulfil socio-economically important functions.

The article showed that resilience, resistance and reworking are illuminating categories to analyse the reactions of actors in socio-economic network configurations and thus mirror their (power-)positions within these networks. The mentioned categories help to understand reactions of actors towards changing organisational, societal and territorial configurations in a differentiated way so that the simultaneity of developments becomes visible. Thus a further integration of these three analytical categories into analytical frameworks as the Global Production Networks or the Global Value Chain approach seems to have a high potential for further research.

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