



Turkish Journal of Agriculture and Forestry

Turkish Journal

of

Agriculture and Forestry

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Measuring the Market Power of the Banana Import Market in Turkey

Selim Adem HATIRLI*

Süleyman Demirel University, Department of Agricultural Economics, 32260 Isparta-TURKEY

Eugene JONES

Ohio State University, Agricultural, Environmental and Development Economics, 43210 Columbus-OH-USA

Ali Rıza AKTAŞ

Süleyman Demirel University, Department of Agricultural Economics, 32260 Isparta-TURKEY

Abstract: Banana production in Turkey represents a small fraction of that required to meet domestic consumption. Domestic consumption totaled 188,000 t in 2000, whereas production amounted to just 64,000 t, or 34% of consumption. The gap between consumption and production is made up by imports and 5 multinational firms control the flow of more than 80% of the global banana trade. Given this firm dominance in the world trade of bananas, oligopoly theory would suggest the presence of underlying structural forces that could facilitate price-enhancing market power. As such, this study develops an integrated trade and new empirical industrial organization (NEIO) model of the banana trade and this model is estimated econometrically to derive the degree of market power in the Turkish market for banana imports. The 1984-2000 data period is used and the model's results yield a market power parameter of 0.19. This result shows that the banana import market in Turkey is not perfectly competitive, but that the behavior of firms is much closer to price-taking than to collusion.

Key Words: market power, banana import market, new empirical industrial organization, international trade, Turkey

Turk. J. Agric. For., **27**, (2003), 367-373.

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