Interview: Cengiz Celayir â?? President, TISD â?? Turkey

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The president of Turkeyâ??s oldest pharmaceutical industry association discusses the governmentâ??s reluctance to reform the pricing system, and how this is causing the absorption of the domestic Turkish pharmaceutical industry by global big pharma.

Turkey has traditionally been a branded generic market; how are these players performing at present?

Roughly 1.8 billion boxes of pharma products are sold in Turkey per year, and of these 70 percent are generic products that fall into the TRY 5-6 (USD 1.87 to 2.23) price bracket. 98 percent of the products in this segment are manufactured in Turkey, and this includes both Turkish and multinational companies with local facilities. Original imported products make up only three percent of the market by volume, but have a market share of 27 percent in terms of value, and this is the segment that is seeing some revenue growth at present.

Within the locally produced generics group, the costs of production are rising with inflation, yet the government has not increased prices for six years. This is primarily because reference prices are constructed using a fixed exchange rate of 1.9595 TRY to the EUR from 2009, even though the market rate is now roughly 2.8, and the reference is still the lowest price from one of Portugal, Spain, Italy, France and Greece. In nearly all cases, Greece has the lowest price at the moment due to their financial troubles, which are far worse than in Turkey, and yet the SGK discounts this price by 41 percent, after its effectively devalued by 30 percent due to the exchange rate.

What is the governmentâ??s tone in discussions regarding pricing reform?

When this is discussed with officials, their response is that we should be satisfied because our volume is still increasing, and we are seeing some revenue growth. Yet, the only segment of the market that is growing is the three percent original products market, they use this as evidence to suggest that we are still doing well, are still growing, and thus have no reason to complain. Our response is that while we may have some growth in volume, in real terms our overall costs are rising and revenue is decreasing slightly. Overall, there is almost zero political will to reform the system at present. The government is happy as their budget is low and contained, and rightly as this is their duty to taxpayers, at least to a point.

From our perspective however, the current situation is unsustainable. Several companies have gone bankrupt and ten big Turkish companies have been sold to multinationals over the last 12 years, because the owners didnâ??t see any future for them in this market. We are not aware of any other market in the world where this many major local players have been sold in such a short period of time, and as it stands there may not be much of a Turkish pharmaceutical industry to speak of in the future.

Of course, there are those who see more optimism in this situation. The investments by multinationals in Turkey have already brought many exciting opportunities to our country, and will continue to do so if this trend continues. However, times are changing and our independence and identity is slowly being lost.

What would it take to prompt minimal reform, such as indexing prices to inflation, in your opinion?

What if Greece begins to reference Turkish prices. This would push most prices to zero very quickly, and as a result Greece and Turkey would have no pharmaceutical industry if the system isnâ??t redesigned.

Focusing on export development is a common reaction to falling prices in the domestic market; to what extent have Turkish companies taken this route?

Itâ??s a chicken and egg situation. Companies are trying to survive on a daily basis, and canâ??t expend resources on export development. Sixty percent of the market in terms of value is imported, versus 35 percent in 2002, and roughly 30 percent of conventional dosage form manufacturing capacity is idle. We have the capacity to export, but our costs are much higher than products from China and India. The idle capacity is often contracted out, and there are many companies that do some contract manufacturing on the side.

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