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Syria

Grain and Feed

Annual Report

2007

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Report Highlights:

Wheat exports in 2006/07 are forecast at a record 1.5 million tons, fueled by strong sales to Egypt and Jordan. Corn imports are expected to continue growing, and are forecast to reach a record 2 million tons in 2007/08. The U.S. is expected to remain the dominant corn supplier. Rice imports are forecast to grow only modestly, in line with demand growth as a result of expanding population.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Wheat

Wheat production in 2006/07 is estimated at 4.2 million tons, down compared to the previous year due to a shortage of rain during the growing season. Based on similar rainfall patterns and yields similar to 2006/07, output for 2007/08 is forecast to be 4.2 million tons. Consumption is growing only marginally. Exports are forecast to be a record 1.5 million tons in 2006/07 due to already realized shipments and HOBBOB's commitments for additional exports. Egypt has become the main destination for Syrian wheat exports and Jordan ranks second. In 2007/08, with two consecutive years of drought-reduced crop, exports are forecast to drop to 800,000 tons as HOBBOB seeks to minimize stock reductions. Imports remain relatively stable at about 200,000 tons per year. While HOBBOB targets to maintain a one-year consumption requirement to eliminate the need for imports in case of a bad crop year, stocks will be drawn down below that level in 2006/07 due to record exports in 2006/07, and again in 2007/08 due to expectations for two consecutive years of lower output.

Barley

Barley production is forecast to remain relatively stable, but imports are forecast to grow as the dry weather is expected to limit domestic fodder supplies, prompting increased barley imports.

Corn

Corn is the most important feed commodity, and demand for it is increasing. With insignificant local production and continued growth in demand, particularly from the poultry industry, corn imports are forecast to reach a record 2 million tons in 2007/08. The U.S. is expected to maintain about 70 percent market share in the corn import market.

Rice

Rice consumption is increasing moderately in line with population growth, and imports are forecast to grow to 285,000 tons in 2007/08. As is traditionally the case, most of the rice imports will be source from Egypt.

Wheat

PSD Table Syria Wheat							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official	Post Estimate [New]	USDA Official	Post Estimate[New]	USDA Official	Post Estimate [New]	
Market Year Begin		07/2005		07/2006		07/2007	MM/YYYY
Area Harvested	1700	1700	1700	1700	0	1700	(1000 HA)
Beginning Stocks	5252	4900	5483	5100	5233	3650	(1000 MT)
Production	4700	4700	4500	4200	0	4200	(1000 MT)
MY Imports	231	200	200	200	0	200	(1000 MT)
TY Imports	231	200	200	200	0	200	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	10183	9800	10183	9500	5233	8050	(1000 MT)
MY Exports	600	600	600	1500	0	800	(1000 MT)
TY Exports	600	600	600	1500	0	800	(1000 MT)
Feed Consumption	300	300	300	300	0	300	(1000 MT)
FSI Consumption	3800	3800	4050	4050	0	4200	(1000 MT)
Total Consumption	4100	4100	4350	4350	0	4500	
Ending Stocks	5483	5100	5233	3650	0	2750	(1000 MT)
Total Distribution	10183	9800	10183	9500	0	8050	(1000 MT)

Wheat production in 2006/07 is estimated at 4.2 million tons, down compared to the previous year due to a shortage of rain during the growing season. Area is relatively constant at 1.7 million hectares. The General Establishment for Cereal Processing and Trade (HOBBOB) has bought about 3.2 tons of the 2006/07 crop. For the 2007/08 crop, rains through January 2007 were below average. Rainfall during the critical grain filling stage of March-May, and weather conditions during the latter part of the growing season, will be key determinants of the final size of the crop. Based on similar rainfall patterns and yields similar to 2006/07, output for 2007/08 is forecast to be 4.2 million tons.

Consumption

Consumption is growing only marginally. With feed use constant, increase in demand reflects population growth. Wheat is mainly used for milling into flour for bread production. Smaller quantities are used for bulgur production, and lower quality wheat is used for animal feeding. Approximately 250,000 tons of wheat are expected to be used for planting next season's crop. Bread consumption is increasing at about three percent, in line with Syria's population growth. Available milling capacity greatly exceeds the milling requirement for the country.

Trade

Export Trade Matrix*			
Syria			
Wheat			
Time Period	CY	Units	1000 MT
Exports for	2005		2006
U.S.	0	U.S.	0
Others		Others	
Egypt	397	Egypt	544
Jordan	72	Jordan	400
Tunisia	81	Italy	137
Italy	71	Germany	22
Sudan	63		
Algeria	55		
Total for Others	739		1103
Others not Listed	11		127
Grand Total	750		1230

Import Trade Matrix			
Syria			
Wheat			
Time Period	CY	Units	1000 MT
Imports for:	2005		2006
U.S.	0	U.S.	0
Others		Others	
Russia	115	Russia	50
Ukraine	52	Ukraine	50
Bulgaria	9	Turkey	50
Iraq	4		
Total for Others	180		150
Others not Listed	8		50
Grand Total	188		200

*Trade data are published on a calendar year basis. Thus, trade matrix tables in this report are based on calendar year basis.

Exports are forecast to be a record 1.5 million tons in 2006/07 due to already realized shipments and HOBBOB's commitments for additional exports. In a barter agreement, Syria contracted with Egypt to trade 700,000 tons of wheat for 150,000 tons of Egyptian rice. In addition, HOBBOB sold 400,000 tons of wheat to Jordan in 2006, and 500,000 tons in 2007. HOBBOB made a strategic decision a few years ago to reduce stocks through exports to reduce post harvest losses. In 2007/08, with two consecutive years of drought-reduced crop, exports are forecast to drop to 800,000 tons as HOBBOB seeks to minimize stock reductions.

Imports remain relatively stable at about 200,000 tons per year. Most imports are from Eastern Europe due to the relatively cheaper wheat prices compared to local wheat prices. No U.S. wheat is expected to be imported as landed prices tend to favor sourcing from Eastern Europe and the Black Sea Region. Syria also imports limited quantities of flour, mainly from Turkey (6880 tons in 2005). Detailed trade data for 2006 are not yet available. Wheat flour is exported on limited scale by the private sector.

Stocks

Most wheat stocks are held by HOBOOB, which seeks to keep stocks (as a national reserve) at levels exceeding 4 million metric tons, more than Syria's annual milling requirement. The private sector maintains some stocks for its use and for seeding the next crop. While HOBOOB targets to maintain a one-year consumption requirement to eliminate the need for imports in case of a bad crop year, stocks will be drawn down below that level in 2006/07 due to record export levels in 2006/07 and again in 2007/08 due to expectations of two consecutive years of lower output. Stocks kept by HOBOOB are stored in concrete silos, metal silos, as well as in open storage facilities.

Policy

HOBOOB's decision to markedly reduce stocks occurred in conjunction with record exports in 2006, mainly to Egypt and Jordan. The international increase in wheat prices, as well as competitive freight costs, helped HOBOOB boost exports to neighboring countries.

Customs duties on wheat imports are one percent. Syria will continue to rely on local wheat production and export any surplus after ensuring a national reserve. Permitting imports of wheat and flour for further processing is expected to continue in the future, albeit at a limited level. Syria plans to expand its concrete silo storage capacity by about 1 million metric tons during the coming five years. The GOS expects that these silos will be utilized to replace storage of wheat in jute bags in open storage facilities and will reduce grain storage losses. Concrete silos are owned and managed by the General Company for Silos, under the Ministry of Economy and Trade and are mainly used for storing wheat. The private sector has been permitted to establish silos. These silos will be used for storing imported grains, mainly corn, barley, and soybeans.

Marketing

Syria is self-sufficient in wheat production. Wheat and wheat flour imports by the private sector will be limited to relatively small quantities for pasta or for milling. Most of the imports come from nearby sources due to relatively cheap prices and low freight cost.

Barley

PSD Table Syria Barley (1000 MT)						
	2005	Revised	2006	Estimate	2007	Forecast
	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]
Market Year Begin		07/2005		07/2006		07/2007
Area Harvested	900	900	1000	1000	0	1000
Beginning Stocks	387	387	387	487	287	437
Production	700	750	700	700	0	800
MY Imports	800	800	700	800	0	1000
TY Imports	800	800	700	800	0	1000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1887	1937	1787	1987	287	2237
MY Exports	50	0	50	0	0	0
TY Exports	50	0	50	0	0	0
Feed Consumption	1200	1200	1200	1300	0	1500
FSI Consumption	250	250	250	250	0	250
Total Consumption	1450	1450	1450	1550	0	1750
Ending Stocks	387	487	287	437	0	487
Total Distribution	1887	1937	1787	1987	0	2237

The 2006/7 barley crop is estimated at approximately 700,000 tons. Planted area was reported at 1.3 million hectares. However, the drought that hit the crop in spring of 2006 reduced the crop, and some planted areas were abandoned for grazing. Barley production area is almost exclusively rainfed. Government entities did not purchase any significant quantity from the 2006/07 crop, due to the relatively small crop and to the low price offered by the General Organization for Fodder as compared to prevailing local market prices ranging from 12 SP/KG (USD 240/MT) of Ukrainian white barley to 14 SP/KG (280 USD/MT) of local black barley. The 2007/2008 crop is not forecast to increase significantly as rainfall through January 2007 has been below normal.

Consumption

In Syria, most barley is used for feeding sheep. The demand fluctuates from year to year depending on the availability of grass for sheep grazing. Demand increases during drought periods and during the winter months due to the lack of grass at that time. Syria normally requires about 1.5 – 1.75 million tons of barley per year for feed use and for planting next year's crop.

Trade

Import Trade Matrix Syria Barley			
Time Period	CY	Units	1000 MT
Imports for	2005		2006
U.S.	0	U.S.	0
Others		Others	
Ukraine	376	Ukraine	400
Russia	188	Russia	300
Turkey	161	Turkey	200
France	28		
Moldavia	18		
Bulgaria	17		
Romania	9		
Total for Others	797		900
Others not Listed	7		50
Grand Total	804		950

Imports in 2006/07 are forecast to remain at about 800,000 tons and then grow to 1 million tons in 2007/08 as the dry conditions continue to erode the quality of grazing areas. Most imports are expected to continue to be sourced mainly from Eastern Europe due to lower prices in these countries and relatively low freight cost. No barley exports are expected.

Stocks

Beginning in 2005, the General Organization for Fodder (GOF) was granted responsibility for maintaining barely stocks. Since GOF was unable to buy any significant quantity of barley from the local crop, GOF is reportedly buying relatively small quantities of imported barley from traders to make up for the quantities that used to be purchased in the past from the local crop. The bulk of the stocks are now maintained by the private sector.

Marketing

Syrian importers rely on Eastern European sources for barley, mainly Ukraine, Russia, and Turkey. This is mainly due to the competitive landed prices as well as these sources' ability to ship small quantities (about 5,000 MT per shipment). Price considerations and freight cost have prevented Syrian importers from importing barley from the United States.

Corn

PSD Table Syria Corn							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	
Market Year Begin		07/2005		07/2006		07/2007	MM/YYYY
Area Harvested	50	50	50	50	0	50	(1000 HA)
Beginning Stocks	301	301	226	326	251	301	(1000 MT)
Production	125	125	125	125	0	125	(1000 MT)
MY Imports	1400	1500	1600	1800	0	2000	(1000 MT)
TY Imports	1300	1500	1600	1800	0	2000	(1000 MT)
TY Imp. from U.S.	845	1000	0	1200	0	1500	(1000 MT)
Total Supply	1826	1926	1951	2251	251	2426	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	(1000 MT)
Feed Consumption	1250	1250	1300	1500	0	1700	(1000 MT)
FSI Consumption	350	350	400	450	0	450	
Total Consumption	1600	1600	1700	1950	0	2150	(1000 MT)
Ending Stocks	226	326	251	301	0	276	(1000 MT)
Total Distribution	1826	1926	1951	2251	0	2426	(1000 MT)

Corn area and production are stable at 50 HA and 125,000 tons, respectively. Most of the planted corn is hybrid short-season corn planted after wheat in irrigated areas. Locally harvested corn has high moisture content, sometimes approaching 30 percent, so it has to be dried to bring the moisture content down to 14 percent before the corn can be stored. The procurement price for 14 percent moisture corn is set at 7,000 Syrian pounds (USD 140) per MT, significantly below the local prevailing prices for imported corn that is selling now for about 11,500 Syrian pounds (USD 230) per metric ton. GOF purchased negligible quantities of corn from the local crop in 2006/2007. The 2007/2008 crop is forecast at the same level unless water shortage for irrigation becomes a real problem. However, the size of the local crop is insignificant, less than three percent of total domestic needs.

Consumption

A small portion of the local crop is for human consumption and is sold as "corn on the cob". Corn is also used for the production of starch or sown as seed. Most corn, however, is used for animal feed, in particular for poultry. Poultry production is increasing in general. However, it fluctuates from season to season due to the lack of proper slaughter, cooling, packaging, and storage facilities. In 2006, the threat of avian influenza in the area badly affected poultry and egg consumption. As a result, prices dropped to a level about half the cost of production. This forced many poultry producers, especially broiler producers, to go out of production and hence affected the demand for feed, in particular corn, which constitutes about 60 percent of the feed ration. By the end of 2006, the situation reversed and poultry products were selling at unprecedented prices. This enabled many poultry growers to make up for their losses. Despite

the AI shock, in general, consumption of corn is increasing in Syria, which requires over one million metric tons per year for the poultry sector. The starch and glucose industry requires an additional quantity of 400,000 – 500,000 MT per year.

In addition to growing use from the poultry sector, demand for corn in 2006/07 is forecast to reach a record level due to the high prices for barley, which is selling in the local market for nearly 5-22 percent over the price of imported corn. This will lead farmers to shift a portion of the feed consumption from barley to corn. Below average rainfall through January 2007 and expected increase in exports of sheep to Saudi Arabia and other Gulf countries will create additional demand for corn. Thus corn demand is forecast to grow to a new record in 2007/08 to about 2.15 million tons.

Trade

Import Trade Matrix Syria Corn			
Time Period	CY	Units:	1000 MT
Imports for	2005		2006
U.S.	982	U.S.	1200
Others		Others	
Argentina	188	Argentina	200
Ukraine	173	Turkey	50
Turkey	61		
Bulgaria	53		
Moldavia	17		
Total for Others	492		250
Others not Listed	0		350
Grand Total	1474		1800

After reaching a record 1.5 million tons in 2005/06, imports are forecast to reach another record of 1.8 million tons in 2006/07, then to continue growing to 2 million tons in 2007/08. Several factors, some noted above, are boosting prospects for corn imports: 1) Growth in the poultry industry; 2) Competitive corn prices relative to barley; 3) Potential to export pelleted feed to Iraq; 4) Limited water resources that hinder expansion in domestic production; 5) Continued dry weather limiting supplies of domestically produced feeds and fodder; and 6) The private sector is increasingly obtaining approval to establish grain silos to store imported corn, adding flexibility and reducing storage and handling costs.

The United States, Argentina, and to some extent Eastern Europe are the main sources. With competitive corn prices in the United States, importers prefer to buy corn from the United States. U.S. market share is forecast to be about 70 percent in 2006/07 and 2007/08.

Customs duties on corn imports are set at one percent. An import permit from the Ministry of Economy and Trade is required. This is obtained after the approval of the Ministry of Agriculture and Agrarian Reform.

Stocks

The public sector keeps relatively small quantities of corn for its use in public sector poultry and dairy farms. However, the private trade usually keeps quantities for two months for feed and as a raw material for the starch and glucose industry. A stock level of 200,000 - 300,000 tons would be sufficient to provide for the consumption requirement of about two months.

Rice

PSD Table Syria Rice, Milled							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	USDA Official	Post Estimate [New]	
Market Year Begin		01/2006		01/2007		01/2008	MM/YYYY
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	0	100	0	115	0	115	(1000 MT)
Milled Production	0	0	0	0	0	0	(1000 MT)
Rough Production	0	0	0	0	0	0	(1000 MT)
Milling Rate (.9999)	0	0	0	0	0	0	(1000 MT)
MY Imports	250	265	250	275	0	285	(1000 MT)
TY Imports	250	265	250	275	0	285	(1000 MT)
TY Imports from U.S.	0	9	0	5	0	5	(1000 MT)
Total Supply	250	365	250	390	0	400	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	(1000 MT)
Total Consumption	250	250	250	275	0	300	(1000 MT)
Ending Stocks	0	115	0	115	0	100	(1000 MT)
Total Distribution	250	365	250	390	0	400	(1000 MT)

Production

Rice is not produced in Syria. All of the country's requirements are met through imports.

Consumption

In Syria, rice consumption is estimated to be increasing due to the increase in population and the rural-to-urban migration, which encourages the consumer to shift from bulgur to rice. Each Syrian is entitled to 0.75 kilogram of rice per month at 10 SP (19 cents) per kilogram under the GOS ration card system. Most of the imported Egyptian rice is sold through the ration card system at about 40 percent of its price in the free market. This creates additional demand for rice since it makes it cheaper than bulgur, its main grain competitor in Arab recipes.

Trade

Import Trade Matrix Syria Rice, Milled			
Time Period	CY	Units	1000 MT
Imports for:	2005		2006
U.S.	9	U.S.	5
Others		Others	
Egypt	215	Egypt	225
Thailand	21	Thailand	10
Australia	6	Australia	3
India	5	Spain	3
Spain	3		
Italy	2		
Pakistan	2		
Total for Others	254		241
Others not Listed	2		29
Grand Total	265		275

As with consumption, imports are forecast to grow moderately in line with population growth. Since Syria does not plan to produce rice in the future, all rice requirements will be imported. Egyptian rice constituted 81 percent of imports. Syria barter wheat for Egyptian rice. Thailand, Australia, Italy, Spain, and the United States also supply minor quantities.

Marketing

Syrian consumers generally prefer medium grain rice from the United States, Australia, Italy, and Egypt to long grain rice from Thailand. However, the limited purchasing power of the average Syrian influences the decision to seek out cheaper sources of rice. As a result, higher quality rice, such as parboiled rice, has a very limited market in Syria.

With rice prices more attractive from Egypt whose rice is similar in characteristics to the American medium grain rice, importer choose Egyptian supplies. In late 2006, the Syrian government agreed to barter 700,000 tons of Syrian wheat for 150,000 tons of Egyptian rice. Another reason for the choice of Egyptian rice is the low freight cost and the ability to ship very small quantities, sometimes 40-100 tons of rice per shipment, in a very short time, and at a much cheaper cost than from other origins.