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Required Report - public distribution

Date: 3/18/2010

GAIN Report Number:

Syria

Grain and Feed Annual

Improving Grain Situation

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Report Highlights:

Syria became a net importer of wheat in 2009/10 due to a severe drought and a limited local crop in 2008. The 2010/11 wheat crop is forecast at 4.5 MMT with improved rainfall and imports will decline. The government purchase price of \$440/MT is at least double international prices, CIF Tartous. Russia and Ukraine were the main suppliers of wheat. Corn imports are expected to continue to grow and are forecast to exceed 1.5 million tons in 2010/11. The U.S. has been the main corn supplier, but competition from Black Sea origins is increasing. Syria continues to diversify the sources of imported rice as high prices and export restrictions make Egyptian rice less attractive.

Executive Summary:

Wheat

Wheat production in 2009/10 is estimated by the Ministry of Agriculture and Agrarian Reform at 3.8 to 4.0 million tons. The crop could have been bigger except for the drought that hit North-East Syria in the spring of 2009. It is still too early to give a good forecast for the 2010/11 crop, but it likely will range from 4.5 to 5.0 million tons depending on the rainfall amount and distribution, especially during the last part of the growing season which normally occurs during April and May. Consumption is growing due to the increased population as well as to the continued presence of over one million Iraqi refugees in Syria. Imports are forecast to decline in 2010/11 with improved production, but still are well above traditional levels. While the General Establishment for Cereal Processing and Trade's (HOBOOB) target is to maintain a one-year supply in storage, thus eliminating the need for imports in case of an extremely bad crop year, stocks were drawn down below previous year's levels due to a relatively small domestic crop.

Barley

Barley was the crop most affected by the drought. Imports are estimated to hit record levels in 2009/10 due to limited domestic fodder supplies. Russia and the Ukraine are the dominant barley suppliers. The 2010/11 crop may be above average if the present rainfall situation continues throughout the growing season and imports are forecast to decline.

Corn

Corn is the most important feed commodity, and demand is increasing. With insignificant local production and continued growth in demand, particularly from the poultry industry, corn imports are forecast to exceed 1.5 million tons in 2010/11. The U.S. is expected to be the major supplier of corn to Syria. However, corn from non-traditional sources, such as Eastern Europe and the Ukraine, are preferred due to competitive prices and lower freight cost.

Rice

Rice consumption is increasing moderately, in line with population growth and imports are forecast to exceed 300,000 tons in 2010. Egypt, Syria's major supplier, severely restricted exports during 2008 and early 2009 seasons. This affected the Syrian market and caused higher retail rice prices. The export restrictions, although significantly reduced, are still in place.

Commodities:

Wheat

Production:

Wheat production in 2009/10 is estimated by the Syrian Ministry of Agriculture and Agrarian Reform at 3.8 - 4.0 million tons, about double the quantity produced from the previous crop despite the drought that affected North East Syria in spring 2009. Planted area is relatively constant at 1.7 million hectares.

HOBOOB bought about 2.8 million tons from the 2009/10 crop. The General Company for Seed Multiplication bought over 200,000 tons from the local crop.

The outlook for the 2010/11 crop is much improved as rainfall through February 2010 was good throughout the country. 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 for the final size of the crop. Farmers are shifting from barley, cotton and sugar beet production to wheat due to the very good prices offered by HOBOOB, approximately double international prices. Based on similar rainfall patterns in past years and taking into consideration the increased irrigated areas planted in wheat, output for 2010/11 is forecast to range between 4.5 – 5.0 million tons. Post is using the more conservative forecast in this report.

Consumption:

Consumption is estimated to grow relative to the 2.5 percent increase in population. 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 to 300,000 tons of wheat are expected to be used for planting next season's crop. Bread consumption is increasing due to the population growth as well as to the increased cost of other food items. Available milling capacity greatly exceeds the milling requirement for the country.

Trade:

Import Trade Matrix			
Syria			
Wheat			
Time Period	CY	Units	1000 MT
Imports for:	2008		2009
U.S.	0	U.S.	0
Others		Others	
Ukraine	400	Ukraine	500
Russia	400	Russia	500
Turkey	100	Turkey	100
		France	150
Total for Others	900		1250

Others not Listed	200		50
Grand Total	1100		1300

*Trade data are published on a calendar year basis. Trade data for 2008 and 2009 are based on trade sources and press reports.

Exports have ceased due to the relatively low stock levels, by Syrian standards, kept by HOBOOB. This situation is expected to continue through 2010/11. Private sector imports in 2010/11 will remain above traditional levels, due to the fact that imported wheat prices are significantly below the prices offered by HOBOOB.

Syria received a gift of 500,000 MT of wheat from the United Arab Emirates, which was delivered over the past two years. HOBOOB tendered for milling wheat and imported some quantities from Russia and the Ukraine. The private sector imported some quantities of milling wheat and hard wheat for the pasta industry. Some of this wheat came from France and Germany. However, most imports are sourced from Black Sea origins due to relatively cheaper wheat prices and low freight costs. The press reported on the refusal of many ship loads for HOBOOB and for the private sector due to the presence of fungi and weed seeds. Detailed official trade data for 2008 and 2009 are not yet available.

Stocks:

By June 2009, stocks hit a record low level for the first time in over 20 years. Most wheat stocks are held by HOBOOB, which seeks to keep stocks (as a national reserve) at levels exceeding Syria's annual milling requirement. The private sector maintains some stocks for its use and for seeding the next crop. The stock situation improved with good purchases from the local crop in MY 2009/10 and due to imports by the public and private sectors. Stocks kept by HOBOOB are stored in concrete silos and metal silos, as well as in open storage facilities. HOBOOB has about 4.3 MMT of silo storage capacity and this capacity is increasing. Iran is constructing concrete silos with one million ton capacity, a part of which are already on stream.

Policy:

The Syrian Government exercises a great deal of control over the grain sector, especially wheat, although the private sector is able to participate. The government practically doubled procurement prices for locally produced wheat when international wheat prices went up and local diesel prices were increased by 357 percent in 2008. However, procurement prices were kept at the same high level as international prices declined. The procurement price of 20,000 Syrian Pounds (SP) or 440 U.S. dollars per metric ton of soft milling wheat is approximately double international prices, CIF Tartous. The hard Durum wheat procurement price is 20,500 SP or 450 U.S. dollars per MT. High procurement prices

helped HOBOOB buy much of the local crop in 2009. This price policy may continue for another year as HOBOOB continues to increase wheat stocks.

Customs duties on wheat imports are one percent. Syria will continue to rely on local wheat production and will likely export any surplus after ensuring a national reserve. Permitting imports of wheat and flour for further processing is expected to continue in the future. Syria prohibited exports of flour and semolina due to the small crop in 2008, but exports may resume if the 2010 crop reaches 5 MMT. Syria is expanding concrete silo storage capacity by 700,000 metric tons in 2010 and 2011. 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, wheat, barley and soybeans.

Marketing:

Syria had been self-sufficient in wheat production for many years. Recently, wheat and wheat flour imports by the private sector have significantly increased. Most of the imports come from nearby sources due to relatively cheap prices and low freight costs.

Production, Supply and Demand Data Statistics:

Wheat	Syria	2008 2008/2009 Market Year Begin: Jul 2008			2009 2009/2010 Market Year Begin: Jul 2009			2010 2010/2011 Market Year Begin: Jul 2010	
		USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data	Jan Data
Area Harvested		1,486	800	800	1,500	1,700	1,500		1,700
Beginning Stocks		3,574	2,933	3,574	2,661	1,133	2,513		2,913
Production		2,087	2,000	2,139	4,000	4,000	4,000		4,500
MY Imports		1,700	1,000	1,500	2,000	1,500	1,200		1,000
TY Imports		1,700	1,000	1,500	2,000	1,500	1,200		1,000
TY Imp. from U.S.		0	0	0	0	0	0		0
Total Supply		7,361	5,933	7,213	8,661	6,633	7,713		8,413
MY Exports		0	0	0	0	0	0		0
TY Exports		0	0	0	0	0	0		0
Feed and Residual		400	500	400	400	400	400		400
FSI Consumption		4,300	4,300	4,300	4,400	4,400	4,400		4,500
Total Consumption		4,700	4,800	4,700	4,800	4,800	4,800		4,900
Ending Stocks		2,661	1,133	2,513	3,861	1,833	2,913		3,513
Total Distribution		7,361	5,933	7,213	8,661	6,633	7,713		8,413
Yield		1.	2.	2.6738	3.		2.6667		2.6471

Commodities:

Barley

Production:

The 2009/10 barley crop is estimated by the Ministry of Agriculture and Agrarian Reform at approximately 845,700 tons. Planted area was planned at 1.4 million hectares. However, the drought that affected North-East Syria in spring of 2009 impacted the crop and reduced harvested areas. Barley production area used to be exclusively rain fed, but now some poorer irrigated land is also being planted to barley. Governmental entities did not purchase from the 2009/10 crop, due to the presence of significant amounts of imported barley at the General Organization for Fodder (GOF). With the rainfall levels prevailing through February 2010, the 2010/11 crop is forecast to be a good crop, exceeding one million tons. Final crop size will actually be determined by rainfall amount and distribution in March and April. However, the newly imposed levy of 2000 Syrian pounds (44 dollars) per metric ton of imported barley may encourage some farmers who have not sowed their land to plant it with barley. This levy was imposed in late December 2009 and adjusted in late January 2010. The levy was intended to encourage farmers to plant more barley.

Consumption:

In Syria, barley is mostly 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 requires about 1.5 million tons of barley per year for feed use. Some of the barley requirement may be replaced by corn.

Trade:

Import Trade Matrix			
Syria			
Barley			
Time Period	CY	Units	1000 MT
Imports for	2008		2009
U.S.	0	U.S.	0
Others		Others	
Ukraine	600	Ukraine	700
Russia	600	Russia	700
Total for Others	1200		1400
Others not Listed	0		100
Grand Total	1200		1500

*Trade data are published on a calendar year basis. Total trade figure for 2008 is based on Statistical Abstract, Central Bureau of Statistics.

While 2009/10 imports were relatively high, with a good crop anticipated in 2010, barley imports are likely slow down significantly. Most imports are expected to originate from Eastern Europe (mainly Russia and Ukraine) due to lower prices and freight costs. Many shiploads were refused in 2009 due to fungal infestation or the presence of weed seeds. No barley exports were reported and none are expected next year.

Stocks:

The GOF is keeping 300,000 to 400,000 MT of imported barley that it was unable to sell in the local market because it was purchased when the international barley prices were very high. In order to get rid of its stocks, the General Organization for Fodder obliges farmers to buy the government imported barley at 13 SP/KG if they want to buy other feed ingredients such as wheat bran and cotton seed cake. This is called “loading” one commodity on another. The private sector continues to import large quantities of barley from the Black Sea area and sell it to the local sheep herd owners.

Marketing:

Syrian importers rely on Eastern European sources for barley, mainly Ukraine, Russia, and Turkey. This is due to the competitive landed prices as well as their ability to ship small quantities (about 5,000 MT per shipment). Bigger shipments (35,000 MT per shipment) were reported by the traders when the prices went down significantly. Price considerations and freight costs have prevented Syrian importers from importing barley from the United States. The new levy imposed on barley imports excluded barley imports from Arab countries and Turkey. This offer will give a unique opportunity to Turkish exporters to sell their surplus barley to Syria.

Production, Supply and Demand Data Statistics:

Barley Syria	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	350	350	350	500	500	1,000			
Beginning Stocks	258	168	258	458	118	218			468
Production	200	200	260	500	400	850			1,000
MY Imports	1,750	1,500	1,500	1,000	1,500	1,000			1,000
TY Imports	1,050	1,500	1,500	1,000	1,500	1,000			1,000
TY Imp. from U.S.	0	0	0	0	0	0			0
Total Supply	2,208	1,868	2,018	1,958	2,018	2,068			2,468
MY Exports	0	0	0	0	0	0			0
TY Exports	0	0	0	0	0	0			0
Feed and Residual	1,500	1,500	1,500	1,350	1,500	1,350			1,350

FSI Consumption	250	250	300	250	300	250		250
Total Consumption	1,750	1,750	1,800	1,600	1,800	1,600		1,600
Ending Stocks	458	118	218	358	218	468		868
Total Distribution	2,208	1,868	2,018	1,958	2,018	2,068		2,468
Yield	1.	1.	0.7429	1.		0.85		1.

Commodities:

Corn

Production:

Most of the corn is hybrid short-season corn planted after wheat in irrigated areas. Local 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 was set at 17 SP/KG (373 U.S. dollars/MT), significantly above international prices for corn. This prompted farmers to sow much more land in areas where irrigation water is ample, such as the Raqqa province in North-East Syria. However, the size of the local crop is insignificant, not exceeding 10 percent of the total requirement for corn. Imported corn is selling now for about 12 SP/KG (USD 264 per metric ton) in the local market. The new levy of 1000 SP/MT (22 U.S. dollars/MT) of imported corn raised prices in the local market. This levy is intended to encourage local production of corn. However, it is still too early to forecast its impact, if any, on local production in 2010/11 since the crop will be planted around June and July. However, it is not expected to have a significant impact. The lack of irrigation water is a severe limiting factor in corn production in Syria.

Consumption:

A small portion of the local crop is used 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 fluctuates from season to season due to the lack of proper slaughter, cooling, packaging and storage facilities. There is only one modern slaughterhouse in the entire country. Consumption of corn is increasing in Syria, which now requires over 1.2 million metric tons per year for its poultry sector. The starch and glucose industry requires an additional 400,000 to 500,000 MT per year. Other farm raised animals require smaller quantities.

Trade:

Import Trade Matrix Syria Corn

Time Period	CY	Units:	1000 MT
Imports for	2008		2009
U.S.	1288	U.S.	700
Others		Others	
Argentina	94	Argentina	100
		Turkey	200
		Russia	300
		Ukraine	300
Total for Others	94		1600
Others not Listed	18		400
Grand Total	1400		2000

*Trade data are published on a calendar year basis.

Imports are forecast to remain stable in 2011. Most of the imports come from the United States. Black Sea exporters and those from Turkey emerged as new suppliers of corn for the Syrian market in 2009. The private sector has established grain silos to store imported corn, adding flexibility and reducing storage and handling costs.

The United States is forecast to continue to be the major supplier of corn. Argentina is no longer the main competitor. However, the new sources for corn are reported to be very active in the country. The Ukraine, Russia, Turkey and other East European countries are selling to the corn importers at competitive prices. When corn prices in the United States are competitive, importers prefer to buy corn from the United States, especially for the starch and glucose industries. Waiving the levy on imports of corn from Turkey will provide Turkish suppliers with an advantage over other suppliers.

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 from the Ministry of Agriculture and Agrarian Reform.

Stocks:

The public sector keeps relatively small quantities of corn for its use in the public sector poultry and dairy farms. However, the private trade usually keeps in stock quantities for two months worth of feed for use as a raw material for the starch and glucose industry. A stock level of 300,000 to 400,000 metric tons would be sufficient to provide for the consumption requirements of about two months.

Production, Supply and Demand Data Statistics:

Corn Syria	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	60	50	60	50	60	60		60	
Beginning Stocks	286	208	286	336	358	336		486	
Production	150	100	150	125	125	150		150	
MY Imports	1,800	2,500	1,800	1,900	2,000	2,000		2,000	
TY Imports	1,800	2,500	1,800	1,900	2,000	2,000		2,000	
TY Imp. from U.S.	494	2,200	1,500	0	1,600	1,000		1,400	
Total Supply	2,236	2,808	2,236	2,361	2,483	2,486		2,636	
MY Exports	0	0	0	0	0	0		0	
TY Exports	0	0	0	0	0	0		0	
Feed and Residual	1,500	2,000	1,500	1,600	1,600	1,600		1,600	
FSI Consumption	400	450	400	400	400	400		500	
Total Consumption	1,900	2,450	1,900	2,000	2,000	2,000		2,100	
Ending Stocks	336	358	336	361	483	486		536	
Total Distribution	2,236	2,808	2,236	2,361	2,483	2,486		2,636	
Yield	2.	2.	2.5	2.		2.5		2.5	

Commodities:

Rice, Milled

Production:

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

Consumption:

Consumption

In Syria, rice consumption is increasing due to population growth and the presence of over one million Iraqi refugees in Syria. Each Syrian is entitled to 0.75 kilogram of rice per month at 10 SP (21 U.S. cents) per kilogram under the Government of Syria (GOS) ration card system.

There was a delay in distribution of the rationed rice during 2009 due to the delay in imports after Egypt restricted rice exports in 2008 and early 2009. This created additional demand for rice in the free

market and prices doubled. Traders had to look for other rice suppliers to supply the local market demand. The increased prices did not go down when the global prices did. This is very different from the wheat, barley and corn situations where prices started to drop shortly after international prices started to go down. Rice is selling at higher prices than in neighboring markets because the Syrian traders imported the rice at the height of the market.

Trade:

Import Trade Matrix Syria Rice, Milled			
Time Period	CY	Units	1000 MT
Imports for:	2008		2009
U.S.	5	U.S.	6
Others		Others	
Egypt	7	Egypt	150
Thailand	100	Thailand	100
Australia	5	Australia	5
Vietnam	50	Pakistan	5
Spain	3	Spain	5
Pakistan	5	Italy	5
		Vietnam	10
Total for Others	170		280
Others not Listed	55		14
Grand Total	230		300

*Trade data are published on a calendar year basis. Total trade data for 2008 is based on Statistical Abstract, Central Bureau of Statistics.

CY 2009 was not a normal year for the importers or the consumers who still prefer to import and consume Egyptian medium grain rice due to the price factor. As with consumption, imports are forecast to grow in general, taking into consideration the increase in population and the continued presence of over one million Iraqi refugees. Further improvements in the political and security situation in Iraq could start to reduce the refugee population. Egypt, Thailand, Australia, Italy, Pakistan, Spain and the United States are the traditional suppliers. India and Vietnam have recently emerged as small suppliers.

Marketing:

Syrian consumers generally prefer medium grain rice from the United States, Australia, Italy and Egypt to long grain rice from Thailand and short grain rice from Vietnam. In addition, the Iraqi refugees are more accustomed to long grain. However, the limited purchasing power of the average Syrian influences the decision to seek out cheaper sources of rice.

Production, Supply and Demand Data Statistics:

Rice, Milled Syria	2008			2009			2010		
	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official Data		New Post Data	USDA Official Data		New Post Data	USDA Official Data		Jan Data
Area Harvested	0	0	0	0	0	0			0
Beginning Stocks	25	140	25	90	140	35			85
Milled Production	0	0	0	0	0	0			0
Rough Production	0	0	0	0	0	0			0
Milling Rate (.9999)	0	0	0	0	0	0			0
MY Imports	300	300	300	310	300	350			350
TY Imports	300	300	300	310	300	350			350
TY Imp. from U.S.	0	1	6	0	6	10			10
Total Supply	325	440	325	400	440	385			435
MY Exports	0	0	0	0	0	0			0
TY Exports	0	0	0	0	0	0			0
Consumption and Residual	235	300	290	310	300	300			310
Ending Stocks	90	140	35	90	140	85			125
Total Distribution	325	440	325	400	440	385			435