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Syria

Grain and Feed

Annual Report

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Report Highlights:

During 2008/09, Syria moved from a net exporter to a net importer of wheat due to drought and limited purchases from the local crop. Russia and Ukraine were the main suppliers of wheat. Barley imports, also mainly from Russia and Ukraine, hit a record due to the drought. Corn imports are expected to continue growing, and are forecast to reach 2 million tons in 2009/10. The U.S. is expected to remain the dominant corn supplier. Rice imports are forecast to grow in line with demand growth as a result of expanding population.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Cairo [EG1]
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Executive Summary

Wheat

Wheat production in 2008/09 is estimated by the Ministry of Agriculture and Agrarian Reform at 2,087,000 tons, about half of last year's levels due to a long frost and the shortage of rain during the growing season. It is still early to give a good forecast for the 2009/10 crop, which could range from 3 - 4 million tons depending on the amount and distribution of rainfall. Consumption is growing due to the increase in population as well as the continued presence of over one million Iraqis in Syria. Imports were very high and mainly originated from Russia and the Ukraine. In 2009/10, with consecutive years of drought-reduced crops, exports are forecast to stop. While The General Establishment for Cereal Processing and Trade (HOBOOB) targets maintaining a one-year consumption requirement to eliminate the need for imports in case of a bad crop year, stocks were drawn down below previous years' levels due to limited purchases from the local relatively small crop. Syria received a gift of 500,000 MT of wheat from the United Arab Emirates.

Barley

Barley production was most affected by the frost and drought. Imports are estimated to hit a record due to limited domestic fodder supplies. Russia and the Ukraine are the dominant barley suppliers. The 2009/10 crop may continue to be lower than average due to the drought prevailing through January 2009.

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 2 million tons in 2009/10. 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 has begun to be imported due to competitive prices and low freight cost.

Rice

Rice consumption is increasing moderately in line with population growth, and imports are forecast to reach 300,000 tons in 2009. The Egyptian government's rice export ban has badly affected the Syrian market and caused a big increase in local retail rice prices. Traditionally, most of the rice imports come from Egypt.

Wheat

PSD Table

	Wheat (1000 HA)(1000 MT)(MT/HA)						2009 Forecast	Post Estimate New 07/2009	Post Estimate New 07/2009
	2007	Revised	2008	Estimate	2009	Forecast			
	USDA Official	Post Estimate 07/2007	Post Estimate New 07/2007	USDA Official	Post Estimate 07/2008	Post Estimate New 07/2008			
Market Year Begin									
Area Harvested	1700	1700	1668	1700	800	1486		1700	
Beginning Stocks	4033	4033	4033	2933	2933	2574		1461	
Production	4000	4000	4041	2500	2000	2087		4000	
MY Imports	200	200	200	800	1000	1500		1500	
TY Imports	200	200	200	800	1000	1500		1500	
TY Imp. from U.S.	0	0	0	0	0	0		0	
Total Supply	8233	8233	8274	6233	5933	6161		6961	
MY Exports	800	800	800	300	0	0		0	
TY Exports	800	800	800	300	0	0		0	
Feed Consumption	400	400	800	400	500	400		400	
FSI Consumption	4100	4100	4100	4250	4300	4300		4400	
Total Consumption	4500	4500	4900	4650	4800	4700		4800	
Ending Stocks	2933	2933	2574	1283	1133	1461		2161	
Total Distribution	8233	8233	8274	6233	5933	6161		6961	
Yield	2.35	2.35	2.42	1.56	2.5	1.40		2.35	

Production

Wheat production in 2008/09 is estimated by the Syrian Ministry of Agriculture and Agrarian Reform at 2,087,000 tons, about half the quantity produced from the previous crop due to a long deep frost and shortage of rain during the growing season. Planted area is relatively constant at 1.7 million hectares. However, harvested area was much less due to poor crop development and leaving the fields for sheep grazing. The General Establishment for Cereal Processing and Trade (HOBBOB) bought 970,000 tons from the 2008/09 crop. The General Company for Seed Multiplication bought 193,000 tons from the local crop. For the 2009/10 crop, rains through mid-January 2009 were good in some areas and below average in other areas. 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, output for 2009/10 is forecast to range between 3 – 4 million tons. It is worth noting that the reduction in international grain and feed prices will limit the use of planted wheat fields for grazing by sheep.

Consumption

Consumption has grown more than the 2.5 percent increase in population, due to the presence of over one million Iraqis in Syria. With feed prices going up in the early part of 2008 and barley prices similar to wheat prices in the local market, an increase in demand for wheat was evident to replace some other grains in the feed ration, and so was the use of subsidized bread for feed, since subsidized bread is much cheaper than all feed ingredients. 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 – 300,000 tons of wheat are expected to be used for planting next season's crop. Bread consumption is increasing due to the increase in population as well as the increase in prices of other food items. 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	2007		2008
U.S.	0	U.S.	0
Others		Others	
Egypt	300	Egypt	20
Jordan	269	Jordan	50
Tunisia	244	Yemen	50
Italy	90		
Turkey	45		
North Korea	26		
Iraq	9		
Total for Others	983		120
Others not Listed	14		
Grand Total	997		120

Import Trade Matrix			
Syria			
Wheat			
Time Period	CY	Units	1000 MT
Imports for:	2007		2008
U.S.	0	U.S.	0
Others		Others	
Ukraine	45	Ukraine	300
Russia	38	Russia	500
Turkey	7	Turkey	200
		Bulgaria	50
Total for Others	100		1050
Others not Listed	10		150
Grand Total	100		1200

*Trade data are published on a calendar year basis. Thus, trade matrix tables in this report are based on calendar year basis. Trade data for 2007 are based on Summary of Foreign Trade, Central Bureau of Statistics.

Exports were reduced to the bare minimum due to the small crop. This situation is expected to continue through 2009. Imports in early 2008 were delayed due to the international increase in wheat prices. Imports by the private sector and the public sector picked up when international prices started to go down.

Imports are forecast to reach record levels. The United Arab Emirates is giving Syria 500,000 MT of wheat as a gift, 120,000 MT of which came from Russia, has already been given and the rest will be delivered before the next crop is harvested in mid-June 2009. HOBOOB tendered for milling wheat and imported some quantities from Russia. The private sector imported some quantities of milling wheat and hard wheat for the pasta industry. Some of this wheat came from France. Most imports are from East European origins, in particular from Russia and the Ukraine due to relatively cheaper wheat prices compared to local wheat prices and low freight cost. No U.S. wheat is expected to be imported as landed prices tend to favor sourcing from Eastern Europe and the Black Sea Region. Detailed trade data for 2008 are not yet available. Due to the feed shortage situation in early 2008 and the very high international prices for feed grains, HOBOOB was authorized to sell 500,000 MT of low quality wheat from previous crops to the General Organization for Fodder to replace barley as feed.

Stocks

At 1.1 million tons, 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. While HOBOOB targets to maintain significant stocks to eliminate the need for imports in case of a bad crop year, stocks are forecast to grow due to imports by HOBOOB and the gift from the UAE. Stocks kept by HOBOOB are stored in concrete silos or metal silos, as well as in open storage facilities.

The current silo storage capacity for the General Company for Silos is about 2.2 million tons of concrete silos. The General Company for Mills has about 300,000 MT of concrete silo storage capacity. The General Establishment for Cereal processing and Trade (HOBOOB) has metal silos of about 850,000 MT. This brings the public sector silo storage capacity to about 3,350,000 MT that will increase by about 700,000 MT in a few years due to the expansion of concrete silos. The private sector has about 100,000 MT of metal silo capacity but those silos are used for the storage of other grains, mainly corn and soybeans. There are also open storage facilities where the wheat and barley can be stored in bags with at least 3.0 million tons. If additional storage is needed, the grains are stored in bags in piles of 150 MT/stack under an impermeable cover on the ground. There is no limit for such storage at the HOBOOB purchasing centers.

Policy

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. However, such procurement prices are too high compared with current international wheat prices. The government is expected to set prices back to a reasonable level before the next crop is in next June. It is not customary to reduce the procurement prices. However, with the significant international wheat price decline, it may be inevitable in 2009. Otherwise, the farmers will deliver the entire crop to HOBOOB and the private trade will be able to import milling wheat at half the currently set prices.

Customs duties on wheat imports remain at 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. Syria prohibited exports of flour and semolina due to the small crop in 2008. Syria expanded concrete silo storage capacity by 300,000 MT in 2008 and plans to expand it again by about 700,000 metric tons during the coming few years. 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 used to be self-sufficient in wheat production for many years. 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 cost.

Barley

PSD Table

	Barley (1000 HA)(1000 MT)(MT/HA)								
	2007			2008			2009		
	USDA Official	Revised Post Estimate	Post Estimate New	USDA Official	Estimate Post Estimate	Post Estimate New	USDA Official	Forecast Post Estimate	Pos Estim New
Market Year Begin		07/2007	07/2007		07/2008	07/2008		07/2009	07/2009
Area Harvested	1000	1000	1000	550	350	350		500	
Beginning Stocks	268	268	268	168	168	303		203	
Production	700	700	785	200	200	200		400	
MY Imports	300	900	900	850	1500	1500		1500	
TY Imports	300	900	900	850	1500	1500		1500	
TY Imp. from U.S.	0	0	0	0	0	0		0	
Total Supply	1268	1868	1953	1218	1868	2003		2103	
MY Exports	50	50	0	50	0	0		0	
TY Exports	50	50	0	50	0	0		0	
Feed Consumption	800	1400	1400	800	1500	1500		1500	
FSI Consumption	250	250	250	250	250	300		300	
Total Consumption	1050	1650	1650	1050	1750	1800		1800	
Ending Stocks	168	168	303	118	118	203		303	
Total Distribution	1268	1868	1953	1218	1868	2003		2103	
Yield	0.7	0.7	0.8	0.36	0.57	0.57		0.8	

Production

The 2008/09 barley crop is estimated at approximately 200,000 tons, 75 percent less than in 2007/2008. However, it is expected to rebound a little in the coming year. Planted area was planned at 1.4 million hectares. However, the frost and drought that hit the crop in spring of 2008 reduced the crop. The majority of planted areas was abandoned to grazing. Barley production area is almost exclusively rain fed. Although barley procurement prices were raised significantly in spring 2008, governmental entities did not purchase any quantity from the 2008/09 crop, due to the very small outturn. Barley prices in the Syrian market have hit a record level of about 21 SP/KG (USD 438/MT), exceeding sometimes the price of wheat. From rainfall levels prevailing through Mid-January 2009, the 2009/10 crop is not forecast to increase significantly to the size of an average crop. Final crop size will actually be

determined by rainfall amounts and distribution in March and April. Some farmers have not yet sowed their land and are still waiting for the rain season, trying to avoid last year's problem when the seeds germinated and the plants that were about 2-3 inches high were hit by a long frost that lasted about 50 days and then received no rain through the end of the season. Very high prices for barley in the local market may encourage farmers to plant barley under irrigation.

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 requires about 1.5 million tons of barley per year for feed use. Some of the barley requirements may be replaced by cheaper corn. Low quality wheat from previous crops was permitted to be used to replace barley as animal feed for the first time last year.

Trade

Import Trade Matrix Syria Barley			
Time Period	CY	Units	1000 MT
Imports for	2007		2008
U.S.	0	U.S.	0
Others		Others	
Ukraine	50	Ukraine	700
Turkey	15	Russia	700
Russia	16	Bulgaria	100
Bulgaria	3		
Total for Others	84		1500
Others not Listed	800		0
Grand Total	884		1500

*Trade data are published on a calendar year basis. Thus, trade matrix tables in this report are based on calendar year basis. Trade data for 2007 are based on Summary of Foreign Trade, Central Bureau of Statistics.

Imports in 2008/09 are forecast to exceed 1.5 million tons due to the drought and to the recent reduction in international barley prices. In 2008, the government imported at least 500,000 MT and the private trade imports the balance. Very high international barley prices limited imports in early 2008. When international barley prices went down, imports increased and continued at a very brisk pace. Most imports are expected to continue to be sourced from Eastern Europe (mainly Russia and Ukraine) due to lower prices in these countries and low freight cost. No barley exports are reported and none are expected next year. The General Organization for Fodder (GOF) imported 175,000 MT of mixed feed from Turkey. GOF also bought 500,000 MT of locally produced low quality wheat for use to replace barley and solve the feed shortage problem in 2008.

Stocks

Beginning in 2005, the General Organization for Fodder (GOF) was granted responsibility for maintaining barley stocks. Since GOF was unable to buy any significant quantity of barley from the local crop, GOF is reportedly buying relatively large 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 GOF contracted for a large quantity of barley and received most of the quantity before the prices went down. 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 due to the competitive landed prices as well as these sources' 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 cost have prevented Syrian importers from importing barley from the United States.

Corn

PSD Table

	Corn (1000 HA)(1000 MT)(MT/HA)								
	2007	Revised	Post	2008	Estimate	Post	2009	Forecast	Pos
	USDA Official	Post Estimate	Estimate New	USDA Official	Post Estimate	Estimate New	USDA Official	Post Estimate	Estimate New
Market Year Begin		07/2007	07/2007		07/2008	07/2008		07/2009	07/2009
Area Harvested	50	50	50		50	60		50	
Beginning Stocks	233	233	233		208	258		308	
Production	125	125	125		100	150		125	
MY Imports	2000	2000	1600		2500	1800		2000	
TY Imports	2000	2000	1600		2500	1800		2000	
TY Imp. from U.S.	0	1500	1500		2200	1500		1600	
Total Supply	2358	2358	1958		2808	2208		2433	
MY Exports	0	0	0		0	0		0	
TY Exports	0	0	0		0	0		0	
Feed Consumption	1700	1700	1300		2000	1500		1700	
FSI Consumption	450	450	400		450	400		400	
Total Consumption	2150	2150	1700		2450	1900		2000	
Ending Stocks	208	208	258		358	308		433	
Total Distribution	2358	2358	1958		2808	2208		2433	
Yield		2.5	2.5		2.5	2.5		2.5	

Production

Due to the great increase in corn prices in early 2008, farmers expanded planted areas. Corn area and production are estimated at 60,000 HA and 150,000 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 increased significantly to 17 SP/KG (361 dollars/MT). This prompted farmers to sow much more land in areas where irrigation water is ample, such as the Raqqa province in North-East Syria. The government bought about 125,000 MT from the local crop by mid-January 2009. After international corn prices dropped a few months ago, these procurement prices became significantly greater than international prices for corn. Imported corn is selling now for about 11.50 Syrian pounds/KG (USD 245 per metric ton) in the local market. However, the size of the local crop is insignificant, not exceeding 10 percent of the total requirement for corn.

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. The poultry sector has suffered from tremendous problems in 2008 due to price factors. The government prohibited exports of poultry products for some time. This led to an oversupply situation accompanied by a sharp increase in the cost of feed. Many small scale farmers had to go out of production to avoid further losses. The situation is forecast to go back to normal in 2009 if prices of feed ingredients settle. Consumption of corn is increasing in Syria, which requires over 1.2 million metric tons per year for the poultry sector. The starch and glucose industry requires an additional 400,000 – 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	2007		2008
U.S.	1288	U.S.	1300
Others		Others	
Argentina	94	Argentina	100
Bulgaria	1		
Total for Others	95		100
Others not Listed	17		100
Grand Total	1400		1500

*Trade data are published on a calendar year basis. Thus, trade matrix tables in this report are based on calendar year basis. Trade data for 2007 are based on Summary of Foreign Trade, Central Bureau of Statistics.

Imports are forecast to increase in 2008/09 and afterwards if the poultry situation goes back to normal. Most of the imports come from the United States. 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 the main competitor at a certain time of the year. However, new sources for corn are reported to be active in the country. The Ukraine and other East European countries are selling corn imports at competitive prices. Brazil is selling limited quantities of corn too. With competitive corn prices in the United States, importers prefer to buy corn from there, especially for the starch and glucose industries. U.S. market share is forecast to be about 80 percent in 2008/09. The General Organization for Fodder received a gift of 25,000 MT of corn from Sudan and bought 100,000 MT of white corn also from Sudan.

Customs duties on corn imports remain 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 300,000 - 400,000 tons would be sufficient to provide for the consumption requirement of about two months.

Rice

PSD Table

	Rice (1000 HA)(1000 MT)(MT/HA)								
	2007	Revised		2008	Estimate		2009	Forecast	
	USDA	Post	Post	USDA	Post	Post	USDA	Post	Pos
	Official	Estimate	Estimate New	Official	Estimate	Estimate New	Official	Estimate	Estim New
Market Year Begin		01/2007	01/2007		01/2008	01/2008		01/2009	01/2009
Area Harvested	0	0	0		0	0			0
Beginning Stocks	0	125	125		129	129			89
Production	0	0	0		0	0			0
MY Imports	0	289	289		300	250			300
TY Imports	0	289	289		300	250			300
TY Imp. from U.S.	285	1	1		1	1			1
Total Supply	285	414	414		429	379			390
MY Exports	0	0	0		0	0			0
TY Exports	285	0	0		0	0			0
Feed Consumption	0	0	0		0	0			0
FSI Consumption	0	285	285		290	290			300
Total Consumption	285	285	285		290	290			300
Ending Stocks	0	129	129		139	89			90
Total Distribution	285	414	414		429	379			390

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 in general due to the increase in population and the presence of over one million Iraqis in Syria. Each Syrian is entitled to 0.75 kilograms of rice per month at 10 SP (21 cents) per kilogram under the GOS ration card system. The rationed rice has not been distributed to the Syrians for some time due to the delay in imports after Egypt banned rice exports. 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 increase in local market rice prices did not end by the global decrease in rice prices. 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 traders imported the rice at very high prices.

Trade

Import Trade Matrix Syria Rice, Milled			
Time Period	CY	Units	1000 MT
Imports for:	2007		2008
U.S.	1	U.S.	1
Others		Others	
Egypt	251	Egypt	7
Thailand	10	Thailand	85
Australia	3	Australia	5
India	11	Pakistan	5
Spain	2	Spain	3
China	6	Italy	5
Pakistan	4	Vietnam	50
Total for Others	287		161
Others not Listed	2		89
Grand Total	289		250

*Trade data are published on a calendar year basis. Thus, trade matrix tables in this report are based on calendar year basis. Trade data for 2007 are based on Summary of Foreign Trade, Central Bureau of Statistics.

CY 2008 was not a normal year for Syrian importers and consumers. As with consumption, imports are forecast to grow in 2009 and are expected to reach 300,000, taking into consideration the increase in population and the presence of over one million Iraqis. Since Syria does not plan to produce rice in the future, all rice requirements will be imported. Egyptian rice constituted 87 percent of imports in the past. Syria used to barter wheat for Egyptian rice. A part of the deal was fulfilled, but the whole quantity was not delivered due to the ban on Egyptian rice exports. Thailand, Australia, Italy, Pakistan, Spain, and the United States are 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 from Vietnam. 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. The Ministry of Economy and Trade amended its imported rice specifications to enable the import of short grain rice with high broken grain percentages to enable imports of "cheaper" quality rice. The situation is forecast to go back to normal as soon as the Egyptian government lifts its ban on rice exports, which is expected to happen in April 2009.