

Syria Cotton Report 2005

Executive Summary

Cotton production is controlled to a great extent by the Cotton Bureau of the Syrian Ministry of Agriculture and Agrarian Reform. The Cotton Bureau sets the total planted areas and encourages early planting and harvesting of seed cotton. When irrigation water is not a constraint, farmers exceed the licensed areas and the crop exceeds one million tons of seed cotton. The government sets the prices for buying cotton seeds from the farmers. The crop, estimated at 1,025,000 MT of seed cotton, is ginned to produce approximately 350,000 MT of cotton lint. Spinning facilities are not sufficient to process the whole crop. Only 150,000 MT of cotton lint are utilized locally. The balance of the crop, 200,000 MT of cotton lint, is exported. Syria needs more than double its current spinning facilities to process all the cotton lint production and make use of the value added in exporting yarn and textiles instead of cotton lint. Syria plans to reduce its cotton planted areas to 221,000 hectares and produce 881,000 MT of seed cotton in 2005/2006.

Production

PSD Table

Country:	Syria					
Commodity:	Cotton					
		2003		2004		2005
	Old	New	Old	New	Old	New
Market Year Begin		08/2003		08/2004		08/2005
Area Planted	200000	203000	215000	234000		221000
Area Harvested	200000	203000	215000	234000		221000
Beginning Stocks	75987	57203	65100	93940		38757
Production	283045	280000	304817	304817		300000
Imports	0	0	0	0		0
TOTAL SUPPLY	359032	337203	369917	398757		338757
Exports	152409	103263	136079	200000		150000
USE Dom. Consumption	141523	140000	141522	160000		160000
Loss Dom. Consumption	0	0	0	0		0
TOTAL Dom. Consumption	141523	140000	141522	160000		160000
Ending Stocks	65100	93940	92316	38757		28757
TOTAL DISTRIBUTION	359032	337203	369917	398757		338757

Cotton is planted in the north, east, and central parts of Syria. Only upland cotton is produced in Syria. All cotton is irrigated, and no alternative crop during this period provides attractive returns. The major planted varieties are Aleppo 40, which was developed by the Cotton Bureau in Aleppo, in the early eighties, and the more recently developed variety Aleppo 90. The most common staple is 1 1/32" to 1 1/16". The Cotton Bureau is introducing new varieties especially for drought resistance and high temperature tolerance in certain parts of the country. Cotton is planted in April/May and harvested in September-December. The Cotton Bureau encourages early planting and harvesting by paying a higher price for early deliveries. The government subsidizes some costs of production including the price of diesel fuel and irrigation water. In 2004/2005, cotton lint production is estimated at 350,000 MT, approximately 28 percent over the previous crop, and produced from 234,180 hectares. Syrian cotton quality is considered to be of a high standard as the entire crop is hand picked. No major incidence of insect or disease infestation was reported in 2004.

The Cotton Marketing Organization (CMO) purchased 1,004,234 tons of the 2004/2005 crop, 13 percent above its planned production and 24 percent over purchases from the previous crop. In addition to CMO purchases from the farmers, an estimated 20,000 MT of the crop are processed locally instead of being delivered to ginneries. The procurement price for licensed areas in 2004/2005 remained at the same level of 30.75 SP per kilogram for seed cotton delivered by the middle of November 2004, 26.25 SP per kilogram for seed cotton delivered through November, and 19.75 SP per kilogram delivered after November (bank exchange rate is currently 53 SP/USD, free market rate is about 53.80 SP/USD). This method of pricing encourages the farmer to plant early and harvest the crop as early as possible.

The Cotton Bureau plan calls for planting 221,000 hectares of irrigated land to produce 881,000 tons of seed cotton in 2005/2006. This is due to irrigation water availability, thanks to the favorable rainfall season in 2005. The ending stock level or prevailing international cotton lint prices do not have any impact on the decision of area to be planted to cotton.

Consumption

Domestic consumption of cotton from the 2004/2005 season is forecast at 160,000 tons of cotton lint, of which approximately 150,000 MT are consumed by spinning facilities that are monopolized by the public sector. The private sector utilizes approximately 10,000 MT of lint for the production of mattresses, pillows, baby diapers, and other sanitary products.

The government's goal is to increase production of cotton yarn and textiles and to increase exports of these products in lieu of cotton lint. The CMO has decided to sell cotton lint to the spinners at the international price, which is reset monthly. Without expanding spinning, Syria will have to continue to export 60 percent of its cotton lint. The CMO markets cotton lint. Selling prices of cotton lint, yarn, and textiles are not available.

According to private trade sources, the quality of the cotton yarn produced from the old spinning facilities requires much improvement. Such improvement cannot be achieved with the antiquated spinning facilities belonging to the public sector monopoly. The government established five new modern spinning mills. Syria requires an additional 10 new mills to process the cotton lint that is in surplus to the local spinning capacity. The private sector is now permitted to produce yarn from synthetic fiber. The private sector has been permitted to spin cotton as a part of an integrated industry to produce garments from cotton lint. If the private sector is permitted to spin cotton yarn, local cotton lint consumption will increase and Syria will export high quality cotton yarn instead of cotton lint.

Garments are not permitted to be imported. The private sector produces 93 percent of underwear garments and 98 percent of outer garments. The role of the private sector is increasing in the underwear production industry.

Trade

Export Trade Matrix

Country:	Syria	Units:	MT
Commodity:	Cotton		
Time period:	MY Aug		
Exports for	2003		2004
U.S.	0	U.S.	0
Others		Others	
Indonesia	5487	Turkey	32240
Turkey	17830	Italy	19060

Italy	19920	England	9800
Japan	1969	Egypt	5700
Pakistan	21205	Germany	8390
Egypt	3830	France	28360
Bangladesh	3019	Tunisia	4200
India	1829	Spain	8676
Tunisia	2667	Japan	5390
China	11425		
Total for Others	89181		121816
Others not listed	14082		20890
Grand Total	103263		142706

Note: Total exports for 2004 differ from the figure in the PS&D screen because the marketing season has not ended. The 142,706 MT export total is according to export contracts reported in Syrian Cotton Bureau Report No. 1032.

Syria does not import any cotton lint. The CMO exports cotton lint in excess of domestic needs. Cotton lint exports rank third after petroleum and sheep. Syria's major export markets for cotton lint are France, Turkey, Italy, England, Germany, and Spain. However, Syria suffers from low international cotton lint prices compared to the local cost of production. Cotton lint exports from the 2003/2004 crop through February 2005 were reported at 103,263 MT (Cotton Bureau Report No. 1032). The marketing season for cotton lint goes as long as 22 months from the beginning of the harvesting season. Export contracts for the 2004/2005 crop through February 2005 were reported at 142,706 MT, while actual exports reached only 45,117 MT (Cotton Bureau Report 1032).

In general, cotton yarn and textiles are not permitted to be imported; however, small quantities of certain cotton yarn and textiles that are not produced locally are permitted. Syria imported 116,000 tons of synthetic yarn and 4,878 tons of synthetic cloth in 2003. Yarn and textile trade statistics for 2004 are not yet available. In 2003, cotton yarn production is reported at 98,374 MT, 9 percent above the previous year production. This increase is mainly due to the increase in spinning capacity by the public sector. Yarn exports are forecast to increase in the future with the increase in spinning capacity. The private sector is becoming more active in the production and trade of garments. The government is selling cotton yarn at international prices. Abolishing the quota system in Europe on January 1, 2005 is expected to negatively affect exports of Syrian cotton garments due to the very strong competition from other major producers of such products.

Stocks

In its monthly reports, the Cotton Marketing Organization usually tries to keep its cotton lint stocks to a minimum, a few thousand tons. However, low international cotton lint prices do not enable the CMO to export all the desired quantities. Farmers retain a small portion of the crop for use in local villages or household industries. The Cotton Marketing Organization bought 98 percent of the 2004/2005 crop; the balance was sold to illegal private ginners. Products from the illegal gins go toward the local production of mattresses and pillows. Cotton Bureau reports show very small ending stocks for the 2003/2004 crop, approximately 9,377 MT of cotton lint due to the nature of their marketing period that extends up to 22 months.

Marketing

The CMO monopolizes local seed cotton procurement and ginning. This organization also handles the domestic and export marketing of Syria's cotton lint.

Marketing is undertaken by trade delegations sent at the beginning of the marketing season to Syria's traditional export markets. The CMO also maintains agents abroad.

Barriers to Trade

Syria does not import any cotton lint and does not intend to produce extra long staple cotton in the foreseeable future.

The Syrian government does not officially subsidize cotton lint exports. However, the CMO loses money because international prices for cotton lint are below the cost of production.

Customs duties on cotton yarn and textiles range from 15-50 percent depending on the quality, while such customs duties on synthetic fiber and textiles range from 1-30 percent, also depending on quality. The exchange rate utilized for collecting customs duties on synthetic fiber was increased from 48.65 SP/USD to 50 SP/USD in 2005. Imports of garments are not expected to be permitted in the foreseeable future.