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Required Report - public distribution

Date: 5/14/2007

GAIN Report Number: SY7003

Syria

Cotton and Products

Annual Cotton Report

2007

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Report Highlights:
Syria's 2006/2007 cotton crop is estimated at 650,000 metric tons of seed cotton grown on 213,700 hectares. Lint production is estimated at 225,000 tons. Total domestic lint consumption for yarn spinning is estimated at 160,000 tons. About 75,000 tons of cotton lint are expected to be exported. In 2007/2008, the Cotton Bureau is expected to license planting for 223,000 hectares to produce 900,000 MT of seed cotton.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Damascus [SY1]
[SY]

Table of Contents

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 2006/2007 crop was a unique case. Farmers did not even plant the licensed areas. The crop suffered from early rain and floods that affected the plants as well as the harvested cotton in September and October 2006. The crop is estimated at 650,000 MT of seed cotton, 28 percent below the former crop. Cotton lint production is estimated at approximately 225,000 MT. Spinning facilities are not sufficient to process the whole crop. Only 160,000 MT of cotton lint are utilized locally for yarn production. The balance of the crop is for export. Syria needs more than double its current spinning facilities to process all the cotton lint production in normal years and make use of the value added in exporting yarn and textiles instead of cotton lint. Syria plans to plant 223,000 hectares with cotton to produce 900,000 MT of seed cotton in 2007/2008.

Production

PSD Syria, Cotton							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		08/2005		08/2006		08/2007	MM/YYYY
Area Planted	245	245	214	214		223	(HT)
Area Harvested	225	245	212	214		223	(HT)
Beginning Stocks	499	499	449	538		431	(1000 bales)
Production	1500	1600	1150	1020		1400	(1000 bales)
Imports	0	0	0	0		0	(1000 bales)
MY Imp. from U.S.	0	0	0	0		0	(1000 bales)
TOTAL SUPPLY	1999	2099	1599	1558		1831	(1000 bales)
Exports	825	825	550	345		598	(1000 bales)
USE Dom. Consumption	725	736	725	782		805	(1000 bales)
Loss Dom. Consumption	0	0	0	0		0	(1000 bales)
TOTAL Dom. Consumption	725	725	725	782		805	(1000 bales)
Ending Stocks	449	538	324	431		428	(1000 bales)
TOTAL DISTRIBUTION	1999	2099	1599	1558		1831	(1000 bales)

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, electricity for underground water pumping, and irrigation water. In 2006/2007, cotton lint production is estimated at 225,000 MT produced from 213,700 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 2006, but early rain and floods had a negative impact on the cotton fields as well as the harvested cotton.

The Cotton Marketing Organization (CMO) purchased about 630,000 MT of seed cotton from the 2006/2007 crop. In addition to CMO purchases from the farmers, an estimated 25,000-30,000 MT of the crop are processed locally instead of being delivered to the government ginners. The procurement price for licensed areas in 2006/2007 remained at the same level of 30.75 SP per kilogram for seed cotton delivered by the middle of November 2006, 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 50.65 SP/USD, free market rate is about 50.85 SP/USD). This method of pricing encourages the farmer to plant early and harvest the crop as early as possible.

This pricing system is going to be reduced to two price levels only starting from the 2007/2008 crop.

The Cotton Bureau plan for 2007/2008 has been set at 900,000 MT of seed cotton to be produced from 223,000 hectares of irrigated land. This is based on irrigation water availability. 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 2006/2007 season is forecast at 170,000 tons of cotton lint, of which approximately 160,000 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 sells cotton lint to the spinners at the international price, which is reset monthly. Without expanding spinning, Syria will have to continue to export a significant part of its cotton lint production. 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 in normal production years. The private sector is 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 have recently been permitted to be imported. The private sector produced 94 percent of underwear garments and 98 percent of outer garments in 2004. Production levels in 2005 and 2006 are not yet available. The role of the private sector is increasing in the underwear production industry.

Trade

Export Trade Matrix Syria (1000 480 lb. Bales)			
Time Period: MY			
Exports for:	**2005**		**2006**
U.S.	0	U.S.	0
Others		Others	
Turkey	191	Turkey	24
Italy	72	Italy	6
China	139	Spain	23
Egypt	61	France	9
Bangladesh	28	England	9
Korea	20	Korea	14
Japan	17	Far East	14
Indonesia	23	Japan	6
Total for Others	551		105
Others not Listed	274		240
Grand Total	825		345

Source: Cotton Bureau Report No. 1039

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 Turkey, China, Egypt, and European countries. Syria contracted to barter 15,000 MT of cotton lint for Egyptian rice in 2006. Details about export contracts and actual exports are not available. Syria usually suffers from low international cotton lint prices compared to the local cost of production. The marketing season for cotton lint goes as long as 22 months from the beginning of the harvesting season.

In the past, cotton yarn, textiles, and garments were not permitted to be imported. In early 2006, most of these products were permitted to be imported. In 2005, Syria imported 170,000 tons of synthetic yarn (39 percent over the 2004 import level) and 10,300 tons of synthetic cloth. Yarn and textile trade statistics for 2006 are not yet available. However, import trade of these products is expected to increase significantly. In 2005, cotton yarn production is reported at 114,951 MT, 7 percent above the previous year production. This increase is mainly due to the increase in spinning capacity by the public sector. Yarn exports were reported at 58,546 MT in 2005 and 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. Permitting imports of textiles and garment will force the Syrian manufacturers to improve quality and try to reduce prices. Small inefficient producers may be forced out of business due to the competition of the imported products, which are expected to be better in quality and selling at reasonable prices.

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 97 percent of the 2006/2007 crop; the balance was sold to illegal private ginners. Products from the illegal gins go toward the local production of mattresses and pillows.

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.

According to the new customs tariff issued on July 1, 2006, customs duties on cotton yarn are set at one, ten, and 15 percent depending on the quality of the yarn. Customs duties on cotton textile are a flat rate of 15 percent. Customs duties on synthetic fiber are set at 1-10 percent while duties are set at 10-15 percent on textiles made from synthetic fibers. All these rates are significantly below the previously enforced ones.