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## Syria

## Cotton and Products

## Annual

## 2003

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### Report Highlights:

Syria's 2002/2003 cotton crop is estimated by the Cotton Bureau at 725,000 MT of seed cotton grown on 186,000 hectares. Lint production is estimated at 250,000 MT. Total domestic lint consumption is estimated at 120,000 MT. The balance is to be exported.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Cairo [EG1], SY

Table of Contents

Production ..... 2

Consumption ..... 3

Trade ..... 3

Stocks ..... 4

Marketing ..... 5

Barriers to Trade ..... 5

## Production

PSD Table						
Country:	Syria					
Commodity:	Cotton					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		08/2001		08/2002		08/2003
Area Planted	240000	257000	180600	186000		206000
Area Harvested	240000	257000	180600	186000		206000
Beginning Stocks	127839	64039	67839	66039		16039
Production	310000	348000	250000	250000		285000
Imports	0	0	0	0		0
TOTAL SUPPLY	437839	412039	317839	316039	0	301039
Exports	250000	226000	130000	180000		165000
USE Dom. Consumption	120000	120000	120000	120000		120000
Loss Dom. Consumption	0	0	0	0		0
TOTAL Dom. Consumption	120000	120000	120000	120000	0	120000
Ending Stocks	67839	66039	67839	16039		16039
TOTAL DISTRIBUTION	437839	412039	317839	316039	0	301039

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 variety is Aleppo 40 which was developed by the Cotton Bureau in Aleppo in the early eighties. The most common staple is 1 1/32" to 1 1/16". The Cotton Bureau is introducing new varieties, basically of U.S. origin, in certain parts of the country. Cotton is planted in April to May and harvested in September to December. The Cotton Bureau encourages early planting and harvesting by paying a higher price for early deliveries. The government subsidizes the price of diesel fuel and irrigation water. The 2002/2003 crop was 29 percent below the previous crop. Cotton lint production in 2002/2003 is estimated at 250,000 MT produced from 186,000 hectares. Syrian cotton quality is considered to be very good because all the crop is hand picked. No major incidence of insect or disease infestation was reported in 2002.

The Cotton Bureau estimates the 2002/2003 crop at 725,000 tons of seed cotton. The Cotton Marketing Organization (CMO) purchased 710,000 tons from the 2002/2003 crop, 29 percent below the purchases from the previous crop. An estimated 15,000 MT is processed locally instead of being delivered to gins. For licensed areas in 2002/2003, the procurement price was kept at the same level of 30.75 Syrian pounds (SP) per kilogram for seed cotton delivered by the middle of November 2002, 26.25 SP per kilogram for seed cotton delivered through November, and 19.75 SP per kilogram delivered after November (official bank exchange rate is 51.50 SP per USD, while the free market rate is about 53 SP per USD). This method of pricing encourages farmers to plant early and harvest the crop as early as

possible. For unlicensed areas, the government has decided for the first time to pay only 15 SP (29 cents) per kilogram of seed cotton. This price is believed to be significantly below the cost of production which increased due to the increase in cost of diesel, the major fuel used in agricultural production, by about 11 percent in mid-May 2002. The payment for low prices for cotton produced in unlicensed areas was intended to save scarce water resources and reduce losses from exports of cotton lint.

The Cotton Bureau plan calls for planting 206,000 hectares of irrigated land to produce 830,000 tons of seed cotton in 2003/2004. This increase in planted areas is due to the increase in irrigation water availability as a result of good rainfall season in 2003. Actual planted areas by the end of May were reported at 205,000 hectares.

## **Consumption**

Domestic consumption of cotton from the 2002/2003 season is forecasted at 120,000 tons of cotton lint with about 110,000 MT consumed by the spinning facilities which are monopolized by the public sector. The private sector utilizes about 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. More spinning facilities are to be constructed in the long run to enable Syria to process all its lint production and export yarn and textiles instead of lint. The Cotton Marketing Organization has decided to sell cotton lint to the spinners at the international price (reset monthly) in order to encourage private investment of up to 10 spinning units, each with a capacity of 20,000 MT per year and each costs about 4 billion Syrian pounds (\$ 80 million). Without expanding spinning, Syria will have to continue exporting about one half of its cotton lint. Cotton lint is marketed by the Cotton Marketing Organization. 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 an improvement cannot be achieved with the antiquated spinning facilities belonging to the public sector monopoly. 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 spins cotton yarn, local cotton lint consumption will increase and Syria will be able to export high quality cotton yarn and textiles.

Garments are not permitted to be imported. The private sector produces about 88 percent of under-garments and about 97 percent of outer garments.

## **Trade**

Syria does not import any cotton lint. The Cotton Marketing Organization 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 Pakistan, Thailand, Turkey, Italy, Indonesia, Arab countries, and the Far East. Cotton lint exports were high in volume in 2001/2002 due to the big crop of 2001/2002. However, Syria faces low international cotton lint prices compared to the local cost of production.

Export Trade Matrix			
Country:		Units:	MT
Commodity:	Cotton Lint		
Time period:	MY Aug		
Exports for	2001		2002
U.S.	0	U.S.	0
Others		Others	
Indonesia	17657	Turkey	1400
Turkey	27894	Italy	12670
Italy	23923	Japan	2000
Germany	7109	Tunisia	1240
Pakistan	36087	Switzerland	4200
Thailand	28587	France	3000
Egypt	1122	Pakistan	300
Belgium	19232	Thailand	360
India	10772	Spain	8100
Tunisia	5780	Indonesia	700
Total for Others	178163		33970
Others not listed	47837		146030
Grand Total	226000		180000

Cotton yarn and textiles are not permitted to be imported. However, very small quantities of certain cotton yarn and textiles that are not produced locally are permitted to be imported. Syria imported 76,600 MT of synthetic yarn and 2,666 MT of synthetic cloth in 2001. Yarn and textile trade statistics for 2002 are not yet available. In 2001, cotton yarn production is reported at 82,975 MT, 6 percent above the previous year production level. This increase is mainly due to the increase in spinning capacity by the public sector.

The private sector is becoming more active in the production and trade of garments. However, exports of underwear and T-shirts made from cotton dropped in 2001 as compared to 2000 due to the high cost of local production. Cotton yarn exports suffered from the same problem. The Government started to sell cotton yarn at international prices in May 2001. As a result, exports of yarn and underwear garments are expected to increase in 2002 and 2003.

## Stocks

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 keep a small part of the crop for their use in villages or household industries. The Cotton Marketing Organization bought about 98 percent of the 2002/2003 crop; the balance is sold to illegal private gins. The products of the illegal gins are used for the local production of mattresses and pillows.

## **Marketing**

Local seed cotton procurement and ginning are monopolized by the Cotton Marketing Organization. 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, when international market prices are low, and because of the unrealistic exchange rate utilized by the CMO (currently 13 percent below the free market rate of exchange), the CMO loses money.

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, depending on quality. The exchange rate utilized for collecting customs duties on synthetic fiber was increased from 11.2 SP per USD to 46 SP per USD in 2000. The commission collected by the public sector agency that has a legal monopoly on synthetic yarn imports was increased many fold from 2.5 percent to 22.5 percent. This was intended to reduce synthetic fiber consumption and encourage cotton yarn consumption. According to trade sources, synthetic yarn consumption decreased, but cotton yarn consumption did not increase by the same amount. Imports of garments are not expected to be permitted in the foreseeable future.