

Ministry of Agriculture and Agrarian Reform

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COMMODITY BRIEF NO 1

Wheat perspectives in Syria

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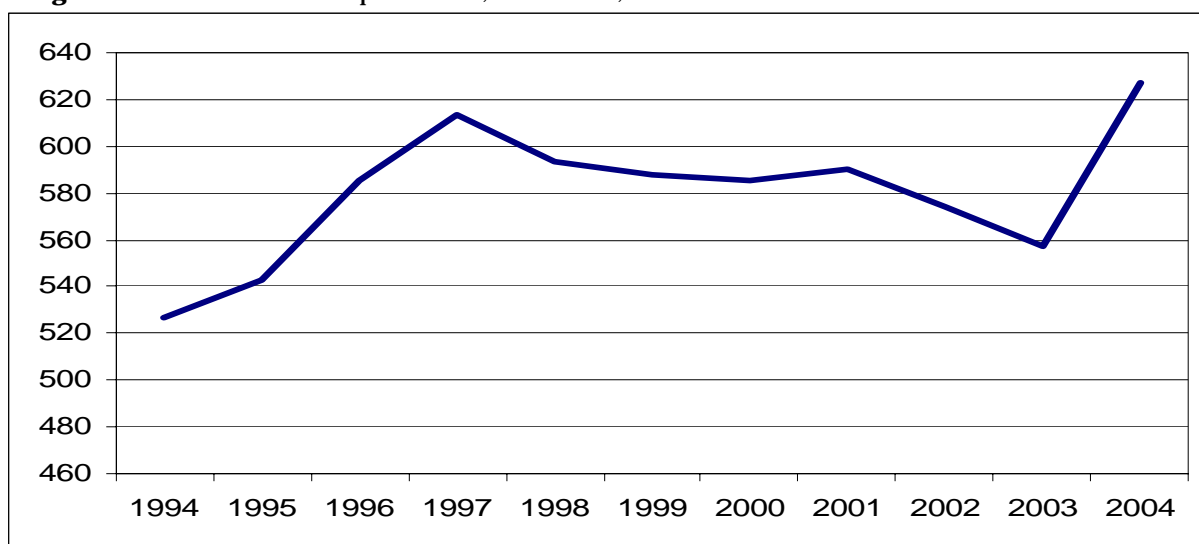
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International production

Wheat is produced in 120 countries and accounts for about 19 percent of the world's calory supplies¹. The many varieties of wheat have different protein levels and varying milling and baking characteristics. The demand for high-quality wheat and wheat with specific characteristics is increasing, as buyers become more sophisticated. There has also been greater specificity in purchasing contracts. While improvements in wheat yields have continued along historical trends, the growth of global wheat production has slowed to just 0.5 percent per year over the last decade, largely because of slower consumption growth and the corresponding adjustment in production. **Figure 1** clarifies the international production of wheat during 1994-2004. The international statistics indicates to a huge increase in wheat production during 2004.

Figure 1 international wheat production, 1994-2004, MT.



Source: FAOSTAT

Countries' Production and Yields

About 61 percent of wheat is produced in non-OECD² countries; this share has been increasing over time as production has grown more rapidly in developing countries than in OECD countries. The European Union, China, and India are the largest producers (figure 2), with 18, 16, and 13 percent of global production, respectively. The United States is a major wheat-producing country, with output typically exceeded only by China, the European Union, and, sometimes, India.

Yields

The wheat's yield is not stable; it depends on several factors:

- The weather's situation;
- The crop genetics;
- The agronomy;

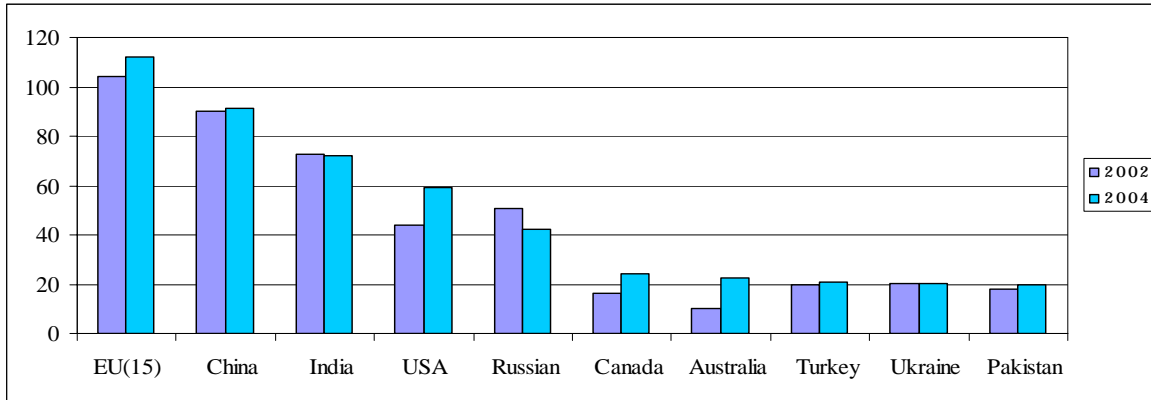
¹ Global Agricultural Trade and Developing Countries.

² A group consists of 30 countries, which shared the market economy and the respects toward human rights. The most important members are the USA, the EU, and Japan.

- And the seedling date.

The good conditions result in high protein quantity and quality, which is a major factor enhancing the competitive position the in international markets. According to the FAO statistics, the international wheat's yield reached to 290,65 kg/Ha in 2004. However, the highest yield was registered in Netherlands, hitting 906,67 Kg/Ha.

Figure 2- Main international wheat producers, 2002 and 2004, MT.

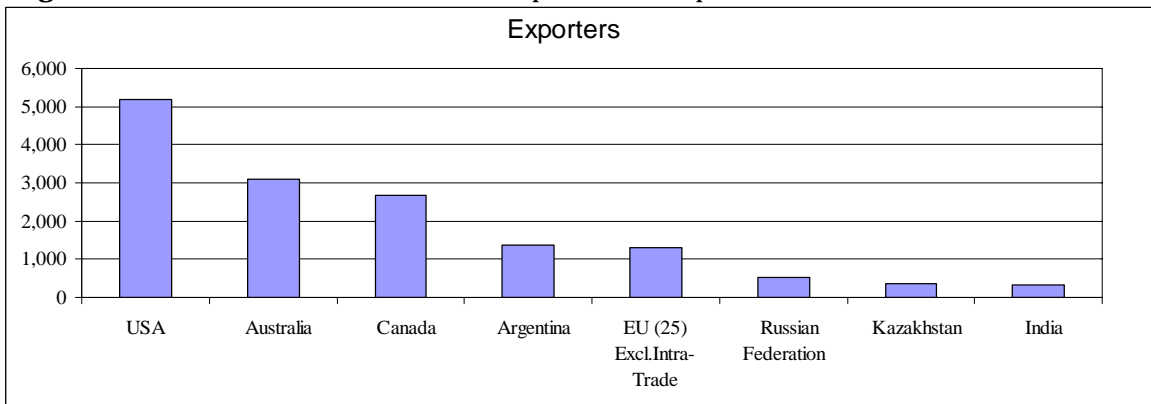


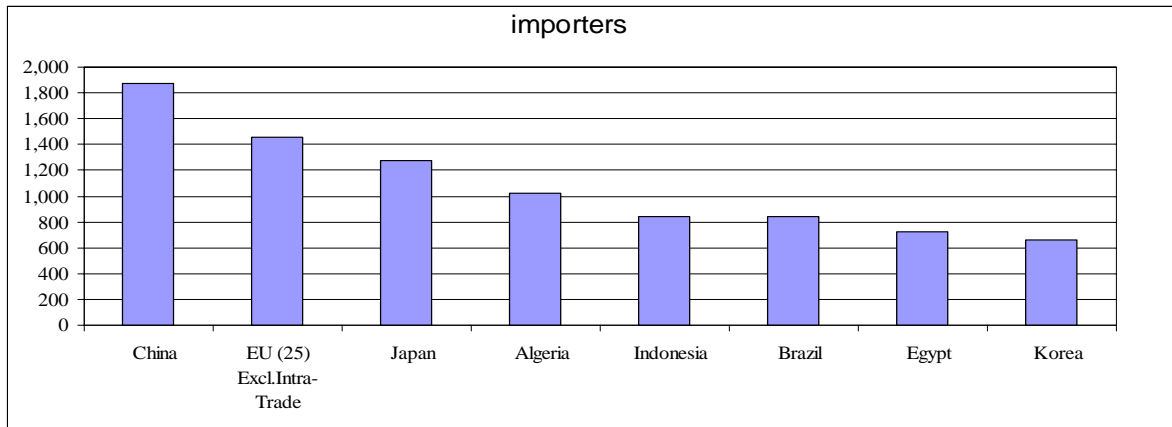
Source: FAOstat

International trade

Trade of wheat grew only 0.4 percent per year during the 1990s, while trade in processed products made from wheat expanded more rapidly. Trade of wheat is primarily from OECD to non-OECD countries, with about three-quarters of global wheat exports coming from OECD countries and 82 percent of imports absorbed by non-OECD countries. Developing countries primarily import wheat rather than produce it; but at the same time, developing countries have increased their wheat product exports. Moreover, and regarding stocks, the share of global wheat stocks held by the five major exporters (Argentina, Australia, Canada, the European Union, and the United States), which together account for three-quarters of net exports, declined from 80 percent in 1960 to about 20 percent in 2002. This dramatic shift occurred for two main reasons: the policy changes; and the declining share of global production of the five major exporters. The next two figures show the main wheat traders in 2004.

Figure 3 and 4 - Main international wheat exporters and importers in 2004, MS.





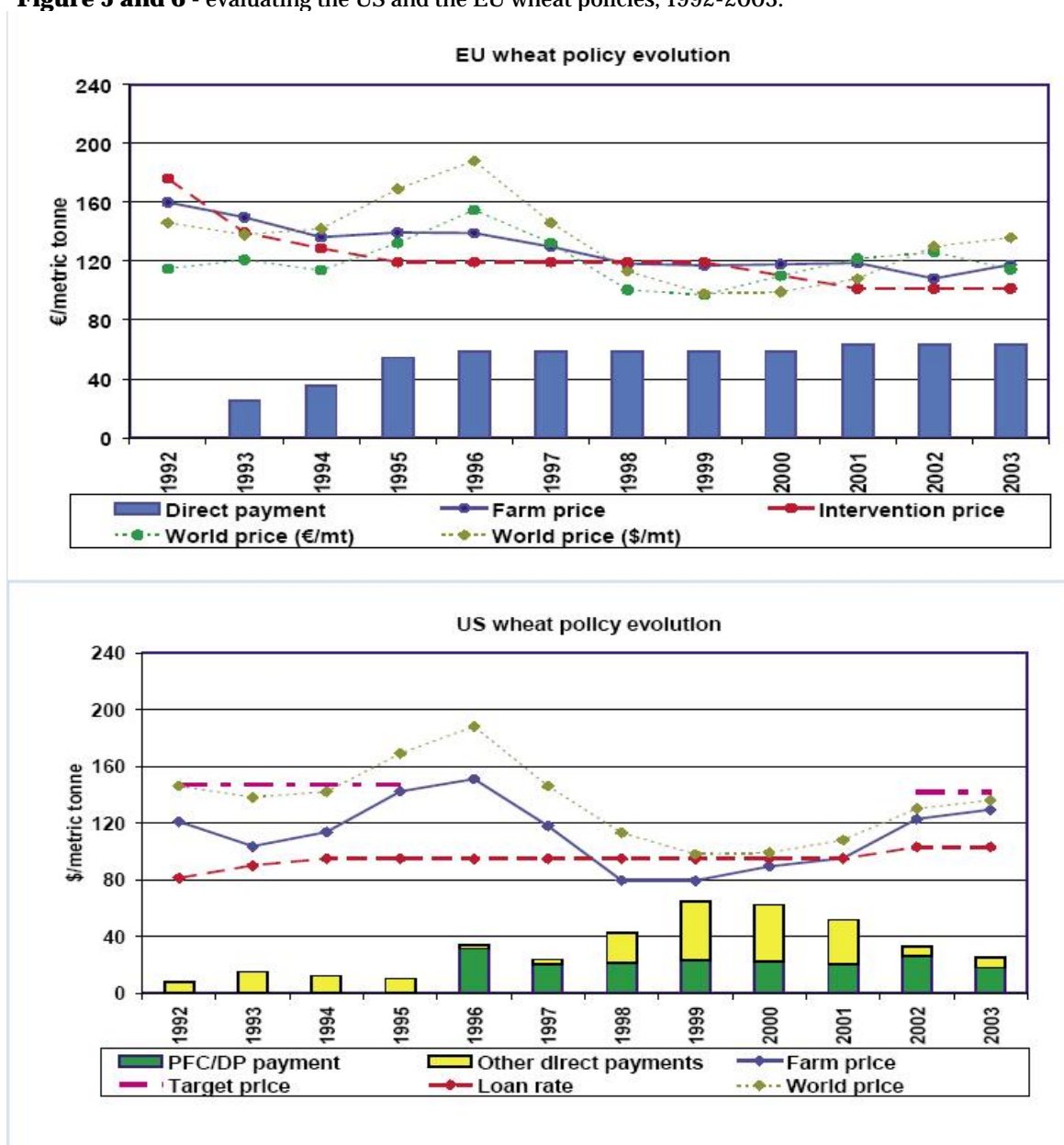
Source: FAOstat

International policies' development

The policies of the major exporters (with the exception of Argentina, And perhaps Australia) were aimed primarily at supporting prices, expanding exports, and restricting production through various schemes. The two largest providers of wheat export subsidies, the European Union and the United States had largely eliminated export subsidies by 2001 as global prices rose. However, both countries could revive their export subsidy programs and together could subsidize nearly one-quarter of global wheat exports³. The **Figures 5 and 6** evaluate the US and the EU wheat policies. The figure 5 indicates that decoupled payments to the EU wheat farmers have been increased largely during the first half of 90s, and it increased again in 2000. However, the international price, the intervention price, and the farm price decreased. Regarding USA, figure 6 shows that payments, which are related to a kind of decoupled payments called production flexibility contract, have been increased, whereas other decoupled payments have been decreased. In addition, US wheat farmers' loan rate ha been increasing up to now, too.

³ For instance, the EU common agricultural policies reforms (2003-2004) were to move subsidies from commodity support to support of farmers through direct payments based on average historical commodity-based payments from 2000-02. Hence, member states can opt to retain coupled payments equal to 40 percent of supplemental durum wheat aid (CAP Reform of 2003-04).

Figure 5 and 6 - evaluating the US and the EU wheat policies, 1992-2003.



Source: European Commission website.⁴

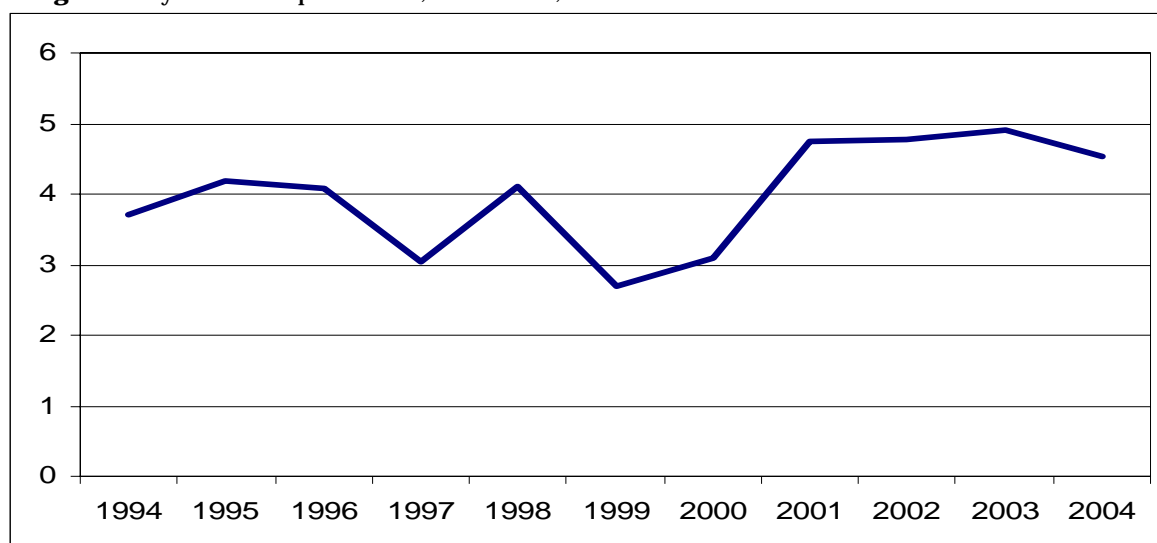
Syrian Wheat production

Over the two years 2001 and 2002, the good rainfalls that followed three years of drought from 1998 to 2000 allowed a substantial growth of agricultural production and a substantial improvement of the net agricultural trade position. In particular, wheat production reached almost its normal level around 4.7 million tons in 2001 and in 2002. Wheat production, which almost doubled between 1999 and 2001, gave rise to significant exportable surpluses (SAT 2004). However, it declined in 2004 due to the improper climatic conditions. **Figure 7**

⁴ PFC/DP is production flexibility contract on direct payment.

illustrates the Syrian wheat production's trend. The Syrian wheat's yield was 247.780 Kg/Ha in 2004.

Figure 7- Syrian wheat production, 1994-2004, MT.



Source: NAPC database

Syrian wheat trade

On export side, Syrian exported wheat contributed in the dramatic changes of the agricultural exports' compositions, increasing its share between the averages of (93-95) and (00-02).

Regarding values, wheat exports registered an increase between (1998-2000) and (2001-2003) of 2.1%, and continued its rising in 2004, due to the favorable climatic conditions. The flour exports also grew largely between between (1998-2000) and (2001-2003), and it inhanced in 2004 due to the enhancement in wheat crop. The following table details the situation

Table 1- Wheat exports values and variations, Av 98-00, Av 01-03 and 2004.

Exports		Absolute Values (Million US\$ & Tons)			Variation (%)
		Av 98-00 (1)	Av 01-03 (2)	2004	(2)/(1)
Wheat	Values	39.7	81.4	125.8	34.2
	Quantities	180094.2	443137.5	700192.6	63.2
Flour	Values	0.02	3.2	3.9	-
	Quantities	18.8	15336.8	25069.9	-

Source: NAPC database.

Syrian policies development

The basic aim of the Governmental agricultural policies is to meet food security related to main goods, which wheat is one of its most important components, and export promotion. Trade of wheat and wheat flour was restricted in the past to the public sector, then the internal trade was permitted but the external still restricted to the state. In 1999, private companies were allowed to import Wheat for some purposes. For instance, the private sector was enabled to import flour to be used in the processing of pasta and its further exportation. The General Establishment for Cereal Processing and Trade (GECPT) of the Ministry of Economy and Foreign Trade is the main public institution for wheat marketing. Wheat official Syrian Agricultural Trade 2004

prices have been fixed since 1996 at 11.30 SP/kg for hard wheat and 10.30 SP/kg for soft wheat plus 0.5 S.P/Kg as a bonus per crop's delivery. The price is adjusted on the basis of quality, defects and impurities. However, farmers can decide to sell wheat to private traders at market prices. The GECTP sells wheat to the General Company for Mills (GCM) for distribution to bakeries that in turn produce subsidized standard bread. Prices of high-quality flour and bread are not explicitly subsidized, with the result that they are over twice the price of standard flour and bread. Both private and public bakeries sell standard bread at the fixed official price of 8 SP/kg. The price was last changed in 1994, when it was increased from 5 SP/kg. The GECPT also exports the surplus wheat at international prices. On the other hand the General Establishment for Seed Multiplication purchases some of its required seeds from farmers according to a pre-defined quality. As for foreign trade, wheat export is restricted to the GECPT, whereas private traders can import for milling and pasta production. Decrees no. 9 of 9 October 2002 and no. 74 of 11 November 2002 establish the conditions for private companies to import grains in Syria. The rules include that wheat importing is suspended during its marketing period, e.d., the peak harvest period, and it should pay a deposit in SP equivalent to the value of imports reimbursed upon certification that the imported wheat has been either re-exported or milled locally and sold for domestic consumption (summarized from SAT2004). Moreover, due to giving more facilitation to crushed wheat exports, the ministry of trade abolished the condition of (MAAR)⁵ approval in 20-12-2004. Finally, it is worth mention to say that most agricultural supports has been removed or reduced, such as seeds and fertilizers' support. However, there is additional transportation and marketing costs to be paid from the farmer, which overlaps largely the basic subsidies (Strategic crops 2004).

Main Syrian partners in terms of wheat trade

Syria doesn't import wheat at all, but it exports it annually in varied quantities depending on the harvest situation. The main partners for Syria are shown in the Table 2.

Table 2- main destination countries of Syrian wheat exports, 2001-2004.

Years	Exports		Main destination Countries (%)
	Ton	Million SP	
2001	35615.0	389.7	Algeria 60.5, Armenia 39.4
2002	626217.5	5420.3	Algeria 82.4, Korea 13.4, Egypt 4.1
2003	667580.0	5419.0	Algeria 54.2, Egypt 21.0, Italy 8.9, Iraq 7.9
2004	700192.6	5790.4	Egypt 31.7, Iraq 19.6, Algeria 14.2, Jordan 11.1, Lebanon 8.4

Source: NAPC database

⁵ Ministry of agriculture and agrarian reform.

Table 3- main destination countries of Syrian wheat flour exports, 2001-2004.

Years	Exports		Main destination Countries (%)
	Ton	Million SP	
2001	5472.7	40.1	Other countries 65.5, Lebanon 33.8
2002	3182.5	25.2	Lebanon 43.8, Iraq 31.6, Egypt 18.5
2003	37355.3	384.6	Iraq 99.1
2004	25069.9	185.2	Iraq 99.6

Source: NAPC database

Table 4- main exporting countries of wheat to Syria, 2001-2004.

Years	Exports		Main destination Countries (%)
	Ton	Million SP	
2001	49074.7	164.7	Other countries 56.4, France 43.6
2002	73860.3	164.7	Other countries 97.3, Iraq 2.7
2003	264622.6	1483.4	Iraq 60.9, Other countries 38.0
2004	142520.6	930.0	Iraq 65.2, Russia 15.6, Ukraine 10.4, Bulgaria 7.5

Source: NAPC database

Table 5- main exporting countries of wheat flour to Syria, 2001-2004.

Years	Exports		Main destination Countries (%)
	Ton	Million SP	
2001	17629.7	119.1	Denmark 71.2, Australia 19.5, Italy 7.8
2002	3904.4	13.7	Other countries 64.3, Australia 17.9, Denmark 14.5
2003	315.5	3.7	EU (15) 54.5, Iraq 36.1, Syrian free zone 9.4
2004	7519.5	37.6	Turkey 99.7

Source: NAPC database

Suggestions

- Producing sufficient amount of soft wheat to meet the mills requirements. And increasing the efforts to produce durum wheat, which is more valuable rather than wheat soft.
- Modifying the pricing mechanism to be in line with the WTO rules. Consequently, the wheat should be purchased from farmers according to the international prices, and the subsidies should be decoupled.
- Encouraging farmers to use improved seeds, to increase the productivity.
- Applying the pest's integrated management style. And hindering the usage of pesticide except in the case of reaching the economic threshold.

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