

Ministry of Agriculture and Agrarian Reform

NAPC

National Agricultural Policy Center

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Selected Fruits in Syria – an Outlook

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1. Introduction

Trade in fruit products has been among the most dynamic areas of international agricultural trade, stimulated by rising incomes and growing consumer interest in product variety, freshness, convenience, and year-round availability. Advances in production, post-harvest handling, processing, and logistical technologies—along with increased levels of international investment—have played a facilitating role.

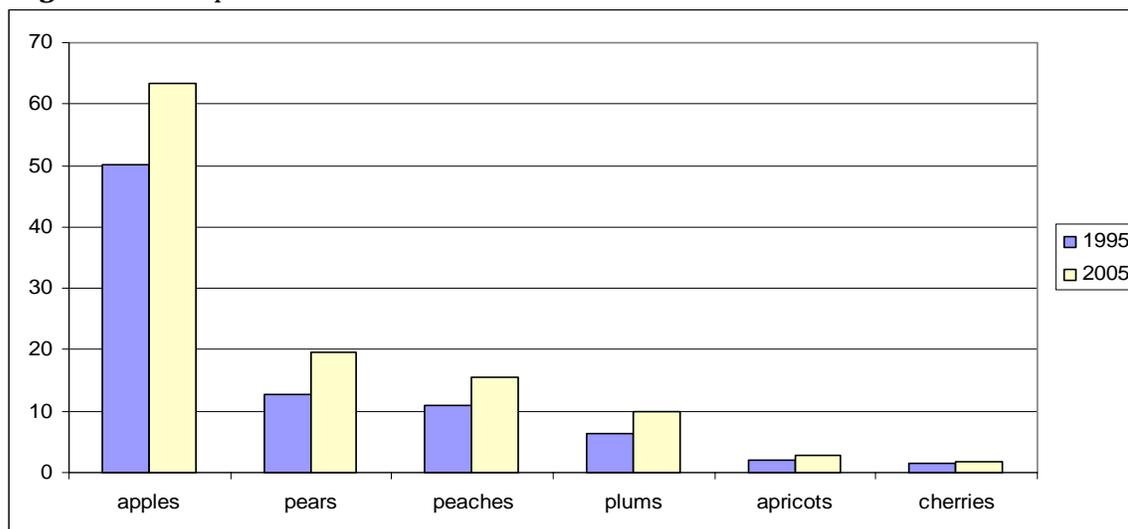
For Syria, trade in fruits can be attractive in the face of highly volatile or declining long-term trends in the prices for many traditional export products. Although Syrian suppliers have entered the field, relatively few have achieved significant sustained success, reflecting the fact that the industry is highly competitive and rapidly changing. Still, the aggregate picture is favorable.

This brief highlights major global, local, and product-specific trends of trade in six fruit products (*apples, apricots, cherries, pears, peaches and plums*), and examines the major policy and other factors that have affected this trade over the past few years. The six fruit products were chosen due to their importance to Syria, since they are the most important exported Syrian fruits.

2. World production

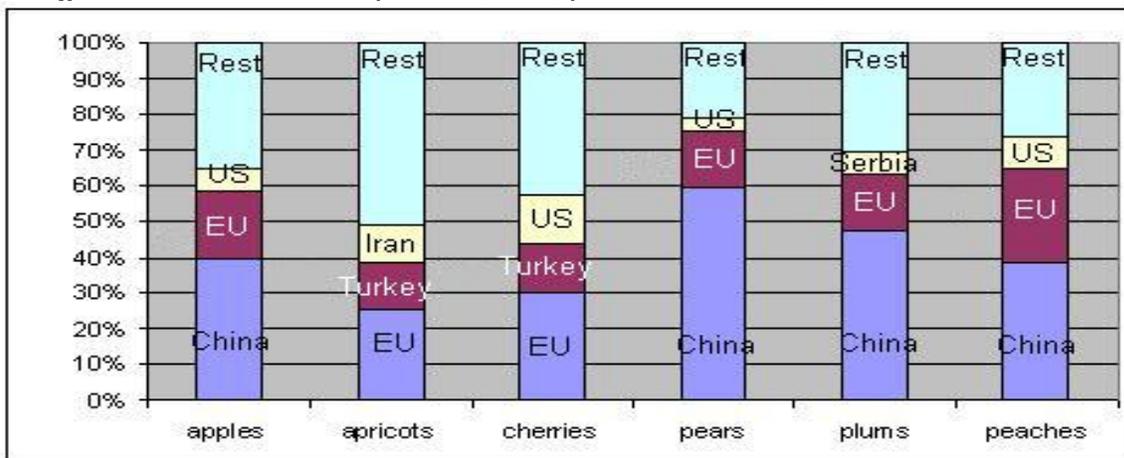
World production of fruit grew by 24% between 1995 and 2005, reaching 509 million tons by 2005. Much of this growth occurred in China, which is currently the world's largest producer of fruits and vegetables. China is the main international producer of apples, peaches, plums and pears. The EU25 is the major producer of apricots and cherries, and the second one in terms of apples, plums, pears and peaches. Figure 1 shows the international production of each selected fruit in 1995 and 2005, while figure 2 gives a clear idea about main producers of each fruit in 2005.

Figure 1 - World production of the selected fruits, 1995 and 2005, million tons.



Source: FAO website.

Figure 2 - Main international producers, 2005, production's structure, %.

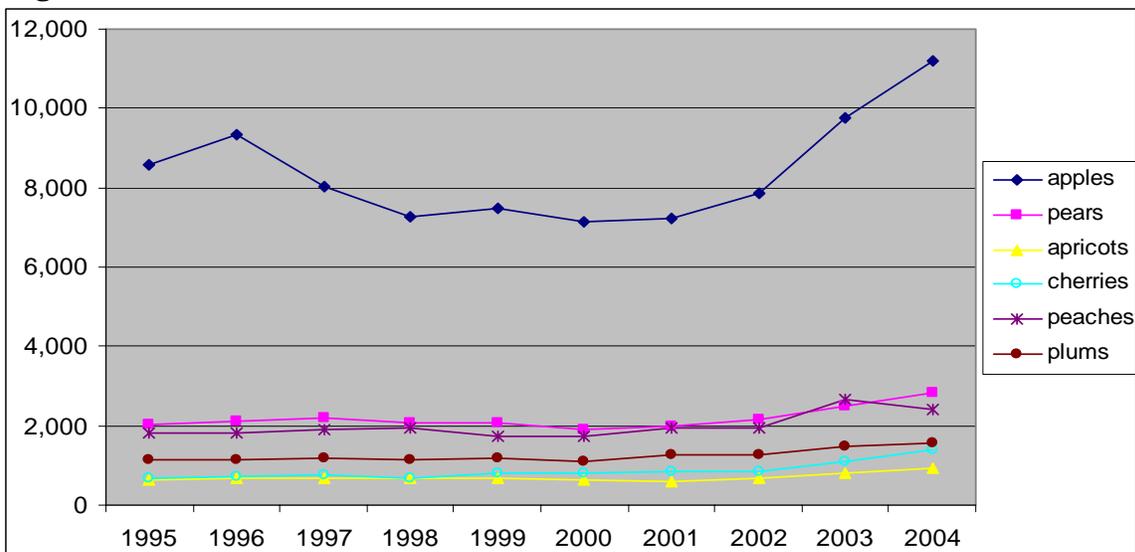


Source: FAO website.

3. Trends in World Trade

As shown in Figure 3, the deceleration has been serious for the apple trade between 1996 and 2000. Comparatively, steadier trade has remained for other fruits. Still, the latter products represent “a relatively small proportion of world fresh fruit trade, which is still heavily concentrated in particular lines, including apples (10%)” (Aksoy & Beghin, 2005). Moreover, unit values of fresh and prepared fruits dropped sharply in the second half of the 1990s after an extended period of increase. These trends suggest that price factors played a very significant role in the declining rate of growth in the value of fruit imports during the 1990s.

Figure 3 - World trade of the selected fruits, million US\$.

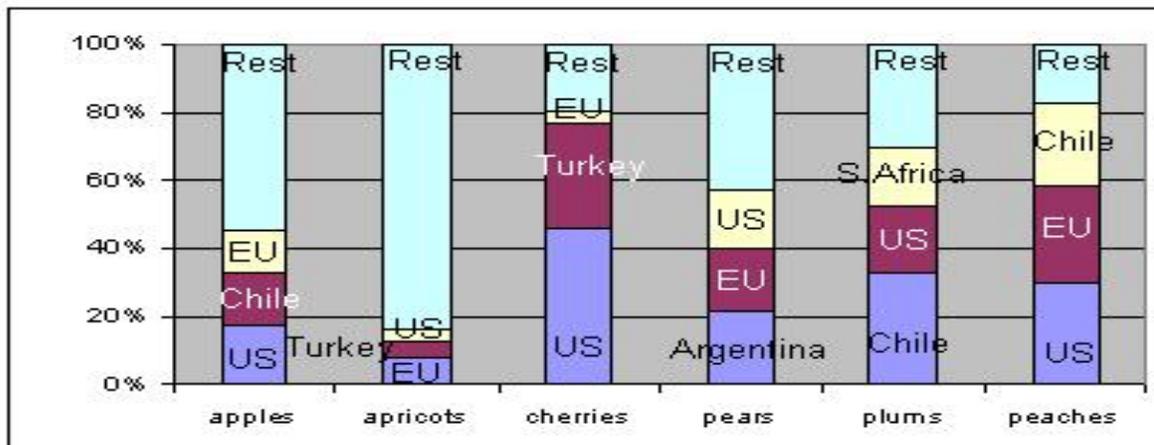


Source: FAO website.

Concerning main trading countries for each commodity, the structure of world trade in the specified kinds of fruits does not fully mirror that of production. Many of the largest producers are not significant traders due to a combination of domestic demand and geographical and logistical factors. For example, in China and India, where strong domestic demand is fueled by growing income and a large and rapidly growing urban population, only a small percentage of

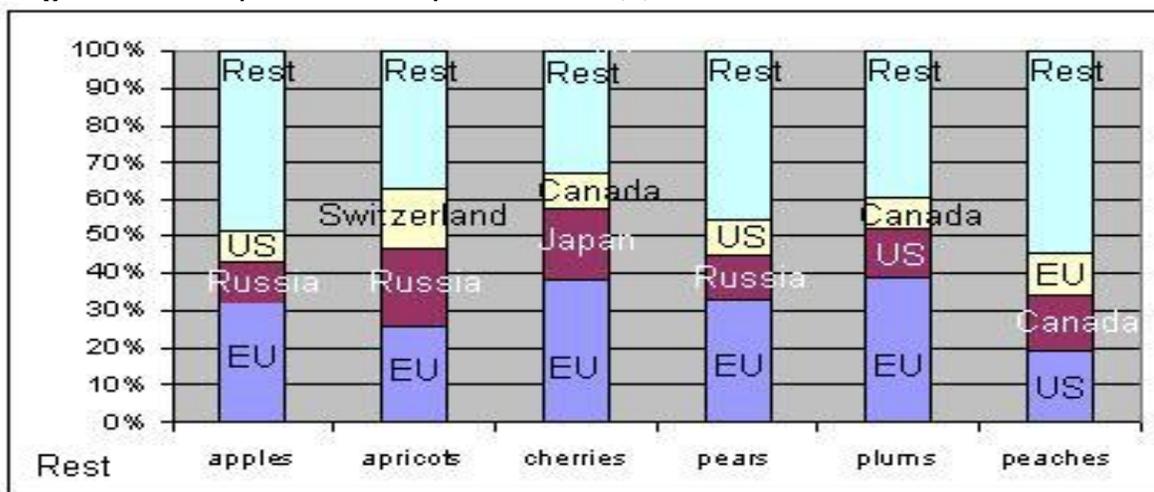
the fruit production of these six fruits is exported.¹ In contrast, Latin American countries (such as Chile and Argentina) are among the world's leading exporters of them, mainly because of their proximity to the large U.S. market. The European Union, NAFTA (North American Free Trade Agreement), and a few middle-income countries dominate trade in these six fruits. Nonetheless, the European Union is the world's largest market and supplier of the chosen fruits, but its trade is largely intra-regional. Figures 4 and 5, following, show the main exporters and importers of the selected commodities.

Figure 4 - Main exporters, 2004, export structure, (%).



Source: FAO website.

Figure 5 - Main importers, 2004, imports' structure, (%).



Source: FAO website.

Consumer trends in the EU

The EU is an important trading partner with Syria, and, as such, it is important to consider consumer trends within that region. Although the EU fruit trade is mainly intra-regional trade, still, with its affluent and aging population (about 470 million), its high factor costs, and its cold winters, this region represents one of the largest fruits markets for non-EU countries. Generally, the main European consumer countries are the main producers as well. Regarding apples and

¹ China also lacks cold storage and marketing capabilities; Chinese apples are very competitive in the Hong Kong market only after the harvest season. However, for pears and peaches, some importers expect that it will be a few years before Chinese products can be competitive.

apricots, main European producers are Italy, France; the main importers, however, are France and Italy respectively, which reflects the very high consumption in these two countries. Spain is also a large producer and importer of apricots. In terms of cherries; Austria, Spain and France are the most important importers, even though France and Spain are the third and fourth producers. Belgium, Netherlands, France, Italy and Spain are the top importers of pears and plums; Italy, Spain and Germany are the biggest producers of pears; and Germany, Romania and France are the largest producers of plums. Lastly, Italy, Spain, France and Greece are the most important producers and importers of peaches.

Most, but by no means all, of the major retailers in continental Europe tend to be private companies (usually family owned) or cooperatives. There are five large trading companies in the EU that dominate EU trade in fruits and frequently have multi-year contracts with Mediterranean exporters. These EU trading companies are instrumental in insuring that produce destined for EU markets meets all EU standards during the EU's off-season and at the price and volume that will not trigger the prohibitive tariffs the EU has in place.

4. International policy trends

In general, government interventions in the fruit sector, including the six studied products, are significantly lower than in other agricultural sectors. Consistently, domestic fruit subsidies to producers are relatively low in OECD² countries. Of the major industrialized regions, only the European Union reports an aggregate measure of support³ related specifically to some of six studied fruits, while Japan and Canada indicate very low levels of aggregate support for these commodities. The European Union's expenditures covered aid to producers of peaches and pears. Japan's and Canada's aggregate measures of support were below the de minimis level. The European Union's fruit export subsidies represented less than 1% of the value of its total exports. The United States indirectly subsidized fruit exports, albeit to a very limited degree, through export credit guarantees. Regulating market access is the main instrument used to protect the fruit sector. The EU, Japan, and the US use, to varying degrees, similar protection tools. One of the most prominent features of the European Common Market Organization (CMO) reform is the "minimum entry price" system. This complex tariffication system applies to imports of apples, pears, peaches, plums, apricots and cherries. Under this system, the European Union calculates an entry price for each of the commodities covered by the program. The tariffs levied for each item depend on its import price compared with the calculated price. Fruits imported at prices equal to or greater than the established entry price are charged an ad valorem duty only. Commodities valued below the entry price are charged a specific tariff in addition to the ad valorem duty. Through the above system, applied tariffs are actually linked to the delivered price and the season. The entry prices are generally highest during the EU production season and lowest during the off-season, and the difference can be very large. This system strongly restricts an exporter's ability to increase market shares in the European Union based on lower prices and efficiency, especially during the European production season.

EU-requested Standards

European markets are promising channels for Syrian exports; though, it is worth taking a look at the requested standards there, in order to help promote Syrian exports. Marketing standards, which the six fruits are subject to, have been laid down in the EU for products which are supplied fresh to the consumer. They are designed to encourage trade by ensuring the free movement of produce internally within the EU and outside. Implementing international standards on domestic and world markets reduces transaction costs along the fruit chain, and is a means to add value. The standards allow producers to describe their products and give

² Organization for Economic Cooperation and Development; it includes most of EU (25) state members, beside the USA and others.

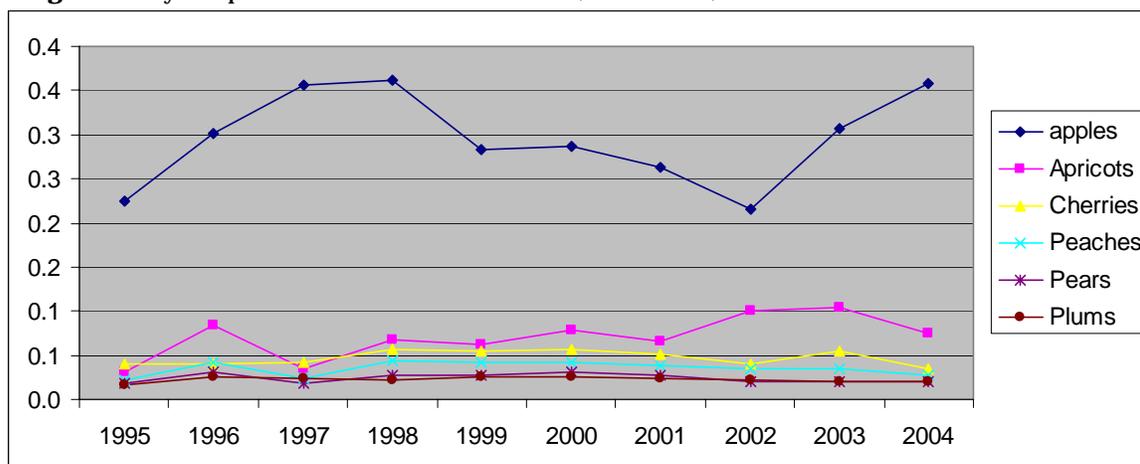
³ AMS a numerical measure of the value of trade-distorting domestic policies.

indications of their market value without requiring physical presentation. They include a definition of the produce, some quality requirements, sizing, tolerances, packaging and presentation, and marking. Member States are responsible for the enforcement of the standards. Food safety standards are not included⁴, but in general, all fruit imports must follow EU law on issues such as pesticides and labeling. Moreover, to simplify the administrative procedures for trade in fruit, the EU has recognized quality/standards controls conducted in an increasing number of third countries. At the end of March 2003, this system was used for approximately 45% of EU imports. This system reduces delivery times, administrative costs and overhead for EU importers, improves the quality of imported products, and adds administrative certainty for the exporter. In addition, it allows national controllers to concentrate their activities on products where no significant quality guarantee is given to EU consumers.

5. Local Production

The Syrian climate is considered very suitable for the six selected fruits. According to FAO statistics, Syria is the seventh country internationally in terms of apricot production, and the tenth in terms of cherries. Moreover, Syria ranks third among Arab countries in terms of apple production,⁵ and in 2005 it ranked first in terms of apricots and cherries, and second in terms of plums, as FAO statistic indicates. Figure 6 illustrates the production trends for the six chosen fruits in Syria. The trends clearly declined between 1998 and 2002, with a substantial peak in 2003. Moreover, apple and apricot production increased in 2004, while the production of apricots, cherries and peaches fell down. In addition, FAO estimates indicate that Syrian production of the six fruits in 2005 is the same as in 2004.

Figure 6 - Syrian production of the selected fruits, 1995-2005, million tons.



Source: NAPC.

Syria's crop areas for apples increased significantly from 24800 Ha in 1995 to 48000 in 2005. Little change was seen in this regards for the other five fruits. Apple yield, however, witnessed a sharp decline from 9030 Kg/Ha in 1995 to 4480 Kg/Ha in 2005. Among other fruits, the plum yield increased significantly during the same period from 8700 Kg/Ha in 2005 to 13460 Kg/Ha in 2005.

Syrian production is being distributed among three areas: local consumption, processing, and export.

⁴ Imports must also meet the classification standards set by the EU. EU inspectors are dispatched to the country of origin to inspect the facilities to ensure that EU sanitary and phytosanitary standards are met.

⁵ Al-Thawra newspaper, 28 May 2005.

Main local varieties

Syria produces several varieties of each of the six main fruits:

Apples: Al-Sukary, Al-Sakargi and Al-Khalati

Apricots: Kullabi, Baladi and Ajjami

Cherries: Categorized into two groups: sweet and sour cherries; bing, begaro napoleon and black napoleon

Pears: Al-Meskawi, Mustafa Bek and Authmani

Peaches: Al-Ghatmi, Estampooli and Humsi

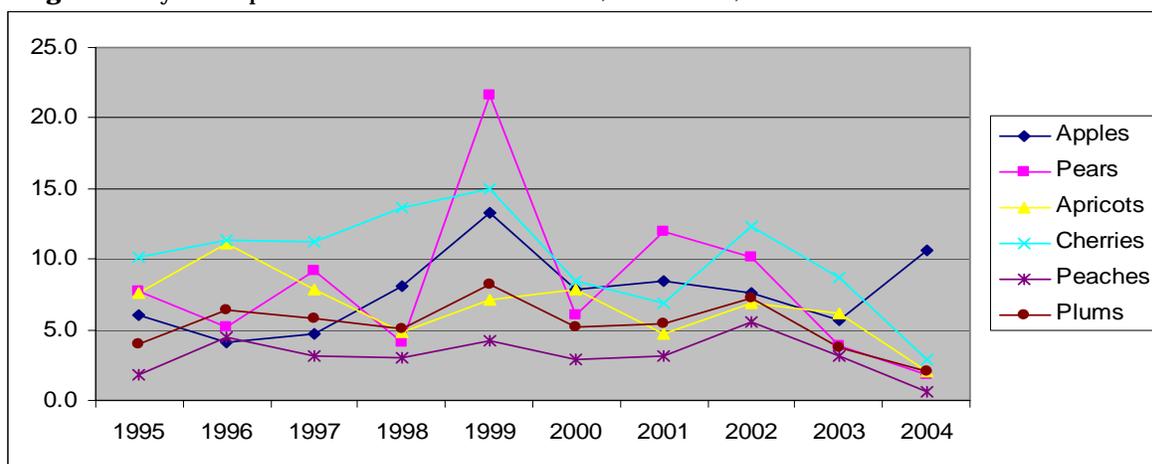
Plums: Reine Claude Altana, Reine Claude Green and Mammoth Cardinal

6. Syrian Trade

The value of Syrian exported fruits (the 7th chapter in the unified tariff code) has been decreasing during the period 1995-2004, amounting to a 15.3% drop during this period. This decline was clearly reflected in the share of fruit in total agricultural exports, which fell from an average of 13.9% in 1995-1997 to 6% in 2002-2004. This share, however, reached its peak in 1999, accounting for 20% of total agricultural exports, but dropped to only 3.5% (about 1.8 billion SP) by 2004.

The six selected fruits, which are the most important among Syrian exported fruits, account for more than half of Syrian fruit exports. Internationally, Syria is the 9th exporter of apricots, the 10th of cherries, and the 13th of pears and plums. Syria has also a good position among apple and peach exporters. Nonetheless, fruit export trends were not consistent. Dealing with apples, their exports increased significantly in 2004, while the trends of the other five fruits' exports have been all declining in the last few years, with an exceptional peak in 1999. Figure 7 gives a clear idea about the mentioned trends, while Table 1 shows the exported quantities of the six fruits during the same period.

Figure 7 - Syrian export trends of the selected fruits, 1995-2004, million SP.



Source: NAPC database.

Table 1 - Syrian exported quantities of the selected fruits, 1995-2004, tons.

product	Apples	Pears	Apricots	Cherries	Peaches	Plums
1995	5783.2	4924.3	4853.2	6324.2	1340.4	3696.4
1996	3752.9	3083.3	8683.5	7679.9	3533.5	5492.5
1997	6204.4	5637.3	4495.3	6151.2	1824.8	3295.8
1998	17526	3814.1	6655.4	9578.2	2755.9	4724.1
1999	24606	19210.2	7253.9	12490.1	3862.6	7826.5
2000	15326	7471	10979.5	9108.4	3795.6	6427.8
2001	17767	11840.4	5067.1	6437.4	3000.8	6147.9
2002	16499	10555.2	9387.4	13011.4	6349	9291.6
2003	13925	6124.8	7742.1	10408.5	4114.8	5350.4
2004	28307	4700.7	4462.4	4925.2	1394.1	3851.5

Source: NAPC database.

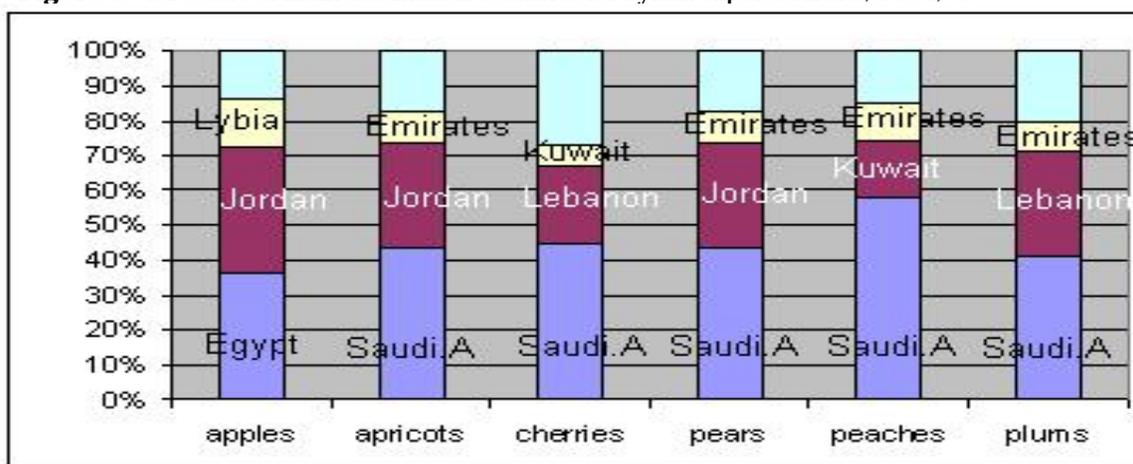
In general, the contribution of these six fruits during 1995 and 2004 were in its lowest point in 2004 (only 1.8%), but it hit the highest point in 1999 (8.7%), and thereafter it started to fall.

During the same period, the exported quantities of the selected fruits increased from 29000 tons to 53000 tons but their revenue dropped down from US\$40.6 million to US\$33.7 million. Nonetheless, during the period 2000-2004, the exported quantity was steady (about 50000 ton), with the exception of 2002 (65000 ton). The exported volume was 47600 tons in each of 2003 and 2004 (equal to about US\$20 million annually), which means a negative growth equal to 2.7% in terms of quantity and 15.1% in terms of value compared with the average of 2000-2004.

Main destination countries

Currently, the main destination countries for Syrian fruit are Saudi Arabia, Jordan, Lebanon, the United Emirates, and Egypt. However, this picture saw major changes during the last years. For example, Egypt and Lebanon were almost monopolizing Syrian apple exports in 2000, whereas the Egyptian portion decreased seriously and Lebanon became a marginal importer (see Figure 8).

Figure 8 - Structure of main destination countries for Syrian exported fruits, 2004, %.



Source: NAPC database.

Concerning exports, the scope is different. Syria has been always a good exporter of the six selected fruits, though it started to import some of them in 2001. The exporting countries are mainly Jordan, Lebanon, Egypt and Saudi Arabia. The imported quantities are relatively small and their values have no significant impact on trade balances. Table 2 shows these values.

Table 2 - Syrian imports of the selected fruits, 2001-2004, million SP.

	2001	2002	2003	2004
Apples	0.01	0.00	0.03	0.09
Pears	0.01	0.00	0.01	0.27
Apricots	0.01	0.01	0.00	0.01
Cherries	0.00	0.00	0.00	0.00
Peaches	0.01	0.04	0.07	0.28
Plums	0.00	0.00	0.00	0.05

Source: NAPC database.

7. Local policies

The image of Syria's fruit policies has a noticeable stamp of liberalization. For example, and impressively, the private sector has been allowed to export local production of fruits since the late 1980s. Nonetheless, the government has recently carried out a series of policy-reform steps with the intention of promoting the fruit sector, including the six selected fruits in this brief. The policy changes can be categorized on the basis of the famous three pillars of agricultural policies.

Starting with domestic support, Syrian fruit production has been always subsidized by the government, the same situation as other agricultural sectors. The government is still making progress to conserve and increase the subsidies; however, the functions for this policy are being changed to accommodate international laws and agreements. The new alternatives can provide a wider range of instruments, including agricultural services and smoothing the progress of accessing inputs which support the fruit sector. The services provided incorporate developing good infrastructures, which further promote the progress. Of relevance, the government has been selling seedlings to farmers at a highly subsidized price, equal to only a few Syrian pounds (about 3SP), whereas the actual cost would otherwise be about 23SP. However, the government started recently to cut substantially this subsidy, in order to reach the cost price level. But alternatively, the government's free seedlings are still distributed to about 30% of the farmers, in order to maintain their livelihood level.

In terms of export subsidies, the Syrian government launched several policies in order to enhance fruit exports. A few of the changes include permitting agricultural exporters to keep all the foreign currencies earned from exporting fruits, reducing income tax on fruit exporters from 1.9% to 1%, lessening charges for air transportation exporting Syrian fruit, and abolishing all fees applied on changing hard currency gained from exporting fruit into Syrian pounds. Moreover, huge efforts are being concentrated to establish the export development commission, which will promote fruits exports and help in improving the quality of Syrian products, and increase fruit export activity in external markets. In addition, the cabinet established recently an office for quick intervention in the foreign trade centre; removing all difficulties which hinder exporters (including fruit exporters) will be its main responsibility.

Regarding market access, Syria introduced several policy changes to meet the requirements of the Great Arab Free Trade Area (GAFTA) agreement, in addition to other international regulations. In terms of GAFTA, Syria removed most import bans on products originating from member countries. Nevertheless, a certification approved by the Ministry of Agriculture and Agrarian Reform (MAAR), in order to affirm that the imported fruit shipment is in compliance with the sanitary and phyto-sanitary regulations, is still requested.

8. Obstacles and suggestions

The Syrian fruit sector still suffers from problems that revolve around marketing and selling the product surpluses. The problems can be more serious when recognizing that fresh crops can be stored only for a few months, and that a small surplus on the market over a few weeks can have dramatic consequences for prices during the whole marketing campaign. The past policies have been focusing on increasing production, regardless of how to then export the products. This was a notable deficiency. The traditional fruit allocation system suffers from lack of satisfactory cold storerooms, storehouses and cooled vehicle, and ineffective protective materials. This can cause fatal losses or degradation of a significant portion of exported fruits, and increase the rate of rejections in destination countries. Hence, the government subsidized services should cover the transportation sector as well as other services. Alternatively, establishing fruit processing factories in Syria, which reduces the need to get rid of surpluses through exporting, could be a very reliable solution. This alternative can also solve partially the problem of some local varieties, which are produced widely but are unpopular in foreign markets. Another obstacle is the absence of agricultural production assurance systems, although fruits, precisely the six selected fruits, are quite sensitive and very perishable.

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