Syria Cotton Report 2006

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 1,030,000 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 for yarn production. 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 225,000 hectares and produce 900,000 MT of seed cotton in 2006/2007. Actual planted areas and production are estimated to exceed the plan.

Production

PSD Syria, Cotton							
	2004	**Revised**	**2005**	**Estimate**	**2006**	**Forecast**	**UOM**
	USDA Official [Old]	**Post Estimate[New]**	**USDA Official [Old]**	**Post Estimate[New]**	**USDA Official [Old]**	**Post Estimate[New]**	
Market Year Begin		**08/2004**		**08/2005**		**08/2006**	**MM/YYYY**
Area Planted	234,000	234,000	245,000	245,000	0	240,000	(HT)
Area Harvested	234,000	234,000	235,000	245,000	0	240,000	(HT)
Beginning Stocks	65,100	93,940	108,644	38,757	119,532	28,757	(MT)
Production	348,362	304,817	348,362	350,000	0	350,000	(MT)
Imports	0	0	0	0	0	0	(MT)
MY Imp. from U.S.	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	413,462	398,757	457,008	388,757	119,532	378,757	(MT)
Exports	152,409	200,000	179,624	200,000	0	200,000	(MT)
USE Dom. Consumption	152,409	160,000	157,852	160,000	0	170,000	(MT)
Loss Dom. Consumption	0	0	0	0	0	0	(MT)
TOTAL Dom. Consumption	152,409	160,000	157,852	160,000	0	170,000	(MT)
Ending Stocks	108,644	38,757	119,532	28,757	0	8,757	(MT)
TOTAL DISTRIBUTION	413,462	398,757	457,008	388,757	0	378,757	(MT)

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 2005/2006, cotton lint production is estimated at 350,000 MT produced from 247,600 hectares. Actual cotton production exceeds production plans by about 20 percent. 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 2005.

The Cotton Marketing Organization (CMO) purchased about one million tons from the 2005/2006 crop. In addition to CMO purchases from the farmers, an estimated 30,000 MT of the crop are processed locally instead of being delivered to ginners. The procurement price for licensed areas in 2005/2006 remained at the same level of 30.75 SP per kilogram for seed cotton delivered by the middle of November 2005, 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 52.05 SP/USD, free market rate is about 52.40 SP/USD). This method of pricing encourages the farmer to plant early and harvest the crop as early as possible.
The Cotton Bureau plan for 2006/2007 has not yet been announced. However, it is expected to be around 225,000 hectares of irrigated land to produce 900,000 tons of seed cotton. This is due to 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. Actual planted areas and production are estimated to exceed the plan by about 20 percent.

Consumption

Domestic consumption of cotton from the 2005/2006 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 sells 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 have recently been permitted to be imported. The private sector produces 94 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 Syria (MT)			
Time Period: MY			
Exports for:	**2004**		**2005**
U.S.	0	U.S.	0
Others		Others	
Turkey	32,240	Egypt	15,000
Italy	19,060		
England	9,800		
Egypt	5,700		
Germany	8,390		
France	28,360		
Tunisia	4,200		
Spain	8,676		
Japan	5,390		
Total for Others	121,816		15,000
Others not Listed	20,890		185,000
Grand Total	142,706		200,000

Note: Total exports for 2004 differ from the figure in the PS&D screen. The 142,706 MT export total is according to export contracts reported in Syrian Cotton Bureau Report No. 1032. No detailed export figures are available for 2005.

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 China, Far East countries, 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. Syria imported 122,000 tons of synthetic yarn and 8,000 tons of synthetic cloth in 2004. Yarn and textile trade statistics for 2005 are not yet available. However, import trade of these products is expected to increase significantly starting from 2006. In 2004, cotton yarn production is reported at 107,610 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. 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 2005/2006 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.

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. A new customs tariff is expected to be implemented in 2006.