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The Recent Evolution of the Syrian Agro-Food Industry

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1. Introduction

The public policies in the 1960s and at the beginning of the 1970s were oriented to find a role for the public sector in the development of the Syrian agro-food industry. As a result, the sugar, conserve, oil and other state companies were established. However, because these firms couldn't cover the increasing demand of processed foodstuffs, the private sector has been gradually allowed to enter the food industry in the framework of multiple economic activities.

Starting in the 1980s, however, the public food industry sector began to demonstrate inefficient performance, harming its competitiveness in the internal as well as external markets, largely because of the competition of the private sector. This situation has led gradually to a reduction in the produced quantities of the public sector for many food industrial products, lowering its share in total production of commodities, as well as of its role in exports and external trade.

On the other hand, since the mid 1980s, the private sector has gradually developed. The recent favorable reorientation of Syrian economic policy has contributed to an increase in the private sector's share in most food industrial products. Indeed, Syrian exports of food products have increased after the entry of the private sector in this field[1].

2. Paper Objectives

The purpose of this brief is to analyze the current status of the Syrian agro-food industry. The paper addresses the difficulties and constrains that prevent modernization and development of the public sector, and looks at possible ways to enhance the effectiveness of its role in development programs while highlighting possible harmful effects in areas efficiently operating, leaving space for a competitive private agro-food industry. This paper then reviews the recent evolution of the private component of the food industry, starting from the observation of the increase in the number of projects that have attracted this sector to enhance the scope of production and the competitiveness in both foreign and local markets, and by referring to the rapid growth of its role in export and foreign trade. Unfortunately, lack of available data does not allow for a detailed and comprehensive analysis of the actual relevance of the private agro-industry for the Syrian economy. Therefore, another purpose of this paper is to highlight the main needs for data necessary to analyze the sector properly and to suggest possible actions in this respect.

3. Syrian Agro - Food Sector

The total value of the Syrian agro-food industry (including beverage products and tobacco, and considering both the private and public sectors) accounted for 25% of the total value of manufactured products during the period 1998-2004[2]. As known, the Syrian agro-food industry, both public and private, depends on domestic production of agricultural products such as sugar beet, cotton, wheat, fruit products (olives, grapes, apples, citrus), and animal products (milk).

The main products that both private and public companies produce are dairy products, bread, biscuits, vegetable oils, tomato paste, pasta, canned food, marmalades, fruit juices, and soft drinks. Noticeably, the sugar and beer industries were in the hands of the public sector until 2004, while the olive oil sector is totally operated by the private sector.

Three sectors in Syria are working in the agro-food industries, namely the public sector, the private sector, and joint ventures.

[1] SOFAS 2005, Chapter 5
[2]. Central Bureau of Statistics, Statistical Abstract, 1999, 2005.

- Public Agro-Food Industry: consists mainly of the General Establishment for Food Industries (GEFI) which operates 24 factories[3] in several food chains, and of the Public Establishment for Sugar Industry, both under the Ministry of Industry, as well as of the General Company for Mills and the General Company for Bakeries under the Ministry of Economy and Trade.

- Private Agro-Food Industry: consists of companies established under Investment Law No. 10 of 1991, in addition to the companies that have been established under Law No. 21 of 1958 and Law No. 3 of 1952[4].

- Joint Ventures Agro-Food Industry: consisting of joint ventures between the public and the private sectors, joint ventures between Syria and other countries, and joint ventures between domestic and foreign private sectors.

3.1. The Public Sector

The share of the public agro-food industries averaged 12% of the total value of production of the manufacturing industry sector during the period 1998-2004. The public agro-food sector employed 23,641 workers, on average, during the period 2001-2004, accounting for about 22% of the total workers in the public manufacturing sector[5]. Noticeably, the public sector has played an important role in the capacity building of its employees through training delivery.

The public sector has operated most of the food industries according to the relevant economic policies in this field, and benefiting from the full protection of the internal market. The main activities of the public sector still concentrate on the following products:

Flour: The General Company for Mills (GCM) has a capacity of 6,000 tons per day, equivalent to approximately 1.8 million tons per year. Most of these mills date back to the 1960s, but five were established in 1997/98, with a capacity of 500 tons/day each (see Annex Table 1). The GCM is completely responsible for the production of standard flour milled by public and private mills. The flour benefits from subsidised wheat as well as milling cost.

Bread: The General Company for Bakeries (GCB) operates the public bakeries. The GCB has 175 bakeries with a total of 257 lines. Sixty-one of these bakeries, all single line bakeries, are privately managed. The annual production of bread is presented in Annex Table 1.

Pasta: The General Establishment for Food Industries operates the Yarmouk Company for pasta production which has an annual available production capacity of about 3,500 tons/year. This company utilized less than 50% of its production capacity in the last five years (Annex Table 1).

Biscuits: Three companies (Ghrawi, Camellia, and Al-shark) produce biscuits. These companies have a production capacity of about 8 thousand tons/year. They produced below 25% of their production capacity in the last five years (Annex Table 1).

Dairy production: There are three dairy companies, located in Damascus, Homs, and Aleppo. The available production capacity of those amounts to 36.8 thousand tons of milk/year, but recently they utilized about 75% of their capacity. These companies produce pasteurized milk to drink, yogurt, condensed yogurt, and cheese relying, on market demand.

Vegetable oil industry (cotton seeds): There are three plants that produce oil from cotton seeds, located in Aleppo, Hama, and Homs. Farmers are obliged to deliver all their cotton to the Cotton Marketing Organization (CMO) that delivers cotton seeds to the public companies of oil. The

[3] It should be noted that, after 2003, some companies and plants merged or moved to other establishments (Mzareep and Jabla companies). This explains some of the differences that the reader can see in the other publications (SOFAS 2002, 2005).

[4] Law No. 21 of 1958 authorized investments regardless of their capital, while investment Law No. 10 of 1991 includes, in addition to others, some conditions related to capital size, requiring at least 10 million SP for any project.

[5] Central Bureau of Statistics, Statistical Abstract, 1999, 2005.

production capacity of these plants amounts to 43 thousand tons/year. Noticeably, the production of the same plants in the period 2000-2003 exceeded the production capacity, while the oil production in 2004 accounted for about 80% of the production capacity (Annex Table 1).

Sugar industry: The sugar industry is completely under state monopoly. Production amounted to 153 thousand tons on average, including the refined imported raw sugar, for the period 2001-2003. The production of the public sector covers only one sixth of local needs[6]. The government imports raw and refined sugar to cover the rest of local demand and authorizes the private sector to import the deficit quantities of local demand.

Grape processing: Two companies operate in this field, the Al-Ryan Company in Sweida and the Mimas Company in Homs. Their total processing capacity is 29 thousand tons/year of grapes. These companies always operate at their full capacity, benefiting from repeated surpluses of grapes and the lower prices of industrial grapes. Most of the delivered quantities are transformed into Arak beverage with a conversion rate of 15%, while the rest is transformed into wine.

Beer: Two companies operate in this industry, the Barada Company in Damascus and the Al-shark Company in Aleppo. The production during the last five years was almost stable, and covered the production capacity of these companies (Annex Table 1). Recently, the government has given permission to the private sector to produce beer under the condition of exporting all of its production.

The production of the other products of the public sector such as marmalades, canned peas and other canned foods, mineral water, and others slightly increased during the period 2001-2003 although the most of these products still operate at less than the available capacity (Annex Table 1).

At the same time the tomato paste production has substantially decreased, while biscuits, pasta, dry onion and soft drink decreased slightly[7]. These decreases started from the middle of the 1990s for some commodities such as the conserved food (various canned food) (41%), biscuits (71%) and pasta (45%) during the period 1995-2004, leading to a reduction of the shares of the public sector of these products from 1995 to 2003, for conserved foods (81% to 39%), biscuits (41% to 9%), and pasta (34% to 14%). (Annex Table 1). Regarding bread production, although the production of the public sector increased slightly during the last few years, the contribution of the public sector decreased from 36% in 2000 to 31% by 2003.

The above mentioned decreases are subject to the changing governmental approach that is shifting from protectionism of local markets and public companies to liberalization and privatization, in order to increase the competitiveness of the economy and the availability of food products in the local market.

3.2. The Private Sector

Since the mid 1980s, the government has gradually liberalized the economy, moving towards a market-oriented approach by appropriate legislation in the fields of investment, foreign trade, banking, and monetary policies. The current economic policies aim at widening the role of the private sector in the economy towards a broader overall economic development.

Investment Law No. 10 of 1991 and its amendment by Law No. 7 of 2000 has encouraged private sector investments in many economic fields, including the agro-food industry. The ninth five-year plan promoted the private sector to establish agro-industrial processing operations (packaging, sorting, covering, and storing), as integrated lines through the provision of various facilities and fund concessions. Moreover, the government has taken many steps to encourage

[6] MAAR. “Current Status of Agricultural Strategic Crops, 1990-2003”
[7] General Organization of Food Industries, Statistical Division, annual reports.

exports, such as the reduction of the taxes that were imposed on olive oil export companies and other facilities.

Due to the aforementioned actions, the presence of the private sector in the agro-food sector has greatly increased. From 1991 to 2003, under Law No. 10, around 267 food processing and packaging projects were established, accounting for 23% of the total number of all industrial projects. Furthermore, other small companies, handicrafts and industrial investments have been licensed under Law No. 21 of 1958. For example, 561 projects have been established in the agro-food sector during the period 2001-2003 under Law No. 21 (Table 1).

Table .1. Projects executed in the private sector under Law No. 21, 1995, 1998- 2003

Industry	1995	1998	1999	2000	2001	2002	2003
Agro-Industry							
No. of projects	168	178	136	122	145	206	210
Capital (million SP)	1 329	684		1 147	1 421	1 260	1 611
No. of employees	689	810	681	578	1 169	845	1 342
Total of manufacturing industries							
No. of projects	608	791	665	590	600	714	695
Capital (million SP)	2 749	2 081	3 165	4 313	4 854	3 51£	4 439
No. of employees	2 823	3 252	3 116	2 803	4 414	4 244	4 173

Source: Central Bureau of Statistics, Statistical Abstract, 1995-2003

The increase in implemented food processing investments reflects the continuous increase in the private sector share in many food industries, such as canned food, biscuits, pasta and bread. Moreover, all fruit juice, almost all the chocolate, and most dairy products and olive oil are processed by the private sector. Moreover, there is a large number of small and medium establishments producing bread, sweets, oils and drinks. The available data shows a significant increase of food products processed by the private sector during the period 2000-2003. Bread increased by 47%, vegetable oils 56%, biscuits 48%, chocolate 43%, alcoholic drinks 29% and soft drinks 22% (Annex Table 1).

It is important to note that there are no specific data available about the real production capacity of most of the private projects, the number of the employees, and about many kinds of products such as dairy production (cheese, yogurt), flour, marmalade, tomato paste, etc. as it shown in Annex Table 1.

3.3. The Joint Ventures Food Industry

The joint–venture sector was established under Legislative Decree No. 10 of 1986 disposing that the government contributes with 25% of the capital in kind. Seven companies have been established under this decree, one of which is the Ghadak Company, which processes many food products such as tomato paste, fruit and vegetable conserves, canned food, halawah[8], pickles, mushroom, packed cheese, olive oil, and some other food-stuffs.

[8] Kind of sweet

In addition, five international companies[9] have been established resulting from the cooperation between the Syrian government and other countries. Three of them are working in the field of agro-food processing:

- The Syrian–Saudi Company for Agro–Industrial Investments.
- The Syrian–Libyan Company for Agro–Industrial Investments.
- The Syrian–Finnish Company for Dairy.

All of these companies operate in the field of dairy production using domestic fresh milk as raw material.

As part of joint–ventures between national and foreign private investors, with foreign and local capital, recently more than 25 food-processing companies , have been established and registered as private industrial companies under Law No. 10 of 1991. They have about 1300 employees, working in the area of cooling, storage, olive oil and other vegetable oil production, vegetable ghee, fruit juice, appetizers, baby food, pasta, pasteurized and powder milk, different kinds of cheese, condensed yogurt, and frozen and smoked fish.

4. Common and Private Issues

Both sectors, private and public, suffer from several common problems related to administrative, trade, and monetary policies.

The public sector companies suffer from some peculiar difficulties that include obsolete and outdated production lines, high production costs, low profitability, lack of marketing and advertisement activities, and several administrative restrictions concerning regulations and laws. In the past, the public sector played an important role in providing training to its employees. Recently, this role has been reduced due to its inefficiency causing a sound movement of qualified staff to the private sector. Consequently, because of the weakness in its competitiveness, the share of public sector products in export declined over the period 2000-2004. A range of products such as tomato paste, white cheese, and vegetable oil ceased to be exported, and other commodities like alcoholic drinks, especially beer[10], saw a reduction in their exported quantities.

In comparison, the private sector products are diversified, available in different sizes and attractive shapes, and supported by marketing activities and commercial campaigns. Also, this sector is characterized by a greater flexibility in responding to market needs. This is something that is not possible for the public sector, due to the above mentioned problems, implying an urgent need for its modernization.

5. Conclusions and Recommendations

Comparing the products of public and private agro-food industries, the products of the private sector are generally more welcomed by the consumers for the reasons specified above. Hence, the reduction in the growth and production of several products by the public sector is not surprising because of the competition and the lack of modernization of its firms. Therefore, the government has taken many actions to solve such problems such as offering the public companies to be managed and operated by the private sector. Accordingly, there is a need to study further the issues at stake to provide a better understanding of all factors affecting the sector and to make suggestions for improvement. The suggestions should take into consideration the evolution of the economic policies, the levels of technology, and the legal and

[9] See SOFAS 2005, page 66.
[10] Ministry of Industry, Directorate of Statistics, monitoring reports.

administrative aspects of the sector. The public sector should also gain more managerial flexibility in the decision-making related to production and marketing.

To support the growth of the private sector, a proper database should be created to cover the lack of statistical information on the sector. In addition, studies should be carried out on the factors contributing to the improvement of the private sector performance and the legislation necessary to better define its role in relation to the role of the public sector and overall economic development.

Annex Table 1. Main agro-industrial products of the public and private sector (1995, 2000-2004)

Product	Unit	Sector	Available Capacity	1995	2000	2001	2002	2003	2004
Flour	ton.000	Public	n.a	1,398	1,399	1,400	1,401	1,402	1,753
		Private	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Total							
Bread	ton.000	Public	n.a	667	680	710	730	808	821
		Private	n.a	864	1,216	1,626	1,727	1,789	n.a
		Total		1,531	1,896	2,336	2,457	2,597	
Biscuits	ton	Public	7,974	5,776	2,207	2,318	1,699	1,644	1,678
		Private	n.a	8,265	10,872	11,354	15,662	16,037	n.a
		Total		14,041	13,079	13,672	17,361	17,681	
Macaroni & Noodles	ton	Public	3,508	2,190	1,433	922	1,095	1,219	1,203
		Private	n.a	4,270	6,758	7,035	7,115	7,205	n.a
		Total		6,460	8,191	7,957	8,210	8,424	
Pasteurized Milk	ton	Public	15,953	n.a	11,714	10,706	10,797	10,492	13,402
		Private	n.a	1,614	1,773	1,497	1,407	1,470	n.a
		Total		1,614	13,487	12,203	12,204	11,962	
Cheese		Public	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Private	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Total							
Canned Peas	ton	Public	3,683	n.a	645	198	931	904	n.a
		Private	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Total							
Tomato Paste	ton	Public	13,345	n.a	6,995	1,568	4,355	2,473	n.a
		Private	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Total							
Various Canned	ton	Public	n.a	14,370	9,328	3,871	10,295	8,017	8,441
		Private	n.a	3,419	11,465	7,564	12,029	12,570	n.a
		Total		17,789	20,793	11,435	22,324	20,587	
Marmalade*	ton	Public	5,271	n.a	875	297	1,298	1,592	n.a
		Private	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Total							
Sugar	ton.000	Public	n.a	158	109	121	214	123	231
		Private	0	0	0	0	0	0	0
		Total			109	121	214	123	

Annex Table 1 (continued)

Chocolate	ton	Public	n.a	389	14	19	11	1	0
		Private	n.a	5,547	5,567	6,062	7,078	7,985	n.a
		Total		5,936	5,581	6,081	7,089	7,986	
Vegetable Oil	ton	Public	42,765	33,435	45,087	44,121	49,568	43,756	33,320
		Private	n.a	272	43,699	62,385	64,890	68,161	n.a
		Total		33,707	88,786	106,506	114,458	111,917	
Olive Oil	ton	Public	0	0	0	0	0	0	0
		Private	n.a	84,852	165,354	95,384	194,599	103,947	n.a
		Total		84,852	165,354	95,384	194,599	103,947	
Margarine & Butter	ton	Public	n.a	5,182	975	1,169	1,091	1,054	962
		Private	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Total							
Mineral Water	botl .000	Public	n.a	19,629	26,927	28,848	28,896	32,940	33,708
		Private	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Total		19,629	26,927	28,848	28,896	32,940	
Gaseous Beverages	L.000	Public	9,389	5,668	3,614	3,014	2,787	2,642	2,412
		Private	n.a	48,812	113,508	119,452	129,457	138,519	n.a
		Total		54,480	117,122	122,466	132,244	141,161	
Beer	L.000	Public	10,078	10,243	9,078	9,950	10,370	10,013	10,855
		Private	0	0	0	0	0	0	0
		Total		10,243	9,078	9,950	10,370	10,013	
Arak	L.000	Public	n.a	2,827	2,987	3,083	3,108	2,496	3,334
		Private	n.a	710	836	679	762	845	n.a
		Total		3,537	3,823	3,762	3,870	3,341	
Wine	L.000	Public	n.a	249	326	303	296	315	257
		Private	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Total							
Other Alcoholic	L.000	Public	n.a	100	34	37	39	49	25
		Private	n.a	1,207	1,153	1,211	1,404	1,486	n.a
		Total		1,307	1,187	1,248	1,443	1,535	
Fruit Juice		Public	n.a	n.a	n.a	n.a	n.a	n.a	n.a
		Private	n.a	4,060	11,920	12,173	8,025	8,327	n.a
		Total							
Dry Onion	ton	Public	1,672	820	1,443	1,047	1,129	1,032	1,460
		Private	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source 1. Central Bureau of Statistics, Statistical Abstract, 2000, 2005.

Annex Table 1 (continued)

Source 2: The General Organization of Food Industries, Annual report 2004

* Contains various marmalades.

n.a: Not available

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