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World and Syrian Trade in Olive Oil And Related Agricultural Policy

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Introduction

In Syria olive tree is considered as one of the important plants as it includes good varieties convenient for olive oil extraction and other varieties for table olives, such as Sorani- khdaeri- doaebli- dan- kaese- jlut- mosabi- mokharam- abo satal- abade- abo shoka.....etc.

A large number of Syrian households are involved in olives cultivation as well as in oil production and trade as olives planting is considered as their main source of income. Syrian Olive production mainly exists in the southern and western regions (Aleppo -Idleb- Lattakia- Tartous) and wide spread in southern region (Dra'a, Al Sweida, Quneitra, Rural Damascus) but olive production is limited in eastern region (AlRakka, Deirezzor, AlHassakeh). Olive seedlings are produced by government nurseries that produce 4 million seedlings per year to be distributed to farmers against symbolic fee.

The objective of this paper

This paper aims to study the olive oil production and trade, both in Syria and at the international level. The study is significant because of the economic importance of this sub sector and due its contribution to Gross Domestic Production (GDP). Not only does it earn foreign currency from export, it also generates rural employment where olive farming is located. Furthermore this sub sector has a nutritional importance, for olive oil is considered as a major source for various nutritional elements such as fatty acids and carotene. In addition, planting olive trees generally enhance the natural environment both aesthetically and in terms of sustainability.

Also this study discusses the most important policy issues related to this sub sector and highlights the constraints facing olive production and trade.

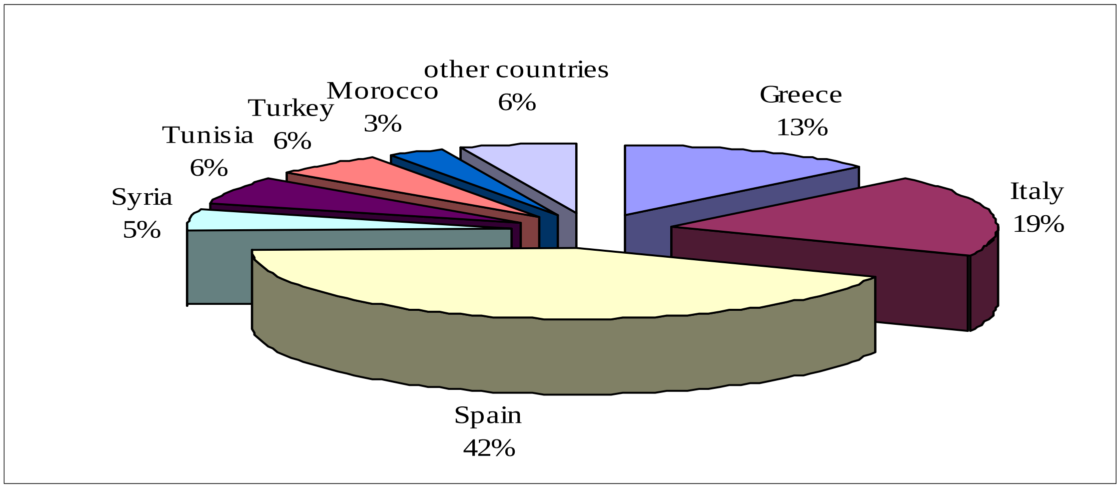
1. International production and consumption of olive oil

Olive oil planting is mainly centered in Mediterranean area where olive oil trees accounts for 95 % of total world olive oil trees.

Spain leads producing countries with about 42 % of world production in 2007, followed by Italy with about 19 % and then Greece (13%). The production of these three countries accounted for about 75% of world production in 2007. In addition, Tunisia, Syria, Morocco and Turkey are considered as important countries in the field of producing olive oil (see figure 1).

Also olive oil is produced out of the Mediterranean basin in some countries like Chili, Argentina, Australia, and the USA (most production is centered in California because of appropriate climate).

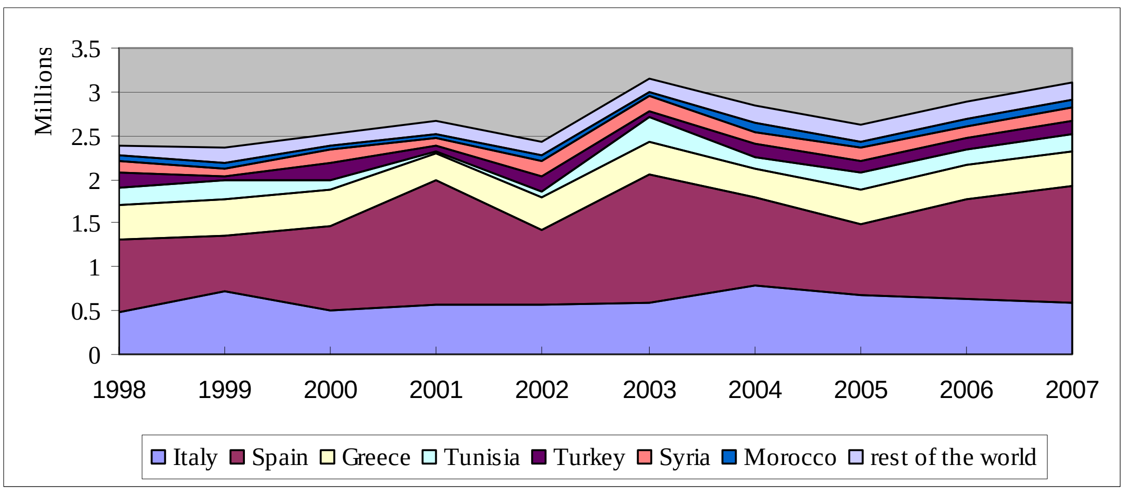
Figure 1-world main producing countries in 2007 (%)



Source: FAOSTAT

Between 1998 and 2007, World production increased from 2.4 million tons to reach a peak in 2003 recording 3.2 millions ton to decrease slightly in 2007 to 3.1 million tons. However the overall production in this period fluctuated as figure 2 illustrates. This is mainly because of the uncertainty of production as a result of alternative bearing phenomena.

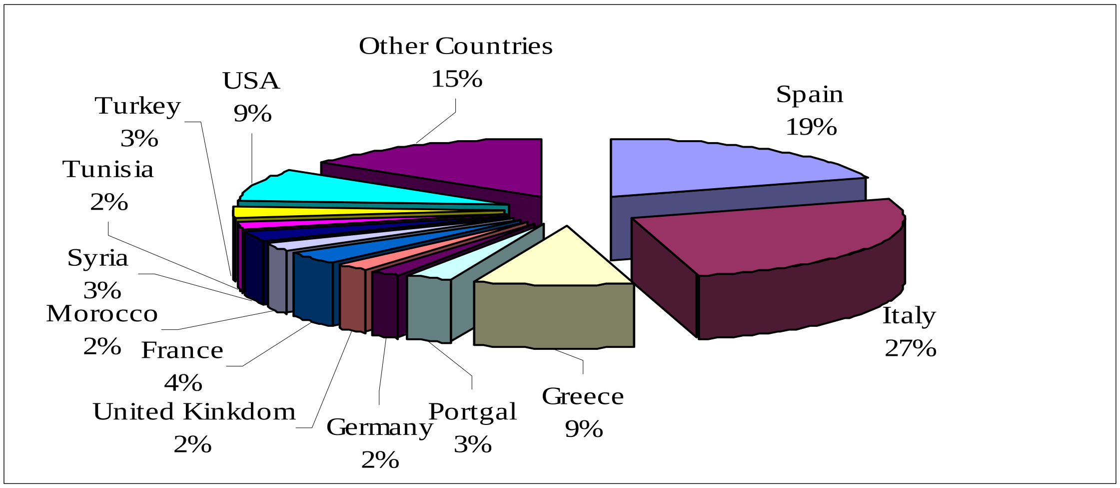
Figure 2- world olive oil production increasing 1998-2007 (million tons)



Source: FAOSTAT

As for consumption, consuming countries reflect the percentage of the producing countries (figure 3). Consumption percentage of European Union (EU) accounts for 70% of world consumption, Mediterranean countries (including those Mediterranean countries of the EU) account for 75%. Other consuming countries are the USA, Canada, Australia and Japan.

Figure 3 - world main consuming countries in 2007 (%)



Source: IOOC

2 Olive Oil International Trade

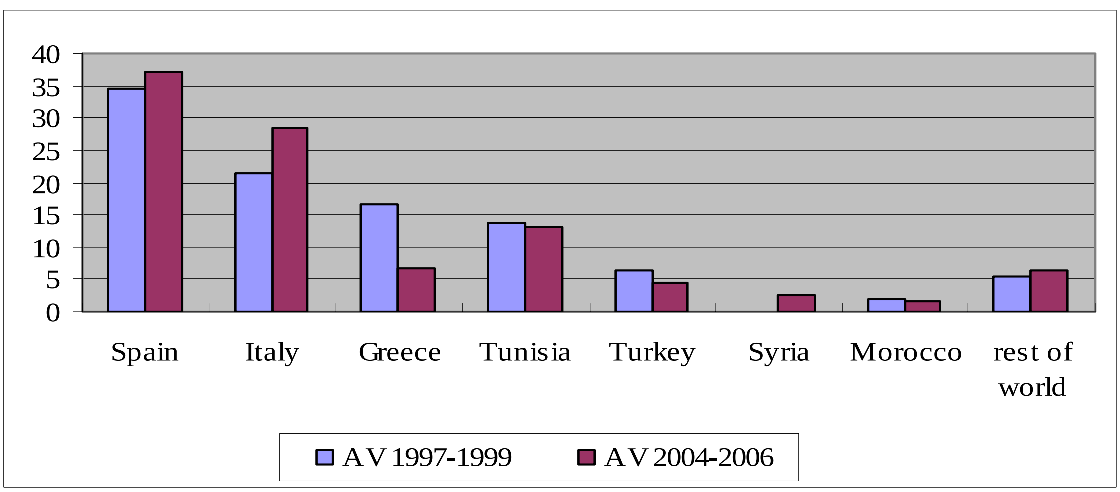
2.1 Exports

Since Mediterranean countries are the main producing countries, exports of olive oil are centered in these countries (figure 4) where these countries account for 95% of world exports.

- Spain leads exporting countries where its exports exceeded 35% of total world exports during 2004 - 2006. Spain exports olive oil to more than 100 countries

- Italy ranks second with about 28% of world exports in the same period. Greece and Tunisia and other countries like Turkey, Morocco, and Syria export little quantities of olive oil in comparison with the first four countries. Taking into consideration that the average of Syrian olive oil exports increased significantly from 0.6 % during 1997 – 1999 to 2.6 % of total world exports during 2004 – 2006.

Figure -4 most important world olive oil exporting countries (ton) 1997 – 1999 and 2004-2006



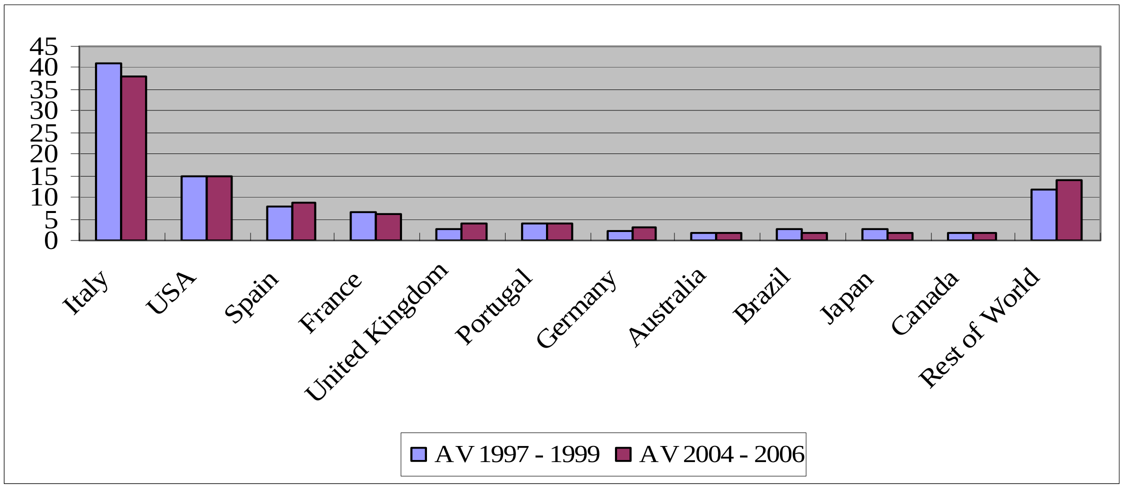
Source: FAOSTATE

2.2 Imports

Imports are also centered in the EU where Italy leads importing countries accounting for 35% of world imports in 2004 - 2006 which together with the Spanish imports is more than half of world imports. This is because both countries import large quantities of olive-oil in bulk containers, where it is refined and bottled for re-exportation.

The USA ranks second and is considered as a net importer with about 15% of world imports (figure 5).

Figure 5 –most important world olive oil importing countries (ton) 1997 – 1999 and 2004-2006



Source: FAOSTATE

3. World agricultural policy related to olive oil

Since EU production of olive oil accounts for 75% of world production and its exports have nearly the same percentage as mentioned earlier, my discussion of world agricultural policy concerning olive oil will therefore be mainly about EU policy. The EU subsidized olive oil production in the past, notably by means of the Common Agricultural Policy (CAP). as a result of this policy farmers received subsidy payments relative to their production (i.e. the more farmers produced the more subsidy payments they received). The value of annual EU olive oil subsidies was $2.3 billion; the value of world trade in olive oil was $1.1 billion excluding intra-EU trade. This means EU olive oil subsidies were twice the value of the world olive oil trade ($2 of subsidies for each $1 of world trade). In addition, olive oil world trade faced European tariffs of € 1.2 – € 1.3 per kilo. The level of European olive oil subsidy ranged from less than €100/hectare in traditional areas (producing c. 500 KG/year), to more than €2000/hectare for mechanized and irrigated farms (producing more than 10000 KG/year). Also the national guaranteed quota established by the CAP allocates certain quotas to European countries (760000 tons for Spain and 543000 tons for Italy) even though actual production is often higher.

Since 1992, European subsidies on olive oil have decreased as a result of CAP reforms. The European olive oil sub sector, with other Mediterranean products, was reformed in 2004. Since 2004 40% of payment subsidy has been linked to the average current production while the other 60% has been decoupled with a reference period 2000-2003. Olive farms smaller than 0.3 ha will see their payments completely decoupled from 2006. A reference period is to be implemented on planted farms prior to 1st may and EU member states may use up to 10% from olive oil support to finance quantity measures.

With the aim of improving production in quantity and quality in addition to organizing the trade and market of olive oil and to find a solution for problems and obstacles in the fields of olive oil production and trade, the IOOC was established in 1959 as the organization responsible for the administration of the International Olive Oil and Table Olives Agreement (1956). IOOC standards are as followed.

- *Extra-virgin olive* oil comes from the first pressing of the olives, and must contain no more than 0.8% acidity. It has superior taste with no refined oil.
- *Virgin olive oil* must have acidity less than 2% which it has a good taste with no refined oil.
- *Olive oil* is a blend of virgin oil and refined virgin oil with 1% acidity at most and lacks a strong flavor.
- *Olive-pomace* oil is a blend of refined olive-pomace oil and possibly some virgin oil. It is fit for consumption but it may not be called olive oil and is rarely found in grocery stores but is often used for certain kinds of cooking in restaurants.
- *Lampante oil* is olive oil not fit for consumption and is mostly used in the industrial market.

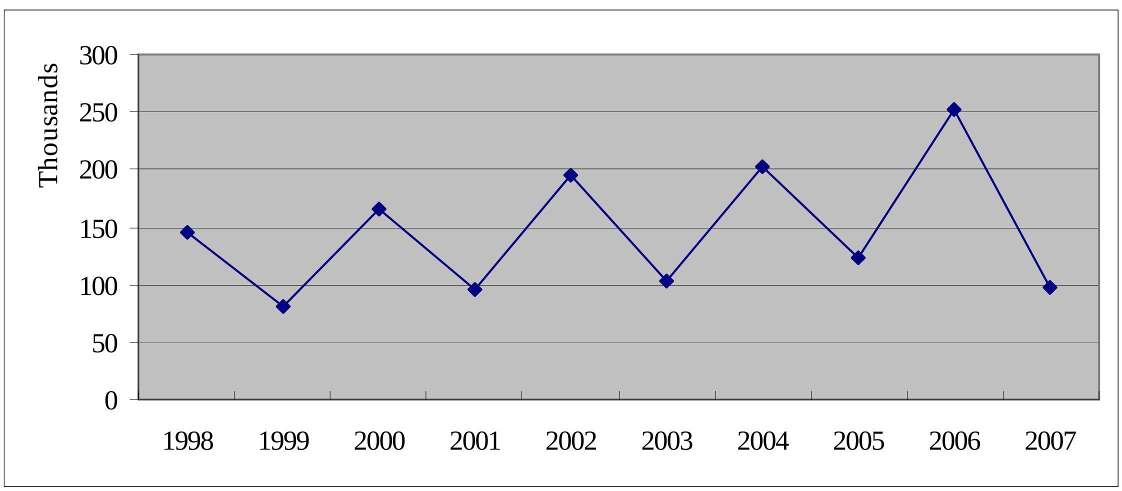
4. Syrian production and consumption of olive oil

4.1 Syrian production of olive oil.

Olive oil production has doubled over the last decade in Syria, mainly because of the governmental policy in reclaiming lands. In the last decade the total area involved in olive cultivation and olive tree density grew from 460 thousand hectares planted with 62.3 million trees (36.7million as productive trees) in 1998 to 600.5 thousand hectares planted with 87.5 million trees (64 million as productive trees) in 2008.

As for olive oil production, it increased significantly from 144.8 thousand tons in 1998 to reach about 250 thousand tons in 2007 recording unprecedented peak. In 2007, Syrian olive oil production decreased to 98.3 thousand tons as a result of seasonality (figure 6).

Figure 6 –olive production increasing in Syria 1998 – 2007 (thousand tons)

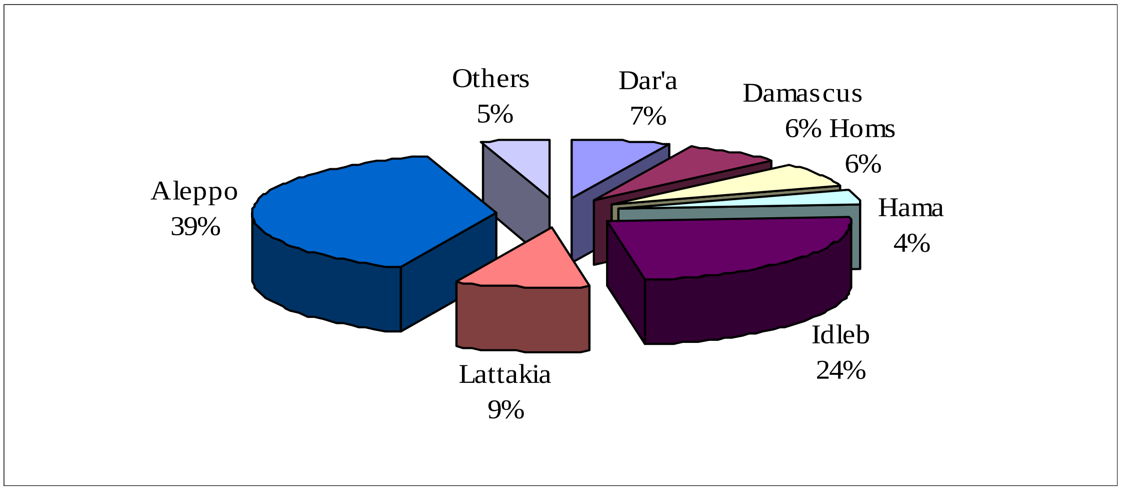


Source: NAPC database

Total olive production varies from year to year due to alternate bearing phenomena. Figure 5 shows that production decreases to become about half in seasonal years.

Olive production in Syria is centered in southern and western regions where Aleppo ranks first followed by, Idleb, Lattakia, Dar'a, and Rural Damascus. Olive oil is produced in small amounts with increased trend in middle and southern regions (Homs, Hama, Tartous, and Al-Sweida) and is rarely produced in Eastern provinces (Al-Rakka- Al-Hassakeh- Deir ez Zor) (figure7).

Figure 7- distribution of olive production in Syrian governorates in 2005 (%)



Source: Annual Agricultural statistical Abstract 2007

4.2 Syrian consumption of olive oil

Syrian consumption of olive oil is linked to domestic production and the available production after exporting which affects domestic prices. According to Food and Agriculture Organization, Syrian consumption was about 6 KG/per capita in 2003 which is low compared with other producing Mediterranean countries (e.g. Greece 19KG/per capita). On the national level, consumption is about 110-115 thousand tons/year, and the surplus is about 50 thousand tons/year which is expected to continue as a result of a continuing land reclamations policy and on the basis of 1-2 million new trees yearly.

5. Syrian trade in olive oil

5.1 Exports

Syria ranked sixth among the world producing countries during 2004 – 2006 (figure 4). Syrian olive oil exports are also affected by alternate bearing phenomena. At the state level, Syrian exports of olive oil came forth among Syrian agricultural exports during 2004 – 2006. Its contribution in total Syrian agricultural exports value increased from 0.6 % in 1997 – 1999 to reach 5.2 % in 2004 – 2006 where Annual Growth Rate was 25.7% in value and 26.9 % in quantity. Due to some local and foreign investments, annual Syrian exports of olive oil increased from 1,912 tons in 1997 – 1999 to 33,847 tons during 2004 -2006 (table 1). Olive oil exports in 2005 recorded a peak reached about 62.3 thousand tons valued at $91.5 million.

Table 1 - Syrian exports of olive oil in 1997 - 2006

Years	Exports		Unit value US$/Ton
	Ton	Million US$	
Av 97-99	1,912	5.4	2,843.5
Av 04-06	33,847	59.1	1,745.1
2002	4,837	11.5	2,381.0
2003	29,717	53.2	1,789.5
2004	22,144	36.0	1,624.3
2005	62,270	91.5	1,470.1
2006	17,126	49.7	2,901.1

Source: NAPC database

It is worth mentioning that Syrian olive oil exports enjoy Relative Comparative Advantage [1] which was 10.6 in 2005 and 14.0 in 2006. In addition, Syrian olive oil exports classified as Champions[2] on Syrian agricultural trade map[3].

Table 2 shows the main destination countries for Syrian olive oil exports.

Table 2- main destination countries for Syrian olive oil exports (%) in 2002 – 2006

Years	Main destination Countries (%)
2002	S. Arabia 30.5, Switzerland 14.6, Kuwait 8.9, Turkey 6.6, USA 6.6, UAE 4.3
2003	Italy 50.3, Switzerland 17.9,S. Arabia 5.2, Spain 5.2, Turkey 3.2
2004	Italy46.2, Switzerland 11.8, Syrian Free Zone 8.4, Spain 7, S. Arabia 5.2
2005	UAE 29.4,Italy 27.9,Syrian Free Zone 10.6, Spain13.8, Switzerland 6.3
2006	Italy 40.7,Spain 14.1,S. Arabia 9.4, Iran5.4,Lebanon 4.3, Kuwait 2.8,UAE 2.6

Source: Syrian Agricultural Trade 2005

5.2 Imports

Since 1994, the Syrian government has banned olive oil imports for human consumption with the aim of protecting domestic production. Syrian does import other kinds of olive oil in small amounts such as Lampante for manufacturing soap. But in 2006 as there was a significant rise in olive oil domestic prices, the Syrian government allowed the importation of olive oil until the beginning of September. In 2007, as a result of implementing Great Arab Free Trade Agreement, the Syrian government allowed importing olive oil from member states.

[1] RCA index is considered as one of the most important indicators that evaluates product competitiveness in foreign markets. RCA equation is RCA= (value of Syrian exports of a given product / value of world exports of the same product) / (value of total Syrian agricultural exports / value of total world agricultural exports).

When RCA is bigger than one, then the country has RCA of the commodity or product which must get an interest.

[2] These are the Syrian export products that performed very well which has grown significantly (i.e. above average world trade growth) led to an increased share in world imports.
Exporters of these products have proven their international competitiveness in the study period. Efforts in promoting trade in such products face a low risk, as these products are successful in world markets which can serve as reference points. Promotional efforts should aim at broadening the supply capacity of these products comforted by the evidences.

[3] See Syrian Agricultural trade 2007.

Determinative factors for Syrian trade in olive oil

• Competitiveness is considered the most important factor affecting Syrian olive oil exports. Syrian olive oil faces a very stiff competition from the well-known European companies especially from Italian and Spanish companies which produce high-quality olive oil fit for consumption in importing countries.

• Additionally, Syrian olive oil, which is still considered as a new product in the world market, faces the problem of advertising and promoting in these consumer markets.

• Using traditional methods in olive harvesting and delaying the harvest pressing as the major factor that increases acidity affecting the quality negatively and product competitiveness' in Arab and world markets.

7. Syrian trade policy related to production and trade in olive and olive oil

Syrian trade policy related to production and trade in olive and olive oil is summarized in two main points:

- increasing production policy
- open economy and trade policy and free market

Increasing production policy has been adopted by the Syrian government for the considerations of the importance of olive oil sub sector to the Syrian economy where the production increase has resulted for the following reasons.

- Regarding olive cultivation, the government reclaims wide areas of land owned by private sector at a low cost and provides subsidized seedlings adapted to the Syrian environment in addition to providing soft loans to farmers.

- The Ministry of Agriculture and Agrarian reform provides an intensive extension program free of charge that aims at increasing productivity.

- The Government applies Integrated Pest Management to control many olive diseases which cause decrease in production.

With regard to trade liberalization, the Syrian government has signed many bilateral and regional agreements that aim to establish free zones in addition to a group of concrete measures, for example all taxes and fees levied on olive oil processing companies that produce less than 2 tons per day have been eliminated.

Also, the Syrian government now permits all companies that specialized in marketing and refining olive oil in addition to all trades to export olive oil exempted from the systematic controlling provision on exports by the Increasing Exports Commission taking into account that these companies export according to international standards and the terms set by the Ministry of Trade and Economy where these companies will be subjected to selective control by the center according to international standards.

8. Suggestions and recommendations

- Educate farmers and encourage them to follow proper procedures starting from picking olives, bottling and transporting in order to reduce loss in the production.

- In addition, modernize mills so increasing their production of olive oil, according to international standards.

- Promote and advertise Syrian olive oil in world markets so that they become well known by consumers for adhering to international standards related to quality and goodness (acidity – color-taste –smell). Thereby assisting in making Syrian olive oil competitive in the world markets.

- Exempt all levied taxes on production inputs and mills. Develop a banking system and provide finances resources for marketing.

- Signing agreements for certain quantities of Syrian olive oil exports with some countries such as Brazil and other promising South American countries especially the surplus is estimated at 50 thousand tons yearly which is increasing as mentioned previously .

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