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on

Olive and Olive Oil Sub-Sector

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- Opinions and judgments expressed are the authors' only. FAO proposes the text as basis for starting the discussion among scholars and policy makers on the issues related to the subject of the study.

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SUMMARY

The objective of this report was to analyse the main features of the economics of the olive oil sub-sector in Syria and to identify its constraints and potentials in relation to the domestic and international markets. Now, more than ever, the marketing issues are becoming more and more important since the production has exceeded the domestic consumption. In the near future, the gap between production on one hand and consumption and export on the other hand could again grow because of the past and present olive tree planting caused by the land reclamation policy. The report analyses the main issues in relation to these aspects and problems, in particular development of international olive oil supply, demand, import and export, international and domestic price structure, economics of the Syrian olive oil sub-sector and international competitiveness of Syria.

The report ends with a list of recommendations that, in our opinion, the Syrian Government should take into account to develop its position in the international olive oil market.

The report reviews the documents and research done in Syria during the last few years and analyses and interprets the collected data to reach some conclusions and suggestions.

International production and consumption

There are two main elements to consider in international olive oil production and market: the production growth and the consumption development which are determined by different factors, namely strategic national policies, farms' investments, new consumers, new consumers' needs and knowledge about diet and health.

During the last ten years, supply has often been greater than demand and this surplus has been a source of worry for the producers, but at the same time a great incentive to push selling activities because consumption has, however, grown.

Producing and consuming countries

Old and new producing and consuming countries play different roles in the growing olive oil market; so new opportunities can be found and exploited and new national and international rules have to be established. The international market can be divided into four different categories:

- a) old traditional producers and consumers: net exporters (Algeria, Greece, Lebanon, Morocco, Tunisia, Turkey) and net importers/exporters (Italy, Spain);
- b) new and old consumers: no producers (Canada, Japan, Brazil) or with a little experience in production (USA, Australia, New Zealand);
- c) Europe: no producers (UK, Germany) or with little production (France) that

have to respect common import regulations of the European Union; and
d) Specific market: Syrians living abroad.

Syria is the sixth world producer, with more than 100 thousand tons, but its consumption has grown because of the population growth and not because of increased per capita consumption.

Old producing and consuming countries in the EU (Spain, the first producer, Italy, the first consumer, Greece, Portugal) have saturated markets, but with a heavy trade among themselves; they also import products from outside EU areas. Really, on the side of quantity, they do not need product to cover deficit in consumption (except Italy) but marketing strategies of the manufacturing and trading firms cause very important and complex product flows. Traditional low price countries which export towards that rich area include other countries of the Mediterranean Sea (Algeria, Lebanon, Morocco, Tunisia and Turkey) thanks to different governmental agreements.

International competition problems

Market is not only some aggregate figures of a domestic or an international trading exchange, but also an institutional system of relationships, rules and regulations. In addition, net importers and non-producing countries import olive oil following their own general commercial procedures and relationships fixed by bilateral or international agreements.

For instance, the EU has a long history in olive oil market organization, defense of the olive oil sub-sector and agreements with non-EU partners (southern Mediterranean countries). Even though the new GATT agreement pushes toward wider international trade liberalization, the internal situations and national strategies can still determine rules to organize and control domestic production and consumption and fix trade duties and barriers. Moreover, the European saturated consumption and assured commercial relationships between the EU and non-EU countries create a natural barrier against some newer exporters, like Syria. A possibility to export to the EU is in accordance with the Preferential Traffic Active procedures; obviously this is a marketing policy for whoever wants to sell low priced products.

Certainly, with the new international rules, the European farmers and traders will not be able to stop competitive import for very long. In the face of new risks, they are trying to find or enlarge new markets while the new EU agricultural policy is now focused on improving their products and the efficiency of their associations and co-operatives. Consequently, international competition grows although the annual increase of consumption ratio could satisfy all exporters at least until some country that has already gained knowledge and experience in production will be able to offer its product (for example, the USA, Australia etc.).

International import and export

The international structure of import and export shows that Spain, Greece and Italy are the main exporters (76% of total world export), with Italy and Spain being the main importers (48%) and the USA the main net importer (15%). Italy and Spain are the main producing countries with the highest quantity of imports; they use imports to transform, refine and export. Italy imports from Greece, Spain and Tunisia; Spain imports from Greece, Tunisia and also from Italy and a small quantity from Syria.

The double direction of the production flows between Spain and Italy could sound odd but the phenomenon can be explained by looking at different firms' quality strategies and national supply system. Spain exports to many different markets but firstly to Italy, while Italy has a main client, the USA. However, there are differences that need to be analyzed. In fact, Spain's and Italy's import structure in relation to different olive oil typologies is very different. One can distinguish import share of virgin olive oil (no lampante) from the total: Spain 23% and Italy 57%. This means that Italian consumers prefer extra virgin, but it must be remembered that Italy also exports it. This country is ahead regarding quality consumption and is in a position to control the extra virgin international market. Nevertheless, its industry structure is also organized to export refined oil via the import of lampante oil (the main importer).

The data demonstrate that there are two international markets. The first includes the countries and market niches that absorb current quality such as the USA, Japan, Canada. The second includes the countries and niches where consumers appreciate high quality more, e.g. France, Britain and Germany and also niches in the previous countries.

International pricing

Quality rewards the price; in fact, the discussion will be focused on this relationship where different levels of quality are not a problem of the olive oils' specification (different levels of acidity and peroxide), but rather of a complex set of natural characteristics (acidity and organoleptic variables).

To discuss the price differentiation and understand the relationship between quality and price one can analyze two different market structures, eg. Italy and Spain. Italian importers pay extra-virgin +7% to +8% more than the Spanish to support their quality policy and Italian exporters sell at +7 to +10% higher price thanks to the quality of the products. Furthermore, lampante oil is bought by Italy at higher prices than Spain; in fact, Italian firms accept to pay this amount because they recognize the good quality of Spanish lampante and need it to process and export.

It is note worthy that the price of import from non-EU countries is 23% cheaper for both importers and involves southern Mediterranean countries with less expensive base prices. This is an important element to take into consideration for Syrian export prospects.

It must be added that the ratio between virgin and lampante (EU market) is now very small; that is explained by the large current demand of traders to make blends, but it also depends on different years or market situations, needs and speculations.

Economics of Syrian olive oil sub-sector

The Syrian olive oil sub-sector is characterized by the following aspects and constraints:

- i) large increase in the number of olive trees (reclaimed land policy) and, consequently, high production growth rate;
- b) slow growth of domestic market in relation to increased production, and thus "structural surplus" is expected in the near future;
- c) higher domestic prices than international ones;
- d) unsuitable quality, and differences in legal standards of quality in comparison with international markets;
- e) lack of export knowledge, experience and management; and
- f) inadequate norms and procedures for exporting.

Certainly, in Syria, the "*quantity approach*" seems to prevail over the "*quality approach*". This situation resulted from the previous government's policy of reclaiming lands to increase agricultural production, especially of olive trees.

Actually, a large number of Syrian farmers (377,000 families) are involved in olive tree cultivation and olive oil production and selling. The reclamation has led to an increase in domestic olive oil production (from 66,000 tons in 1987-1988 to 116,000 tons in 1996-1997, i.e. +76%); meanwhile, the consumption has increased slowly (from 59,000 tons in 1987 to 75,500 tons in 1996, i.e. +28%).\

The data above enabled us to focus on the central problem of Syrian supply: the next "*structural surplus*". The IOOC, the SEBC survey and Syrian statistical data provided some figures and estimates. If the reclamation policy and the planting of olive trees continue, Syria will be producing 200,000 tons by the year 2010. In the same year, based on the population growth rate (2.76%/year), the income elasticity coefficient (0.4) and per capita consumption (5.4 kg), the total consumption will reach only 115,000 tons. Therefore, the surplus will be 85,000 tons. These estimates are not only based on past trends, but we have to take into account that 23 million of olive trees (40% of the total) are going to start producing. At the very minimum, with one kg oil production per tree, the total increase will be 23,000 tons.

The obvious solution to the expected crisis in the sub-sector is to export surplus, but export is a difficult outlet because of a lack in traders' skills, Syrian prices, and also the problems in defining olive oil types and guaranteeing qualitative standards in accordance with international markets.

In this last case, the problem is the renewal of processing plants and processing procedures. At present, the mill system is composed of:

- 15% old presses,
- 66% hydraulic presses, and
- 19% continuous systems.

These mills process, respectively, 2%, 42% and 56% of the total national production. Undoubtedly, it is not a modern processing system compared to that in the European countries, which are more and more worried about the quality required by consumers. Moreover, the number of producing farms per mill is very high (source: SEBC,1998); in terms of trees: 77,500 trees/mill while Europe has only 23,000. This is one of the causes of the crowding at the mills during the harvest time with the failure of schedule agreements with the peasants. It is the cause of olive oil deterioration as can be seen from the results of the survey.

Concerning quality (per acidity), Syrian experts estimate that 50% of the oil in Syria is olive oil type 1 (up to 1.5% acidity); our survey at the farms shows 57-58% with a fraction of extra virgin of 16.5%. Millers claim to sell 31% extra virgin and 28% the second fraction of type 1 (total type 1 is 59%). At the wholesale level the extra virgin datum is similar (17.5%), but the second fraction changes to 26.1%: so the total type 1 is 43.6%. There is some difference, but the total type 1 is an important result if one considers that a fraction of type 2 enters in the international range of 1-2 degrees of acidity or, in other words, in "fine" virgin olive oil.

If good acidity seems to be assured, the real problem is in the deterioration of the other very important components of quality (smell, flavour, taste, colour). A measure of these parameters is given by our survey.

Since 1991, the surplus has been growing (from 6,500 tons, biennial average, to 49,500 tons in 1996) while the export has fluctuated during the three years period, 1995-1997, from 5,000 to 11,000 and 3,000 tons without a clear trend. But export seems to absorb only a small part of the surplus. Where does this surplus go? The first possibility is that part of it goes in small lots to neighbouring countries for local consumption or for export (our informal information). Another explanation is that domestic consumption is higher than what the official figures show (see the results of the survey).

Export is needed not only to reduce surplus but also to avoid a sudden drop of internal prices; in fact, the Syrian olive oil sub-sector is a typical closed market where producers avoid international competition. Nevertheless, the Olive Oil Bureau estimates (informal information) that the extra virgin price has decreased from 160 SP in 1995/96 to 125 SP in 1997/98 (-22%) while the last price at harvest time in 1998/99 has reached 100 SP (-37.5%), almost a "Mediterranean price".

The government has opened the market only on the side of supply, adopting some resolutions to favour export by implementing export tariff exemptions. So, closure on the side of import is the main element that has an impact on production and the market system. Nevertheless, there are no other specific marketing and pricing policies or considerable taxes and subsidies distorting the market. Farmers do not

pay taxes and have not received subsidies for agriculture inputs for a few years. Subsidized credit to olive trees farms represents only 3% of the total credit to agriculture, and our survey at the farm level shows that a larger number of producers do not use credit. The mills are considered to be industrial companies and thus pay a processing tax between 20% and 30% in accordance with different gross result levels.

All these elements do not have much impact on the domestic market and demand except the barriers to import. So a "price difference" can be measured by comparing Syrian prices with southern Mediterranean supply prices. Consumers pay more for national product than they would pay for a foreign supply from nearby countries (+\$ 1.13/kg); but the farm selling price to wholesale market reduces this difference (+\$ 0.93) while exporters (information by interview) buy at lower price via wholesalers or middlemen (+\$ 0.49/kg). Data on export prices (see our survey) show that in international non-EU markets (Brazil, the USA and the Gulf countries, for instance), Syrian supply is competitive even though one cannot compare products merely on the basis of the acidity level.

The results of the survey

The survey focused on two main subjects:

- i) production and processing quality; and
- ii) agents' propensity to integration.

In general terms, we can claim that along the olive oil production and processing quality chain, from farms to retailers, there is always some critical point that can damage the oil quality. This phenomenon is present right from the start at harvest time when Syrian olive fruit could be considered a really good product (see our *production quality index*). In fact, a large number of farms follow "integrated pest management" programmes. But the *farm olives conservation index* shows that only a small number of farms conserve the olives in the right way. We still find a low level of oil conservation, in small metal can, at the farms (*farm olive oil conservation index*).

The quality chain continues with processing in the mills (*mill quality index*), in great part at medium level but none at the best level. Surely, it is not only a processing plants problem, but also a problem of procedures to conserve olives (method and time) and general conditions of processing (temperature, cleanliness etc.). At the wholesale market (*wholesale quality index*), bad conservation continues; only few wholesalers use different containers (steel, glass etc.) rather than small and large metal cans that could have problems of cleanliness, rust and ions.

The above collected information points to a lot of actual problems: incorrect post-harvesting and processing procedures, limited mill and wholesaler sizes, shortage of large modern containers, absence of agreements among agents along the olive oil chain. To compete in the international market, larger export firms are needed as well as larger plants and warehouses to control quality and reduce costs. We believe that

the "natural" course to achieve it would be too slow and, therefore, different cooperatives, agreements and contractual integrative forms need to be encouraged and promoted.

Thus, we have explored the propensity to integrate at every level of the olive oil chain. Only a part of the agents would accept or want links with almost the same low percentage at each level (from 20 to 26%). Millers have already had some experience with farmers testing agreements concerning producing, harvesting, the post-harvest and above all delivery times with some success or failure. The preferred integration types are not only implementing common general rules and control rules, but also merging and establishing new firms.

Wholesalers seems interested in relationships to a higher degree than other agents, while exporters and farmers preferred integration like the setting of contractual rules, the quota/share exchanges between firms, as well as the creation of new firms.

At the end, we examined the millers' and wholesalers' propensity to join in a "National Marketing Board": 67% and 51% respectively; 36% of the former and 20% of the latter agree only with private capital, 9% and 8% with only public capital and 23% both for mixed shares.

Consumer Survey:

Syria, like other Mediterranean countries, consumes a great quantity of vegetable oils and a limited quantity of animal fat (ghee). The annual family average consumption, in our sample, reveals olive oil at first place (51 kg) while different types of vegetable oils vary from 20 kg (soybean) to 27 kg (corn and cotton seed oils). Ghee consumption is 21 kg.

Per capita data show that oil and fat consumption decrease with family size due to the "economy of scale", while it increases as income increases (olive oil: from 8 kg to 16 kg). It is a fact that Syrian consumers have a definite preference for consuming this excellent product: everybody puts olive oil in first place in their preferences. Olive oil is preferred to other fats for flavour and health (advantage of consuming olive oil) and consumers prefer to buy extra virgin. Consumers would like also to increase olive oil consumption, but obviously before making decisions like these more thorough marketing research needs to be carried out by interested firms.

Actually, there are conditions to increase olive oil consumption based on price considered as too high and income level considered too low. Other less important determinants are increase in family size, improved quality, packaging and prevention of cheating. Consumers are also convinced to pay more for brand-name products. The problem of "cheating" is only a worry for some people, but we think that emphasis on purity and quality could be a strong element of marketing.

Table Olives

The Syrian table olive market represents about 2% of the olive oil market value; in other words, it is a by-product of the main market. The total production has changed

from 49,000 tons in 1984 to 82,000 tons in 1994 (+67%) but IOOC statistical data show that the production was 60,000 tons in 1997/98. That represents 6% of world output and also 6% of the total consumption.

Spain is the leading producer with 325,000 tons and Turkey ranks second (124,000 tons) followed by a group of countries that produce from 80,000 to 95,000 tons (USA, Greece, Morocco and Italy). Syria is the 7th leading producer. The USA is the leading consumer (172,000 tons) followed by Italy, Turkey and Spain. The EU countries and Morocco are the main exporters whereas the USA and the EU are the main importers.

Regarding table olive market, we have distinguished two different Syrian markets:

- i) the non processed olive market for local consumption (family processing);
- ii) the wholesale table olive market; many wholesalers process a small quantity of olive in the traditional way or sell olives, collected at the farms, to specialized processors who provide for the local market, national firms or importers in other countries;

The main consumer countries (producer or not) are characterized by two different final markets:

- i) small firms which are not marketing oriented: strategy based on low-middle range prices and local or regional markets; and
- ii) large firms which are marketing oriented: strategy based on middle-high range prices, high costs for advertising and promotion and national or international markets.

Syrian processing firms and wholesalers-exporters should think about this classification and their strategic goals.

Conclusions and recommendations

i) Conclusions:

Syria has some problem not only with the oil quality and organoleptic standards, but also with olive production of acceptable quality. Its prices are not competitive enough (in comparison to other Mediterranean countries) to export to the EU and only a political agreement can open this market for a certain quota; consequently, this does not solve the future structural surplus problem. Syrian olive prices seem to be competitive in some international markets outside the EU, but the exporters do not have enough experience in international trading and lack marketing information. They complain about Syrian laws, the bureaucratic procedures for export, and the lack of a modern banking system as well as the poor management, training and marketing support. Moreover, the size of the firms is too small to effectively face international markets.

One considers quality and its improvement, but always thinking in terms of technical quality, i.e. acidity and other chemical parameters, followed by organoleptic parameters. This quality, made up of two components, depends on compliance with

producing, harvesting, processing and conserving procedures used to obtain olive oil. Thus, it can be said that the quality of this chain and final product "contain" procedures. It is the concept of "global quality" that is even wider due to the relationships between different stages (from farming to consumption) being not only physical, but also represent institutional relationships among agents as well. This is the reason why we have studied agents' behaviour by direct interviews to accomplish the task of suggesting policies for the improvement of efficiency in the olive oil sub-sector.

ii) **Recommendations**

A group of suggestions is derived from the previous institutional approach and is "integrated" because the chain is integrated, and in terms of policy each act has to be considered in relation to others; otherwise the quality of the chain is destroyed. In particular, we have suggested twenty-five policy points as follows:

- 1) training at every level of the olive oil chain to explain "global quality" and "integration" concepts;
- 2) renewing technical processing plants to assure better quality;
- 3) improving harvesting, delivery time and processing procedures;
- 4) applying a modern system in order to control quality, i.e. HACCP and ISO 9000;
- 5) applying an advanced method of analysis to check quality;
- 6) establishing laboratories and preparing the technical manpower;
- 7) modifying oil specifications in order to meet international standards;
- 8) studying and promoting legislation to create and defend some collective brands and denominations of origin;
- 9) renewing legislation regarding individual trademark, label and packaging;
- 10) establishing awards to support quality;
- 11) encouraging agreements and merging among firms to achieve economical sizes;
- 12) promoting cooperative-mills of farmers to involve farmers in trade and the improvement of quality;
- 13) promoting joint-ventures;
- 14) promoting a Marketing Olive Oil Export Board to encourage export;
- 15) financing a refinery to avoid business losses;
- 16) financing a system of storage to improve oil conservation;
- 17) promoting tools to fight farm and mill pollution;
- 18) preparing managers to run new businesses;
- 19) creation or revitalization of institutional commissions;
- 20) achieving a marketing agreement with the EU based on some new criterion, and developing the international market;
- 21) developing a promotion plan;
- 22) reducing bureaucratic procedures;
- 23) providing an olive oil sub-sector financing plan;
- 24) providing a general sub-sector plan;
- 25) establishing short term and long term strategies.

1. INTRODUCTION

The terms of reference of this consultancy were:

- 1) reviewing the relevant and recent policies pursued in Syria with regard to the table olive and the olive oil sub-sector economy; description of their likely effects on the market structure including the price distortion;
- 2) reviewing the data collected by the Task Force on the basis of the format for collecting information and statistical data and of the questionnaires for interviewing agents (format and questionnaires were provided by the consultant after his first mission in Syria);
- 3) examination of olives and olive oil sub-sector economics: efficiency, constraints and potential, post-harvesting treatments and processing procedures;
- 4) assessment of current and projected domestic and international demand; examination of foreign trade policies, regulations and relations;
- 5) assessment of Syrian competitiveness in international markets;
- 5) identification of suggestions to improve the efficiency of the table olive and the olive oil sub-sector in Syria;
- 7) preparing a draft technical report in Syria;
- 8) organizing a short training session for the project trainees to illustrate the methodology employed in this study; and
- 9) organizing a workshop for senior government officials of MAAR and other institutions to present and discuss the main results of the study and to get a first impression about the suggestions to improve the efficiency of olive oil sub-sector in Syria.

To achieve these objectives, the duration of assignment was decided to be three weeks at the duty station (Damascus) and three weeks at home (Florence). The mission started on 22 January 1999; the consultant left Damascus on 12 February 1999 and then worked in Florence for another three weeks.

The draft of the technical report was shown at the workshop, which took place on 9 February, for senior government officials of MAAR and other institutions' personnel; the training session took place on 11 February.

Background and reason for the mission.

A consultancy was needed to study the Syrian olive oil sub-sector situation (and also the table olive market) and in particular to make some suggestions to improve its efficiency and develop policies to compete in international markets and to face the "structural surplus" in the near future. The first mission in Syria (23-30 June 1998) together with some subsequent work at home (1-10 July 1998) allowed for the preparation of a format to collect general data and information to analyze the sub-sector and a group of questionnaires to interview agents of the olive oil chain.

This field work approach is based on the idea that only by knowing agents' characteristics, behaviours and propensions it is possible to design a policy consistent with their needs and perspectives; and with the national economic strategies. Moreover, the study is also based on the idea that all elements and agents of the chain have to collaborate, and horizontally and vertically be integrated to solve the production's emergent surplus. The final goal is to increase both domestic consumption and export trade. The first strategy suggested to achieve this goal is improving the olive oil quality (Malevolti, first mission, July 1998). Another idea, based on global market competitiveness and opportunities, is that the whole Syrian olive oil production should be given an image of guaranteed excellent quality.

As for how the research was implemented, we can state that the Task Force properly collected the data and information and interviews, but there were some deficiencies due to unsatisfactory, unavailable or insufficient information regarding, for example: the Syrian olive tree farms classified by size and other criteria; the number of Syrian retailers; the wider range of national statistical data or information about olive oil export; the olive oil price chart over many years; the wider range of information about exported table olive quantity; the family income sharing in Syria for identifying potential consumption markets; laws and regulations about reclaimed land planning; more exact information about subsidies and incentives for the sub-sector; the Syrian cultural studies on the relationship between history and olive oil consumption; the survey on the propension of the public tourist offices and private tourist agencies to promote olive oil products with foreign tourists.

There were also some problems in transferring the data from the questionnaires to the data base, and we had several problems in reviewing the data base. Since this occurred throughout the entire period of data processing, we wasted a great deal of time making adjustments and also advising the technical staff on how to carry this out. The data processing also caused some delays.

We would like to suggest, for the future, maintaining a closer relationship with the consultant in order to prepare in advance an accurate data processing plan and avoid further loss of time.

2. AN OVERVIEW OF THE OLIVE OIL SUB-SECTOR

2.1 - Introduction

In accordance with the "Terms of Reference", the following topics were considered:

- a) international production and demand;
- b) international import and export framework (quantity and quality), foreign trade policies and regulations;
- c) international prices;
- d) economics of Syrian olive oil production and consumption; constraints and potentials; impact of marketing and pricing policies; and
- e) competitiveness of Syrian products in international markets.

This list can be read as a logical chain: international demand and supply development and prices → Syrian olive oil sub-sector situation and policies → foreign trade policies and regulations/relations → Syrian competitiveness in the global market.

2.2 - Development of international production and demand

Different information sources were tapped to project the olive oil sub-sector in Syria and in the world. Available information in Syria, for the last few years, allowed us to summarize in a few lines what the experts and senior government officials already know. Other international sources added new and different information.

There are two main elements to consider in international olive oil production and marketing at the beginning of the 2000s: the production growth and the consumption development (Table 1.1). The production increased from 1.442 million tons in 1988/89 to 2.413 million tons in 1996/97 due to new consumers' needs and national investments promoted by some countries. The consumption increased from 1.766 million tons to 2.034 million tons during the period 1988-1997 (Table 1.1) because of a larger supply and new knowledge about diet and health.

During the nine years under review, the supply exceeded the demand in three years only (1989/90, 1991/92 and 1996/97). The projection for the year 2005, by IOOC, is that the world production will exceed the demand by 212,000 tons. Old and new producing and consuming countries play different roles in the olive oil market. Although Syrian production is increasing, its weight in international market is still insignificant.

International consumption has been increasing but competition has grown as well. There may be a market space for all producing countries but after a period of almost complete anarchy a global agreement is needed; in our opinion, this stage is still far away.

The international market can be divided into five categories, namely:

- i) old traditional producers and consumers: net exporters (Algeria, Greece, Lebanon, Morocco, Tunisia, Turkey) and net importers/exporters (Italy, Spain);
- ii) new and old consumers: no producers (Canada, Japan, Brazil) or with a little experience in production (USA, Australia, New Zealand);
- iii) Europe: no producers (UK, Germany) or with little production (France) that have to respect common import regulations of the European Union; and
- d) Specific market: Syrians living abroad.

The first producer in the world (Table 1.2) is now Spain (35% of the world production in 1996-1997 as biennial average) after many years of trading off the leading position with Italy (21,5% production share). The "national guaranteed quota" (NGQ), established by EU agricultural policy, allocates certain quotas to countries (760,000 tons for Spain and 543,000 for Italy) even though actual production is often higher.

Other Mediterranean producers follow the two leading countries, such as Greece (over 300,000 tons), Tunisia (about 200,000 tons), Turkey (over 100,000 tons). Syria is the sixth world producer (4.6-5.1% production share for 1996/97 and 1995/96) with a little over 100 thousand tons in 1995/96 and 1996/97. Its consumption has grown from 58,000 tons in 1986 to 74,000 in 1995 only because of the population growth and not because of a per capita increase (from 5.4 kg to 5.7 kg).

Old producing and consuming countries in the EU have saturated markets. In fact, the per capita consumption was 11 kg or more (Table 1.3), but with a heavy trade among themselves. They also import products from outside the EU areas. With regard to quantity, they do not need the product to cover deficit in consumption, except Italy, but marketing strategies of the manufacturing and trading firms cause very important and complex product flow. Italy is in the Centre of this market as the main consumer, importer, exporter to non-EU, oil refiner.

Traditionally low priced oil is exported to this rich area by other countries of the Mediterranean Sea thanks to different governmental agreements: Tunisia (8.3% of world export) and Turkey (5.6%).

Satisfied consumption and assured commercial relationships between the EU and non-EU countries create a natural barrier against some newer exporters like Syria that ask for higher prices. Moreover, market saturation and low priced imports produce some social tension between European farmers and governments and the EU commission that has to pay attention to their problems while the common policy is reducing the price support even while raising the maximum guaranteed quota (1.777 million tons since 1998).

One impact of these social tensions is that the Italian parliament has not yet ratified the "Mediterranean Agreement" with Morocco because of political pressures from the farmers. But with the new rules of international trade (GATT), farmers will not be

able to stop competitive import for very long. In the face of new risks, farmers and firms are trying to find or enlarge new markets. Farmers, in the main producing countries, have problems competing and thus try to avoid the risks of open markets.

New EU agricultural policy is now focused on improving products and on organizing trade either via associations and cooperatives or through good contracts with exporters. Consequently, competition in these markets grows although the annual increase of consumption ratio could satisfy all exporters at least until some country that has already gained knowledge and experience in production will be able to offer its product. However, statistical data about consumption (Table 1.4) in old and new consumer countries (US: 114,000 tons in 1995, Japan: 25,000, Australia: 18,000 and Canada: 17,000 in 1996/97, UK and Germany: 15,000 in 1995) allow us to think, hope and work to meet the demand with an adequate supply (IOOC projection for 2005 shows an increase from 50% to 400%), where consumption per capita is low but growing (over a 10 years period: USA from 0.2 to 0.4; UK from 0.07 to 0.3; Germany from 0.09 to 0.2; Belgium from 0.15 to 0.51 Kg/p.c.). This low per capita consumption indicates the possibility of large future markets.

Finally, we can add a specific market, i.e. Syrian people living abroad permanently. Nothing is known about their consumption behaviours, tastes and relationships with homeland (Ministry of Foreign Affairs); they are about nine millions, distributed as follows:

-Brazil	5,000,000
-Argentina	2,000,000
-Venezuela and Caribbean	600,000
-Canada and USA	400,000
-Saudi Arabia	300,000
-Jordan, UAE, Kuwait each	200,000
-EU	150,000
-others	40,000

This is a "second Syria", and thus it would be appropriate to explore the propensity to consume Syrian products.

2.3 - International import and export framework: quantity and quality

The international structure of import and export (Table 1.5) shows that Spain, Greece and Italy are at the centre of this market for export (76% of total world export) with Italy and Spain being the main importers (48%) and the USA the main net importer (15%). Some countries import and export simultaneously while some are net importers.

Italy and Spain are the main producing countries (see Table 1.2) and also the main importers (253 and 120 thousand tons, biennial average 1995-1996) (Tables 1.6 and 1.7); they use import to transform, refine and export. Italy imports from Greece (43%), Spain (23%) and Tunisia (21%); while Spain imports from Greece (41%), Tunisia (17%), Italy (19%) and a small quantity from Syria (1.7%). The double direction of the production flows between Spain and Italy could sound odd but the

phenomenon can be explained by looking at different firms' quality strategies and national supply system.

Spain exports (Table 1.8) to many different markets, but firstly to Italy (29% in 1995/96, and from 40% to 57% in different years between 1988/89 and 1993/94) while Italy (Table 1.9) has a main client (USA, 38% to 52.5%). Italian export structure was 2/3 to 3/4 to non-EU and Spanish export structure was about 2/3 to EU countries. The third producer, Greece, exports mainly to Italy (55%) and Spain (36%) (Table 1.10).

Finally, we can affirm that the structure of the primary market, the Mediterranean basin, is well known, even though during this period some changes have occurred in the market share: the market revolves around the main producing countries, Spain and Italy. However, there are certain differences that need to be analyzed. In fact, the import structure of Spain and Italy, in relation to different olive oil typologies, is very different (Table 1.11). One can distinguish the import share of virgin olive oil (excluding lampante) out of the total:

- Spain imports 23%;
- Italy imports 57%.

This means that Italian consumers prefer extra virgin, but Italy also exports it (Table 1.12). However, the figures need to be closely examined: Spain and Greece export more extra virgin (54-55%) than Italy (44%) because Italian people want and search for quality production. In other words, this market is very "taste developed". Thus, Italy exports extra virgin to different countries, while Spain and Greece export mostly to Italy and do not have a great share in the extra virgin international market. In fact, they export 55% and 83%, respectively, to Italy only. This country is ahead regarding quality consumption and is in a position to control the extra virgin international market. It is characteristic of Italy to export good products, but more, in general, to export an "image of quality". Nevertheless, its industry structure is also organized to export refined oil (41% of total export) via the import of lampante oil (main importer with 78,000 tons or 31% of total imports).

The data demonstrate that there are two international markets (Table 1.13), as export data from Italy in particular show (this country is used as an example because it is the reference of the international market and its trends). The first is that of the countries and niches that absorb standard quality such as the USA (59% refined oil, 10% refined pomace oil, 27% virgins, different from lampante), Japan (62% refined and 38 virgins) and Canada (54% refined and 46% virgins). The second market includes the countries and niches where consumers appreciate high quality more. These are the three main affluent European countries (Table 1.11): France (47,000 tons and 89% virgins, different from lampante), Britain (18,000 tons and 55% virgins) and Germany (17,000 tons and 70% virgins). France and Germany buy from Italy 99% virgins (Table 1.13).

Italian olive oil quality (both national and foreign imported products) and trade skills (but the general image of quality always helps) allowed Italy to enlarge its market share during a ten years time span in different countries (Table 1.14, 1.15 and

1.16). In France, Spain maintains the first position but its share has decreased from 59% to 53% during the period 1990/91-1995/96, while Italy's share has increased from 13% to 45%. In Great Britain, Spain's share decreased from 50% to 29% and Italy's share increased from 37% to 53%, and in Germany the percentage "goes down" to 83% because of some direct import from Spain (11%) and Greece (6%). To fulfil international and domestic demand, Italy (Table 1.17) has to buy high quality (61% virgins on total import) from other countries: Greece (53%), Spain (37%) and a small quantity from Tunisia (7%).

The market is not only some aggregate figures of an international trade exchange, but also an institutional system of relationships, rules and regulations. In addition, net importers and non-producing countries import olive oil following their own general commercial procedures and relationships fixed by bilateral or international agreements. Moreover, the EU has a long history in olive oil market organization (starting from Reg. EEC 136/1966), defence of the olive oil sub-sector (farmers, processors, traders, consumers) and agreements with non-EU partners (southern Mediterranean countries). Even though the new GATT agreement pushes toward wider international trade liberalization, the internal situations and national strategies can still determine rules to organize and control domestic production and consumption and fix trade duties and barriers.

The EU regulations could suggest some specific rules and policy tools to some countries which want to reorganize or improve their market. We are thinking, without going into details of this specific topic, about: producer target price, intervention price, production aid, consumption aid, promotion measures and, like other products, set up of geographical indications (i.e. protected designation of origin and protected geographical indication) and certificates of special character.

Concerning trade with Mediterranean countries, the EU, since 1972, has promoted a "global policy" that in 1995 produced a "declaration" which confirmed a new Euro-Mediterranean partnership. The EU, however, has not committed itself to granting free access for farm produce; indeed, the EU farmers' association, COPA, objected strongly to further concessions that would damage agriculture in the EU's own Mediterranean regions" (Tracy,1997). Thus, the relationships are based on different agreements between the EU and each Mediterranean country, but not all of them (Syria is negotiating at present).

Algeria, Lebanon, Morocco and Turkey have the right to export a certain quantity of oil (quota) with custom fees deduction (from 5% to 10%). Tunisia has a specific favourite position, thanks to its relationship with Italy, with a quota of 46,000 tons at the reduced custom rate of 761 ECU/q. Another possibility is to trade in accordance with the Preferential Traffic Active procedures. This is a marketing policy for whoever wants to sell low price products.

It is clear from the above review that:

- i) there are international markets interested in high quality oil (extra virgin/high price);

- ii) there are also markets open to lower quality (mix of refined and virgins, excluding lampante/low price);
- iii) the difference between the two groups of markets can be determined by their extent of knowledge; thus, the efforts of the high quality producers should be based on the teaching and transmitting of a cultural high quality background to the consumers;
- iv) a lot of farmers, as direct producers interested in selling their product in competitive markets, try to improve quality;
- v) manufacturers and commercial firms continue to refine lampante oil and to blend it with low price virgins bought in exporting countries; they aim at selling to less affluent niches; and
- vi) the Italian market is very interested in consuming, importing and exporting extra virgin and also in importing and exporting refined oil.

Therefore, one can conclude that:

- a) there is marketing space to sell lampante oil or even better, refined oil;
- b) Italy, as a pivotal market, is a saturated market and already has its suppliers;
 - of course, Italian importers are always interested in higher quality (both virgins and lampante virgin) at lower prices; and
- c) consumers are more and more interested in high quality or are in the process of learning the "quality culture" (i.e. extra virgin).

The Syrian public and private agents have a first degree of information to choose marketing policy. Price analysis is the second step necessary to take decisions.

2.4 - International prices

We think we have provided some important points of reference, containing a large amount of data and information, for whoever wishes to cope with the difficulties involved in entering new markets. We still have to demonstrate how quality rewards price. In fact, our discussion will be focused on this relationship where different levels of quality are not a problem for the olive oils' specification (different levels of acidity and peroxide), but rather, for a complex set of natural characteristics (acidity and organoleptic variables).

It is essential to take price references into consideration; our more consistent and complete data were compiled in 1996; we also have other information from 1997 and 1998 when national and international prices decreased radically (down to -35% in 1996/97) due to the supply exceeding the demand. This demand had previously decreased due to the prices being far too high (from 25% to 42% in 1996 with respect to 1995) which discouraged consumers. But we can continue to use those figures as a mean for calculation. In the meantime, we are waiting for prices to increase again.

The price issue is central to our study but, in our opinion, "international prices" are not as important as analyzing different levels of quality, origins and market

destinations, targets and niches. Great lots of olive oil are sold in bulk and thus set the olive oil "international price", but this type of price also contains differences because it is an average and involves different institutional agreements. We assert that the reference to international price should not worry whoever is marketing oriented and is trying to sell his different product (product differentiation) or his high quality product. We are considering Syrian production, in particular, seems to have some naturally good characteristics even though it is lost because of incorrect harvesting, conservation and processing procedures (see different research, opinions and our surveys results). Certainly, international traders perceive Syrian products as low level grocery goods similar to those of other southern Mediterranean suppliers, and are surprised by their high prices. Finally, we have arrived at a critical point regarding Syrian olive oil exporting prospects.

To discuss price differentiation and understand the relationship between quality and price, we can start by looking at two different market structures (Table 1.18). Thus, in bulk and at the wholesale market from different origins, for virgin olive oils, no lampante (Eurostat and Inea-Istituto Nazionale di Economia Agraria, average 1995-1996, US\$/Kg), we can observe the following:

Spain pay	\$ 4.18 from EU	or	\$ 3.22 from non-EU
Italy pays	\$ 4.53 from EU	or	\$ 3.47 from non-EU

Spain sells at	\$ 4.64 to EU	or at	\$ 4.87 to non-EU
Italy sells at	\$ 5.12 to EU	or at	\$ 5.23 to non-EU

Italian importers pay +7% to +8% more than the Spanish to support their quality policy, and Italian exporters sell at +7 to +10% higher price thanks to the quality of the products. Furthermore, lampante oil is bought by Italy at higher prices than Spain (+4%) and effectively exported to non-EU (+6%) even though Spain exports at the highest price (+12%). In fact, Italian firms accept to pay this amount because they recognize the good quality of Spanish lampante and need it to process and export.

Notice that price import from non-EU countries is 23% cheaper for both importers and involves southern Mediterranean countries with less expensive base prices. This is an important element to take into consideration for Syrian export prospects. It must be added that the ratio between virgin and lampante is very small (at import from 4% to 10%); that is explained by the large demand of traders to make blends, but it also depends on different years or market situations, needs and speculation (from 1% to 33% and more, for virgin excluding extra virgin). There is a larger difference in export data, from 3% to 21% (because of Italian virgin prices).

Tables for Italian import and export (the market always taken as a point of reference) for different olive oil types and for different origins and destinations explain internal relationship among qualities (Table 1.19 and 1.20). Lampante, and refined and pomace oils are on average cheaper than virgins, respectively: -10%, 13% and 62%. The best price is virgin from Greece: 2.3% more than the mean price but 16% more than the Tunisia price. In other words, Tunisian oil is 14%

cheaper. Lampante oil from Spain is 5.5% more, on the average, and 12% more than the Tunisia price (Tunisian oil is cheaper by 11%). Another exporting country is Morocco, but only for lampante and refined oils; the former being 6% cheaper than that of Tunisian origin.

Export prices from Italy show, for the group of virgins (no lampante), a difference of more than 20% on the average import price. Japan pays \$ 7.39/kg (more than 23% on the average). Also, the UK, Germany and other countries pay more than the average while France (thanks to a close relationship with Italy), the USA and Canada (tradition and consumers' preference) pay less. There is a big export/import difference also for refined olive oil (+26%): this ratio suggests the importance of the processing and commercial improvements.

From the statistical data, we have directly verified prices in Italy thanks to some contact with traders and importers (informal sources). In this case, data are more consistent (Table 1.21). F.o.b. prices for 1998/99 from the main exporting countries show that US\$ 3.02 is paid for a kilo of extra virgin in Italy, \$ 2.57 in Greece, \$ 2.45 in Spain (index: 100, 94 and 81) and \$ 1.71 plus \$ 1.14 duty fees in some southern Mediterranean countries (total \$ 2.85, index 95). In the last figure, the ratio between non-EU price, without tax, and EU price ranges from 57% to 70%. The ratio lampante/virgins changes from 22% to 26% in Greece and Italy and to 9% in Spain; this country is still characterized by a low quality/low price of virgins and high quality/high price of lampante for the good blends.

As seen above, the duty fees necessary to import to EU distort the free trade of low price products from southern Mediterranean countries. Moreover, we have also indicated that rural social conditions in Europe are hindering the opening of markets, so fees will remain unchanged. Data collected at Florence Customs in December 1998 show that full duty fees are 134.9 ECU/q for extra virgin and 132.8 ECU/q for lampante oil (respectively, \$ 1.59 and \$ 1.56/kg). Turkey has a small discount (121.41 and 119.52 ECU/q) but only Tunisia has a special historical agreement with a tax of 7.81 ECU/q (\$ 0.09/kg) for a contingent of 46,000 tons.

The above information, the level of fees and the social situations added to saturated markets, allow us to say that free conditions do not exist for the export of large quantities to the EU for a new exporter entering the market.

Now, we would like to return to the quality/price issue. We have also collected bulletins of Italian chambers of commerce and other sources (Table 1.22). Data refer to the three most important wholesale markets: Bari as the first production Centre; Imperia as an important harbour for import and also small area with good production; Florence as the Centre of trading, refining and blending and point of reference for quality markets.

One very interesting datum among others is the reference to "local production" for three important areas of production. If the current Italian extra virgin in bulk and wholesale market is equal to 100 (index number basis) in Bari for Puglia's production (low prices) this index (Table 1.23) increases to 240 (up to 1% acidity) in Florence

for the Tuscan production and to 265 (0,5% acidity) in Imperia for the Ligurian production (prices are from \$ 6.23 to \$ 7.71). Many consumers directly purchase on the farm in the two latter regions. In this case, prices for consumers can reach \$ 10/kg (according to our directly collected data,). These prices may seem excessive (gaps from 30% to 122%, in different years, for the same acidity but with a different origin), but they actually only show the existence of a market niche that is not exclusively "local" due to the a solid commercial channel to other areas of Italy and abroad.

The index table shows that, by adding the Perugia market in the Umbria region (extra virgin price index on December 1998 reached 265), different relationships exist between quality and quality-origin: for example, two types of extra virgin from Spain on the Florentine market are in different positions above and below the average (133 and 86); virgin (or "fine virgin") with a good "below" 2% acidity is already low-priced (72), but not when it comes from the Lazio region (144). Finally, lampante oil from Bari (there is no lampante production in the above high quality regions) costs 40% less than extra virgin from the same region.

The long and detailed list of prices allows for the examination of the "international price" of olive oil. As a matter of fact, one can recognize that on the international market there are lots of prices because different qualities exist. Between the wholesale extreme points of \$ 1.42/kg for f.o.b. lampante oil from southern Mediterranean countries and \$ 7.71/kg for extra virgin oil Perugia, or \$ 10/kg direct purchase at the farm in Tuscany and Umbria, there are a great number of price situations linked to different traditions, cultivation techniques, technical processing, and ways to conserve olive oil. What we have then is an international structure of consumption, production, trade and price/quality that can shed light on ways to explore new policies and marketing tools to enlarge one's own individual or national outlet.

One can look at final prices (retail) in some consumer countries where consumption is growing. During the summer of 1998, we collected (our informal research) data directly in Britain (Table 1.24) and in Germany (Table 1.25). Here, we would like to mention that on the UK supermarket shelves one can find Tuscan products (of course Tuscany is in Italy but with its own characteristic of quality) selling at \$ 9.6 to \$ 16.7/liter, Italian products at \$ 10.2 to \$ 12.7, Spanish products at \$ 9.6 to \$10.5, one Greek product at \$ 7.2 (very low for a good origin; most likely because Greece is lacking in commercial skill). In Germany, prices are cheaper than in the UK (from \$ 3.6 to \$ 12.5/liter); the highest prices (\$ 12.5) are from Tuscany (Florence) and Liguria (Imperia). In almost all department stores there are a lot of extra virgin oils but a small amount of olive oils (the name for a mix of virgin and refined oils); this means that consumers are by now directed to buy high quality oil even though from different origin/prices in accordance with their preferences and income. In the main stores in London and Edinburgh, the price range has an empty space between \$ 7 and \$ 9/liter that could possibly be filled with a guaranteed high quality product.

Below are some details for Germany where consumers are very particular about their health: a Spanish product is bought at the high price of \$ 10.56 thanks to its

production technique (biological). Italian products have the highest prices (\$ 12.50) if coming from Tuscany and Liguria, but the range is extremely variable, four times greater as opposed to two times in UK between high and low quality products. Other information can be obtained from reading the collected labels. First, one can distinguish taste between "full bodied and peppery with a powerful fruity flavour" from Tuscany and "light fruity" from Spain. They are both good products guaranteed by the same brand but for different consumers' tastes as well as different incomes (looking at the price levels + 55%). On the labels, there are also some ambiguous phrases: "bottled in Italy", "Mediterranean", "created in Europe bottled in UK", until the amusing "product consumed in Tuscany"! It is known that British like this region, and of course advertisers as well.

Our detailed consideration of prices, perhaps a little boring, has been carried out for a primary purpose, i.e.: to show to Syrian producers, traders and senior government officials the constraints and opportunities involved in entering into international competition. Briefly, the prices of exporting countries of the southern and eastern Mediterranean basin are cheaper than EU producers (duty fees are high but there are different agreements to lower them or other procedures as preferential quotas and TPA) and also cheaper than Syrian export (see next chapters).

We can summarize the market situation as follow:

- i) high prices of lampante oil help whoever produces and exports it, because of natural and processing causes;
- ii) the same producers can pick up added value if they refine their lampante oil;
- iii) lampante and refined oil are supplied by Tunisia, Turkey, Morocco and others at low prices to saturated European markets; whoever wants to enter into these markets has to realize that there are great barriers; he should realize that other international markets exist both low (refined) and high (extra virgin) quality.

These last statements introduce the following analysis of olive oil economics in Syria.

2.5 - Economics of Syrian olive sub-sector

The Syrian olive oil sub-sector is characterized by the following:

- large development of the number of olive trees resulting from the reclaimed land policy, and, consequently, high production growth rate;
- low growth of domestic market in relation to production development leading to structural surplus in the near future;
 - domestic prices that are higher than international ones;
 - unsuitable quality, and differences in legal standards of quality in comparison with international markets;
- lack of export knowledge, experience and management; and
- inadequate norms and procedures for exporting.

Certainly, in Syria, the quantity approach seems to prevail over the quality approach and the widespread thinking considers the quality as acidity and forgetting other technical and organoleptic parameters (i.e. taste, flavour, smell, colour, clearness etc.). However, in our opinion, the main constraint (the large mass of quantity) could be an actual potential because it forces the undertaking of a set of actions in order to compete at the international level with an interesting impact on the national trade balance.

There are two principle actions to start off with in this direction: organizing export and improving oil quality. One needs to remember that, traditionally, Syrian people have very important abilities in trade, that Syrian olive quality before harvesting is at a high level, and that the Extension Service has promoted an integrated pest management programme. As to the commercial skills mentioned above, and in contrast to the recognized traditional abilities, a large number of experts and also exporters claim they are lacking in knowledge, experience and management on export. What's more, the possibility of improving these skills is hindered by inadequate norms and procedures for export (credit, procedures, public promotion).

A large number of Syrian farmers (377,000 families; see SEBC, pg.10) is involved in olive tree cultivation and olive oil production. They also sell; actually a characteristic of the Syrian olive oil market (as some other producing countries) is the short channel between production and consumption: someone claims that 75% of the consumers buy directly at the farms or mills (SEBC, pg.67). However, this does not exclude wholesalers when there are marketing difficulties or farmers' financial problems. The general strategy of farmers, up until now, has been to find a balance between the need to make money as soon as there is a new production, to cover a part of previous costs, and the need to delay sales in view of future shortage, with higher prices, and, eventually, to wait for the following year to exploit the natural alternative bearing and its impact on prices.

No doubt this is a shrewd thinking, at least it has been "up until today". In fact, one has to start thinking about a growing national surplus and consequently producers and traders must now move from the domestic market to international markets.

This new situation has been determined by only one cause, that is, the previous Syrian government's policy of reclaiming lands for agricultural production, especially the planting of olive trees where other trees and crops are not planted and also to offer peasants economic opportunities for establishing new farms or new incomes. This policy has allowed for planting (Table 1.26) millions of olive trees (from 38.6 million trees in 1988 out of which 26.8 million were in production to 58.3 million out of which 35.4 were in production in 1997, i.e. +51% and +32% increase, respectively). This led to increasing domestic olive oil production (from 66,000 tons as average for 1987-1988 to 116,000 tons as average for 1996-1997, i.e. +76%) while the consumption has increased more slowly (from 59,000 tons in 1987 to 75,500 tons in 1996, i.e. +28%) (see Tables 1.2 and 1.4).

These macro data enabled us to focus on the central problem of Syrian supply: the next structural surplus. Ten national nurseries continue to produce seedlings for governorates to plant them in reclaimed lands without any marketing planning. Nursery production seems to be an "independent variable" not linked to others. Thus, the farmers' micro-problem (changing their strategy to face market difficulties) coincides with the public macro-problem (finding a consistent policy to face national surplus). The IOOC (see again Tables 1.2 and 1.4), the SEBC survey (SEBC, pg.56 and pg.67) and Syrian statistical data (Al-Hindy,1998 - tables without numbering) give us some figures and estimates. If the reclamation policy continues to be the planting of olive trees (more than 5.2%/year), and on the basis of the number of olive trees that will start producing, Syria will be producing 200,000 tons by the year 2010. In the same year, based on the population growth rate (2.76%/year), on the income elasticity coefficient (0.4) and on per capita consumption (5.4 kg – Table 1.3), the total consumption will reach only 115,000 tons. Therefore, the surplus will be 85,000 tons.

The obvious solution to the expected crisis in the sub-sector is exporting the surplus, but Syrian supply has faced and will continue to face many constraints, both internal and external. Export is a difficult outlet because of a lack in traders' skills (as said above), high Syrian prices, and the problems in defining olive oil types and guaranteeing qualitative standards in accordance with international markets. In this last case, the problem is the renewal of processing plants and processing procedures. According to SEBC (pg.61), the mill system is composed of :

- 15% old presses,
- 66% hydraulic presses and
- 19% continuous systems.

These are able to process, respectively, 2%, 42% and 56% of the total national production. Undoubtedly, it is not a modern processing system in comparison to that of European countries which are more and more worried about the quality required by consumers. Moreover, the number of producing farms per mill is very high; in terms of trees, 77,500 trees/mill while Europe has only 23,000 (SEBC, pg.59). This is one of the causes of the crowding at the mills during the harvest time with the failure of schedule agreements with the peasants. What's more, it is a cause of olive oil's deterioration as can be seen from our surveys.

The quality issue is a problem extending from production to trade, and perhaps not all agents (in our opinion based on different meetings held in Syria) realize its importance in relation to the surplus. As a matter of fact, Syrian experts (but there is no official data to check it) estimate that 50% of the oil in Syria is olive oil type 1 (i.e. extra virgin up to 1% acidity plus fraction 1-1.5% acidity); our farms survey (see section 1.2) indicated 57-58% with a fraction of extra virgin of 16.5%. Millers claim to sell 31% extra virgin and 28% of the second fraction of type 1 (total is 59%); perhaps they are skilled in selecting the purchases from the different farmers who process their harvest at the mill. At the wholesale level, the extra virgin datum is similar (17.5%), but the second fraction changes to 26.1%: so, the total of type 1 is 43.6%. There is some difference, but the total of type 1 is an important result if

one considers that a fraction of type 2 enters into the international range of 1-2 degrees of acidity or, in other words, into "fine virgin" olive oil.

If good acidity seems to be assured, the real problem is in the deterioration of the other very important components of quality (smell, flavour, taste, colour, i.e. organoleptic elements). A measure of this characteristic is given by our surveys.

Since 1991, the surplus has been growing (from 6,500 tons, biennial average, to 49,500 tons in 1996) while export has fluctuated during the two years period, 1995-1997, from 5,000 to 11,000 and 3,000 tons (SEBC, pg.71) without a clear trend. Only a small part of this surplus is exported. Where does this surplus go? Syrian farmers' and wholesalers' warehouses should have been completely full for many years. Then prices should have slumped. We did not observe these phenomena during our visits in Syria or in our interview (by questionnaires) of sub-sector agents. We can suggest some explanations. The first possibility is that a part of this surplus goes in small lots to neighbouring countries for local consumption or for export. Another explanation is that domestic consumption is higher than what statistical information tell us. In any case, it is important to sell off the surplus. For this reason, the government and private agents have to consider the creation of an export organization.

Export is needed not only to reduce surplus but also to avoid a sudden drop of internal prices; in fact, the Syrian olive oil sub-sector is a typical closed market where producers avoid international competition. Nevertheless, the Olive Oil Bureau estimates (informal information) that the extra virgin price has decreased from 160 SP in 1995/96 to 125 SP in 1997/98 (-22%) while the price at harvest time in 1998/99 has reached 100 SP (-37.5%), almost a "Mediterranean price".

The government has opened the market only on the side of supply, taking some resolutions (no.1/1996, 4/1996 and 2/1997), to favour export by implementing exportation tariff exemptions. So, closure on the side of import is the main element that has an impact on production and the market system. Nevertheless, there are no other specific marketing and pricing policies or considerable taxes and subsidies distorting the market (Karabeej and Al-Hindy,1996) unless one considers the reclaimed lands as a support to farmers when it actually belongs to a more general sense of policy and national interest. Farmers do not pay taxes and have not received subsidies for agricultural inputs for a few years. Subsidized credit to olives tree farms represents only 3% of total credit to agriculture, but our survey at the farm level shows that the olive producers do not admit to using credit (only 18% usually or sometimes); perhaps they do not consider a 7.5% rate short term as a favourable interest rate; moreover, olive oil price of direct purchase at the farm is very high and thus the farmers are able to finance themselves. Instead, the mills are considered industrial companies and thus pay a processing tax of between 20% and 30% in accordance with different gross result levels. Many people request reduction of this tax but, in our opinion, it is more important to create conditions to develop mill size and so reduce processing costs than to pay less for taxes (given the common feeling that everybody pays too much for taxes).

All these elements do not have much impact on the domestic market and demand except the barriers to import. So, internal current price distortion or, more correctly, a "price difference", can be measured by comparing Syrian prices with southern Mediterranean supply prices (one needs a specific Producer Subsidy Equivalent study to detail this calculation, but for our goal, giving marketing suggestions to the Syrian government, it is more important to concentrate efforts in other directions). Obviously, this distortion can have an impact also on export competition.

Therefore (in reference to extra virgin price), we have a gap that we can calculate based on different information sources and on different levels of the chain. By methodological point of view: i) the comparison is between Syrian domestic prices and f.o.b. price of southern Mediterranean countries, so actual distortion would be smaller; ii) there are some difficulties involved in having correct information about prices, but results seem to have some consistency (\$/kg, all reference to 1998) as shown below:

Syrian markets level	Farms to consumers	Farms to wholesalers	Farms to exporters (1st source)	Exporters to export (1st source)	Exporters to export (2nd source)
Syrian prices	2.84	2.64	2.20	3.00	2.67
Mediterranean price	1.71	1.71	1.71	1.71	1.71
Price difference	1.13	0.93	0.49	1.29	0.96

Consumers pay more for national product (a difference of \$ 1.13/kg) than they would pay for a foreign supply from nearby countries (\$ 2.84 versus \$ 1.71/kg); one can also recall that Spanish extra virgin-type B is sold at \$ 2.49/kg (and Spain as a member of the EU is another "closed" market). The farm selling price to wholesale market reduces the difference (to \$ 0.93/kg), while exporters (first information source by interview) buy at a lower price via wholesalers or middlemen; so distortion is very limited (\$ 0.49/kg). This is accompanied by a reduction of 17% of the farm price on the selling price to the wholesale market. Data for export prices (\$ 3.00 and \$ 2.67/kg) show that in international non-EU markets (Brazil, the USA, the Gulf countries, for instance), Syrian supply is competitive even though one can not compare products merely on the basis of the acidity level.

So far, we have discussed how surplus does not create great problems for the domestic market. However, the contingent equilibrium, possibly produced by a higher consumption level, and/or formal and informal export, can not last longer. Not only have statistical projections demonstrated it but our consumer survey has as well (see second part):

i) first, at lower class per capita consumption, this consumption is already high (9 kg/p.c.) if expressed in European standards and increases to only 11 kg in higher income classes;

ii) second, income has to double to increase 50% per capita consumption from the

lower income class to the next class, and it is a great step. In terms of price decrease, the income effect will be very small. Therefore, with a very rough estimate, national prices have to decrease by 17% (from 137 SP, as an average between consumer and wholesale prices directly at the farm, to 114 SP) to

maintain the same market value with 120,000 tons produced (20% more than now) and completely sold out. Thus, the price is near the price presently paid to production suppliers by exporters who are able to sell in international markets but not to cross the European barrier. At the same time, one is faraway from the 85 SP threshold needed to stop production as claimed by some farmers (informal statements).

Because of different information about market trends and difficulties, we have collected some financial farm data. We will give only a rough estimate about farms' survey results because of the shortage of time of the second mission which did not allow for the collection of a large amount of information following a detailed plan (moreover, the first mission in 1998 did not take into account this financial analysis).

We have interviewed farmers in eight farms in three different zones (Aleppo, Idlib and Tartous): two small farms (1.5-2.0 ha); five medium-size farms (3.0-4.0 ha) and one large farm (12.0 ha). The examination of their net margins allows for the division of the sample in two different groups representative of two production approaches:

- ix) farms using a larger quantity of inputs (fertilizers, irrigation, labour etc., between 28,000 and 31,500 SP/ha) with a higher net margin (45,000-47,000 SP/ha);
- ii) farms using a lesser quantity of inputs (between 23,000 and 25,000 SP/ha) with a lower net margin (19,000-37,000 SP/ha).

We can consider the results of both groups to be very profitable, and can explain these results focusing on three elements: i) high olive oil prices (even though for calculation we used the lowest ones) in comparison with the Syrian general price system and the international olive oil price, ii) very low labour cost, and iii) low fertilizer prices. An economic analysis could help to better understand this subject on the basis of:

- a) a Mediterranean olive oil price (see above); b) a fertilizer cost of two to three times more than the one which we collected at the farm (as the FAO Database for Syrian import demonstrates); and c) maintaining the price of labour at the same level because we do not have the Syrian unemployment ratio (not available) and other information. Our simple estimate shows that the net margin decreases by -24% for a farm that does not use fertilizer and by -31% to -47% for the others. The range depends on different organizational structures of the farms; nevertheless, all farms do not change their group and only in the first one there are some changes in relative position (for instance, the largest farm is able to face a price decrease and cost increase and moves from 4th position to 2nd position). Obviously, we do not consider (neutral hypothesis) that changes could have effects on the farm's organization.

Finally, in our study we have taken into account mostly export rather than domestic market as a mean to reduce or eliminate the surplus. In fact, other market spaces exist also in Syria, above all, due to population growth, as different experts have pointed out. Nevertheless, it will not be able to reduce the growing surplus.

Regarding this aspect, we carried out some marketing research on the Syrian consumers in our sample. To verify the possibility of increasing domestic consumption, consumers answer that the limiting factors to buying more olive oil now and in the future are "price and income", 76% of the answers pointed to the first factors and still 16% to the second factors. In short, high prices and low income, as an aggregate variable, obstruct the domestic market development in the short and middle terms.

3. ANALYSIS OF OLIVE OIL PRODUCTION AND PROCESSING ASPECTS

3.1 - Introduction

The surveys focused on two main subjects:

- i) production and processing quality; and
- ii) agents' propensity to integration.

We also added other questions and issues, and carried out consumer marketing research. We interviewed, via questionnaires, the following: 130 farmers, 44 millers, 39 wholesalers, 27 retailers, 8 exporters (plus 3 informally) and 261 consumers.

The results distinguished between:

- i) summarized indexes to reduce the complex reality to some simple indicator. Indexes are divided into five classes, from level 1- as "low quality" answers- to level 5- as "high quality" answers. The score was calculated by giving a different "vote" to each answer/each question (a number from 1 for "bad" answers to 10 for "good" answers) and summarizing groups of questions in relation to olive quality production (only for farms), olive oil conservation and propensity to integrate (cooperation, agreements, other forms). Of course, observing cultural and technical background plays a major role in these "measures";
- ii) detailed results about farm and firm classifications (small, medium, large-size for farms; small, medium, large, and traditional, hydraulic, centrifugal for mills; medium, large for wholesalers). Moreover, we have divided our samples by zones to detect likely differences among local behaviours.

Discussion about indexes often brings us to refer directly to the detailed results (only to the total) for a better explanation.

3.2 - Indexes

In general terms, we can claim that along the olive oil chain, from farms to retailers, there is always some critical point that can damage the oil quality. At harvest, Syrian olive fruit can be considered a really good product (see Table 2.8): a large number of farms (63%) follow a programme of pest and disease control. The *production index* (based on the use of pesticides, ripeness degree, methods of harvest, olive selection) shows (Table 2.1) that only 2.3% of the farms stay at a good level of 5 and 19.2% at level 4 (4 and 5 together 21.5% versus 16.2% at levels 1 and 2 together). The middle level (62%) does not mean that a large number

of farms has "enough" satisfactory production, but rather that they always have some (one or more) mistakes in procedure.

The olives conservation index (based on place to conserve olives, post-harvest time before processing, methods to conserve olives) shows (Table 2.2) only 26% conserve olives in the right way (levels 4 and 5); actually, 81% conserve olives (see Table 2.12) in jute bags, 36% for 3-4 days and 52% for 5 and more days (see Table 2.15). This explains the bad reputation in international markets even though producers swear by the quality of low acidity, but then one can "discover" that only 31% of the farms produce extra virgin, being only 6% to 20% of its own total production (see Table 2.18). We still find a low level of oil conservation at farms, olive oil conservation index (based on methods to conserve olive oil, length of conservation), 45% at levels 1 and 2, somewhat balanced by 32% at levels 4 and 5 (Table 2.3).

The quality chain continues with processing in the mills, mill quality index (Table 2.4) in great part at level 3 (70%) and none at level 5; traditional mills are 40% at level 2 and centrifugal are 33% at level 4. Surely, it is not only a processing plant problem (all of the traditional ones) but also a problem of procedures to conserve olives (method and time) and general conditions of processing (temperature, cleanliness) that in other countries would not pass to get through the HACCP system (Hazard Analysis Critical Control Points).

Indeed, at the wholesale market, wholesale quality index (Table 2.6), bad conservation continues even though with some distinction, 28% at levels 4 and 5, but 31% at levels 1 and 2. Only 5.2% use different containers (steel, glass etc.) rather than small and large metal cans that could have problems of cleanliness, rust and ions.

This collected information from our samples does not represent the whole Syrian system but it certainly points out a lot of actual problems like those seen in our previous visit to Syria (June 1998): incorrect post-harvesting and processing procedures, limited mill and wholesaler sizes, shortage of large modern containers, almost a total absence of associated farms structures to process olives, an absence of agreements among agents along the olive oil chain. To compete in the international market, larger export firms are needed as well as larger plants and warehouses to control quality and reduce costs. We believe that the "natural" course to achieve it would be too slow and, therefore, different cooperatives, agreements and contractual integrative forms need to be encouraged and promoted.

Thus, we have explored the propensity to integrate at every level of the olive oil chain. Only some of the agents accept or want links with almost the same percentage at each level: 26% of the farmers, 20% of the millers and 26% of the wholesalers. We recommend starting with a group of very interested and convinced people after one finds out their associative preferences. We do not believe that a perfect and absolute kind of association exists. Our surveys tried to identify the agents' ideas (note that the percentages below, from detailed tables, are not cumulative).

Obviously, farmers (43% do not want integration) prefer to have relationships (see Table 2.26) with other farmers (25%), but a small number of them also wants to have relationships with millers and wholesalers (11-13%). Millers are not present in level 5 of their mill integration propensity index (Table 2.5) and 58% has low propensity (levels 1 and 2). They have already had some experience with farmers (see Table 2.51) testing agreements concerning production, harvesting, post-harvest and above all delivery times with some success (14-18%) or failure (25-30%). Presently, they have a propensity to integrate (see Table 2.57) with every agent in high percentage (over 50%), "except with other millers" (only 27%)! The preferred integration types (see Table 2.58) are, with the same percentage (10-15%), not only implementing common general rules and control rules, but also merging and establishing new firms.

Wholesalers, wholesaler integration propensity index, are interested in relationship (Table 2.7) to a rather high degree, level 5 was 13% and level 4 was 15%. They prefer all types of agents along the chain (see Table 2.85), and even more so, exporters (41%) and farmers (31%); integration preferred (see Table 2.86) are the setting of contractual rules (28%), the quota/share exchanges between firms (20% average, but 31% of the larger firms), and the creation of new firms (15%). We examined the millers' and wholesalers' propensity to join in a "national marketing board" (67% and 51%, respectively); 36% and 20%, respectively, agreed only with private capital (see Table 2.62 and Table 2.89), 9% and 8% with only public capital and 23% both for mixed shares. The agents always talked about respecting common rules in agreements: wholesalers were very sure of themselves but suspicious of others; the farmers were more self-critical and the millers preferred not to answer.

Indexes show some details per farm/firm type and zone. Larger and medium-size farms pay more attention than smaller ones to the quality aspects of production and conservation but larger ones have some more problems in production (level 3: 71% of farms). The production index is higher in the Damascus countryside and Dara'a (66% at levels 4 and 5), but Aleppo and Tartous are always in first place, levels 4 and 5, for olive and oil conservation methods (almost 60% and 53-55%, respectively).

The mills' size and technology type are linked and centrifugal plants are present at level 4 (33-35%) with a small number of medium-hydraulic plants (5%). It is surprising that there is not any at level 5; actually, it is not only a problem of technology (40% of traditional plants are at level 2) but also of processing procedures. Thus, an improvement in quality can be obtained by merely changing procedures using the same plants, with low costs.

Finally, large-size wholesalers help to have quality (38% level 4), although only medium-size ones reach level 5 (4%) but does not have cases at level 1. Small and medium-size and traditional and hydraulic technology mills seem to have a great propensity (40% and 32-33% at level 4); the reason may be to achieve modern processing systems fast. Larger wholesalers have more propensity (23% at level 5)

than medium ones (8%) because they are more familiar with marketing issues and think in advance that business trade can compete only through large scale businesses.

3.3 - Detailed results of the survey

3.3.1 - Farm survey

- i) Olives and olive oil production.
 - a.1) The Syrian government has promoted new methods to fight diseases and pests in order to reduce import expenses and avoid pollution (Table 2.8). Therefore, 63% of the farms of our sample used the control system while 25% did not use any pesticides. In the latter case, there is no pollution but diseases and pests may not be controlled. The percentage of farms using the control system increased from small (57%) to medium (69%) and large ones (76%), as there is a positive relation between size and knowledge. Idlib is an area where the control system is more widespread (87.5%), which may be due to the Olive Bureau being located there. However, the farmers' willingness to continue with the previous technique decreased to 40%, while a large number of farmers were uncertain and do not answer (38%). If the diffusion of the control system is assured one has to ask why so many farmers are not really interested in using it; we are sure that the Extension Service has worked well but the new concept has not yet settled into the farmers' minds. Producers should know that the first step to selling high quality in the global market is assuring consumers of the quality and healthiness of the products. Therefore, the Extension Service has to continue its training work.
 - a.2) Another element of quality "on the tree" is the harvest time (Table 2.9). Many people claim they harvest at the suitable moment (76%) and that means between an early and late point in time; but "suitable" is not an absolute word. In fact, harvesting late damages olives (though 9% think it is better and, incredibly, 25% of Idlib's farmers believe it); early and suitable timing for the harvest produce different olive oil qualities appreciated in different ways by consumers. As mentioned before, in the UK market, the "full bodied and peppery with a powerful fruity flavour" costs more than other types and it comes from an early harvest. This is an example of how selling and price depend on consumers' tastes. Yet other consumers dislike full and peppery and search for milder oils. Therefore, farmers should answer suitable or early relative to their final needs. Certainly, the representative Syrian consumer likes the oil derived from a suitable-timed harvest, but there is a group (12%) of farms that produce from an early harvest for another Syrian market niche at higher prices. This marketing concept (the discovery of the market niches) is now a new cultural approach for producers who are used to selling what they traditionally have and produce. In the Aleppo area, perhaps the main

qualitative Centre (informal information), 24% of the farms harvest early and Idlib follows (16%).

- a.3) Table 2.10. presents the harvesting methods. At maturity, olives naturally fall from the mother tree but farmers harvest them before they fall because fruits that fall on the ground may become damaged, dirty and consequently of low oil quality. Therefore, almost everybody (92%) hand picks the olives; only a small group (12%) harvest by stick and another not so small group harvests directly from the ground (28.5%). These, non-cumulative, percentages show that even farmers with proper behaviour partially use other systems. Farms must definitely quit these practices. Idlib (100%) and Aleppo (95%) are more progressive regions in harvesting methods but Aleppo has at the same time a large number of farmers (84%) who pick from the ground. The stick system is widespread in Tartous (65%) and Lattakia 40%).
- a.4) The improper harvesting is partially compensated for by the olive selection, i.e. removing the sick and damaged ones, after harvest (Table 2.11) done by a great deal of farms (58%), specially large farms (71%) and the Tartous area's farms (82%). The control of pests and diseases and correct harvesting could help eliminate this time and labour intensive practice.
- a.5) At this point, a second very critical stage starts: place, method and time to conserve olives before mill processing (Tables 2.12, 2.13 and 2.14). These are the elements that ultimately damage Syrian olive oil production. In fact, the olives are conserved in the open air day and night (84%), in jute bags (81%) and plastic bags (7%), for 5 days and more (52%) or 3-4 days (36%). There are no significant differences among farm types and regions: ventilated rooms are used by small farms (21%) in some regions like Dara'a and the Damascus countryside (37%), Homs and Hama (33%) and Tartous (29%). However, only Dara'a and the Damascus countryside use the same appropriate method for conservation (94% ventilated boxes). Homs and Hama keep olives for a few days (42%), as opposed to Tartous with 5 or more days (71%).
- a.6) Farmers claim that at the end of olive conservation they either do not have (70%) or have limited (24%) post-harvest losses (Table 2.15). Only small farms declare some small loss (30%) such as in Dara'a and the Damascus countryside (43%) and Lattakia (33%). Of course, a large number of "positive" answers show only that a mass of olives whose quality has been lost will arrive at the mills.
- a.7) Olive oil conservation methods are depicted in Table 2.16. When olive oil comes back to the farms (we know they sell a large part of their production directly), it is conserved in a large metal can (93%) or in small ones (5%). Syrian farmers have the same unique way of conserving oil in their houses; it can be considered a correct method only if the containers are very clean and not oxidized. As far as we know, in other countries when a producer conserves in steel, or sometimes in old terra-cotta containers, he sells in small metal cans for safe transport to the direct consumer and he advises him to decant into glass as soon as he arrives home.
- a.8) Farmers distinguish their different types of olive oil produced on the basis of the degree of acidity. An initial data processing distinguishes the whole quantity produced by the farms in our sample (Table 2.17). We have already discussed it in the first part of this report. We can repeat and detail: 16.5% extra virgin,

41% type 1, 32% type 2 and 10.5% type 3. Small farms pay more attention to quality (21% extra and 47% type 1 in their production). Total extra virgin (100%) is produced by small (37.4%), large (36.6%) and medium (26%) farms. For other olive oil types, large farms have higher percentages (from 45% to 57%). Evidently, there is some specialization on both small and large farms with the small farms being more competitive in terms of quality. Homs and Hama are very advanced in extra virgin production (61%), like Lattakia and Dara'a and the Damascus countryside in type 1 (64-69%), while Tartous in type 2 (52%) and type 3 (11.5%) with Aleppo (15%). We must point out that these details should be verified with a larger sample or a complete inventory of Syrian production because this is the main issue needing examination in order to give policy suggestions and create some "collective origin brands" (like the EU "protected designation of origin" or "protected geographical indication"). An attempt was made to classify the farms according to the different types of olive oil produced (i.e. how many farms produce up to 20% of extra virgin of olive oil or how many produce 21-40% of the same oil, and 41-60% etc.) (Table 2.18). We used this method to identify the existence of specialized farms or excellent behaviours. We have discovered that only 31% of the farms produce extra virgin and among them only 9% between 81 and 100% and 7% between 61-80%. Large farms do not produce it at the maximum level and 81% do not produce it at all. A large number of farms produces type 1 (76%) and a group of small farms (25%) produce between 81 and 100%. And again, 79% produce type 2. Type 3 is produced only in 35% of the cases but 57% of the large farms produce 1-20% of this type.

In conclusion, we think that the Extension Service, the policy and marketing services have a great deal of work to do; that is to promote and spread quality concepts among farmers.

b) Selling activity and market experience.

This section of the results helps to link farming to trading behaviours; farmers are often able to do both.

- b.1) Length of conservation before selling is, both a technical element, influencing quality, and a commercial strategy (Table 2.19). We have already indicated that farmers have some skill in sales; one third (31%) sells up to one month after production, one fifth (21%) during the winter, and a small group sells after one year (11%). Large farms can wait to sell until the autumn season and even the year after (43%) while small (51%) and medium (62%) size farms need cash flows at the beginning. The farmers in Aleppo and Tartous regions try to sell immediately after processing a large part of their product (55% and 53%).
- b.2) The families of the farms consume a part of the oil produced (10% of total quantity); more in small farms (15%). Other commercial destinations are consumers (28%), wholesalers (53%) and retailers (8.4%) (Table 2.20). Evidently, the idea that farmers sell mostly to consumers is wrong. Wholesale marketing is still important to locate production outlet and to finance farms. These functions are characteristic of large production areas like Aleppo (74%),

Lattakia (51%), and Idlib and Tartous (45% and 43%). Small farms have their direct customers, often relatives and friends, because of a small supply while large farms have to sell to wholesalers (73%). Thus, there are different strategies in accordance with farm size: local selling and open market orientation. Olive oil policy has to focus on large farms to promote quality and vertical integration. Further data (Table 2.21) show how farms are distributed, for each oil destination, per pre-set percentage classes; we tried to understand if there is selling specialization or mixed strategies. Only small groups of farms are strictly specialized (81-100% sold in each destination): to self-consumption (5.4%), to consumers (17%), to wholesalers (21.5%), to retailers (1.5%). Therefore, in general, selling structure is mixed even though 51% of the farms do not sell to consumers and 87% do not sell to retailers, but they always sell a certain percentage to wholesalers (65% at least up to 20% of its production).

- b.3) The sale of product is the farms' final goal; "price" is the measure of their success. We have collected different current and expected prices for every farm type, destination and olive oil type and drew an interesting chart, which we can not explain fully but it offers important information. For instance, price structure per destination shows consumers always pay higher price and wholesalers a lower one (position is reversed for oil type 3 where consumers pay less) and small farms almost always sell at higher prices than medium and large.

Current prices are shown in Table 2.22. Last year (1998) prices for direct sale of extra virgin to all buyers at the farm were between 132 SP (wholesalers) and 142 SP (consumers; difference of price: +7.6%). There is an advantage in selling directly to the consumer: gaps of other oil types were: +3.8% (type 1) and +5.8% (type 2). Minimum prices paid by wholesalers were 126 SP for extra virgin and type 1 and 120 SP for type 2. The price paid for type 3 by consumers was 103 SP. The difference between olive oil quality is, to consumers, based on the type 3 oil, +16% type 2, +22% type 1, +29% extra virgin. So, quality has a real premium price; but at the wholesale level the difference is reduced to +17%.

Each zone of production has its characteristic price (mean average): Dara'a, the Damascus countryside, Homs and Hama have higher prices for direct sale at the farm because of some local conditions. Prices in other regions seem nearer to a national price, which can be compared with international prices. Extra virgin from Aleppo is cheaper than Lattakia (-12%) where type 3 is very low (-33% than Tartous).

How different prices reflect different local conditions? We can refer to a number of relations, e.g. quantity supply/cities demand; wholesalers'/farms' market power; traders'/consumers' needs and so on, and recommend a closer examination of these relationships. The last but the most interesting price determinant is quality; we have seen how quality gives a premium price. Thus, we can draw two main conclusions:

- ix) increase extra virgin share; actually type 1 (1-1.5% acidity) could easily be changed into extra virgin by improving the harvesting and processing stages

- (policy to support new procedures); and
- ii) tie quality to origin and support this marketing action with internal and export promotion (policy to favour advertising and promotion).

New marketing concepts become more important in relation to general surplus and also to expected prices by farmers (Table 2.23). They think that there will be a general decrease (extra virgin: -5%; type 1: -3%; type 2: -9%) except in type 3. On the basis of type 3, the premium price is +7% (type 2), +12% (type 1), +24% (extra virgin); thus, a good product shows a certain capability to face market difficulties.

- b.4) Perception of market difficulties are presented in Table 2.24. A great number of farmers do not think there will be important difficulties (57%); small farms worry (49%) more than large ones (19%). No farmer from Tartous was worried while farmers from Idlib were (62%). In our opinion, this worry, in the face of structural surplus in the near future, is determined by insufficient knowledge about surplus size and the habit of considering domestic marketing conditions as fixed and closed domestic market. We have tried to insist on this issue asking what types of reactions they would have to likely difficulties (Table 2.25). Farmers think they will reduce prices (41%) or believe in public price support (50%); some of them would like to improve quality (20%) with small farms having more propensity (26%) in this direction; others consider some form of cooperation between farmers (18%) also for exporting (21%). Farmers from Idlib seem to have more propensity for every reaction type.

c) Propensity to integrate.

Previous reference to cooperation is a prelude to our discussion on the propensity of agents to integrate with others along the food chain. We have focused our survey on this topic trying to understand what the perception and propensity toward integration is in Syrian rural society, as we believe that producers and traders can only compete on the international market by immediately attaining larger sizes through organization.

- c.1) The first question is how many people have a propensity to integrate (Table 2.26) in different ways. Only some would like to cooperate, firstly with other farmers (25%); the concept to integrate with agents along the chain is very limited, like millers (11%) and wholesalers (13%). The propension to collaborate with exporters is rather surprising (23%) (perhaps there is some idea about new outlets) but even more surprising is the will to collaborate with the state (43%) as if the public sector was a partner. Small farms prefer not to cooperate among themselves (82%) and search for state protection (51%); it is evident that this system is not ready to face difficulties because of habits developed within a closed market. Farmers from Aleppo (37%), Lattakia (33%), and Homs and Hama 50%) have more inclination for farm cooperation. Aleppo farmers, in general, seem to have more propension for all types of cooperation, but farms in the rural area of Tartous have the largest percentage of people who want to collaborate with exporters (47%), perhaps due to the commercial tradition of the harbour. If this behaviour is true, policy could carry

out some social experiment in this area (for instance, a special contract to deliver production and share profits).

- c.2) Problems in developing cooperation arise in the different perceptions of benefits, costs and risks in integration (Table 2.27). Farmers in large numbers expect higher prices owing to cooperation (46%) but only partially realize it can assure sales (25%), larger farms are more aware (43%) as well as farmers from Aleppo (55%). They do not think cooperation favours cost reduction (14%) or increase (11%) but only additional costs (45%; small farms 62%). Apparently, they do not have any idea about: i) scale effects; ii) benefits associated with additional costs. However, it is in terms of one's loss of individual freedom that farmers agree (60%); this "personal" risk is reinforced by the idea that large businesses are dangerous (19%) and that other agents are opportunistic (36%). Tartous (82%) and Lattakia (60%) farmers think integration brings about higher prices; Aleppo farmers do not fear the loss of freedom (21%) but rather the opportunism of others (60%).
- c.3) In dealing with the resistance to collaborate, one may think that an increased price due to integration could promote relationships (Table 2.28). Two thirds of the farms answered this question and showed that a little price increase (up to +10%) is sufficient to push a large part of interested agents in this direction (45%). Others wanted a higher increase.

Thus, the target of integration can be reached: i) with widespread training to explain advantages to farmers; and ii) by giving price subsidies to farmers who cooperate, for instance +5% on the wholesale price at the mill stage. Medium and large-size farmers are more open to this (62% and 67% up to 10% of the market price) like farmers from Tartous and Lattakia (82% and 73%).

d) Other information.

This short section explains three elements or relationships between farms and the social system.

- d.1) A very important factor for farmers is the need for information and knowledge (Table 2.29). Each element of this table must be read separately where the 1st and 2nd preferences mean how many times farmers have showed interest in this element at first or second place; we do not show figures of other positions. A large portion of farmers did not answer our questions, from 50% for research to 80% for management and technical-machinery information and needs, with somewhat more answers for marketing (40%) and credit and research information (both 50%). One can interpret this to mean that management is not yet perceived as a concept and technical-machinery information is easy to understand, so farmers show no interest in it. In any case, we were surprised by this lack of response. There is a partial correction when one reads the first positions of research (40%), marketing (30%), credit and financing (both 30%). Actually, they are strategic tools to support production and supply. In other words, there is a group of agents who realize that these are very important issues and are ahead in their thinking compared to others.
- d.2) Credit (Table 2.30) is an important tool to support the activity. We have already shown that access of olive tree farms to this service in small numbers

sometimes (6%) or usually (12%). Large and medium-size farms (38% and 22%), and farms from Aleppo (32%) and Lattakia (27%, and 40% sometime) show more use of it.

- d.3) Behaviours, perceptions about needs and market issues, and propensity to integrate are all the result of different agents' beliefs. It is interesting to know what they think about the role of the state in relation to their statements (Table 2.31) in order for the state to be able to choose different policies. There are two equivalent groups that prefer opposite policies: free market (29%) and planning (30%); a large number prefers market control (44%) which means something different from planning because free trade also needs a certain degree of control by the state. The state should only define market rules for some people (28%) but others continue to think the state should offer subsidies to farmers (31%). Everybody is less interested in improvement of the extension services promoted by the state.

We would like to note that rural society, as expressed by our very partial and sub-sectorial sample, is divided among different conceptions favourable to: free market, planning, subsidized market.

3.3.2 - Mill survey

We will follow almost the same discussion plan we used to explain farms survey results with some links to check previous statements.

a) Olive oil quality

- a.1) The farmers' interpretation of suitable harvest time is also true for the millers (Table 2.32) ("suitable time" is 100% and so we did not reproduce it in the table) although some people did claim that early harvest produces good oil (80%) on the contrary to a somewhat later harvest (36%). Here the idea about "good/timing" changes, but it is ambiguous. Hydraulic mills claim that a late harvest is very good (80%), likewise mills with a double business (75%) (in the tables called "transformation and trade" mills.
- a.2) In the millers' opinion (Table 2.33), farmers select olives (84%) and millers reselect them again (95.5%); only double business mills select less (75%) because of their tasks.
- a.3) The most important olive conservation problem is already known. Millers say that olives arrive from farms in jute bags (Table 2.34). About 82% of the mills claim that 100% of the farms bring olives with this system; another 25% of the mills claim that farms also use plastic bags. At the mill, there is some improvement in conservation but it is very limited (Table 2.35). Few mills do not conserve in jute bags (4.5%). On the contrary, a small percentage of farms (14%) conserve up to 20% of their product, and 59% conserve between 81 and 100%. They also conserve in plastic bags (33%) or more simply in heaps (33%). Hydraulic mills have the worst practice regarding the use of jute bags (72%) like old hydraulic mills with plastic bags (40%) and centrifugal mills with heaps (28.6%); the latter is determined without a previously set delivery schedule by the large quantity of olives arriving at the mill. As a matter of

- fact, this practice is confirmed by the place of conservation (Table 2.36) which is always outside the mill (98%) and sometimes it is in ventilated rooms (16%).
- a.4) Time before processing is an element to add to the physical. Recall that 52% of farms deliver olives after 5 or more days; at the mill (Table 2.37), millers claim about half the olives are processed within 1-2 days (44%), a third in 3-4 days (34%) and "only" a fifth in 5 or more days (22%). Of course, perhaps there is a considerable quantity processed after 2 days, but the length of time from harvesting to processing is still very long. Centrifugal method allows faster processing (46% of the quantity up to 2 days) Millers interested in trade are very efficient (71%).
 - a.5) To have good processing one needs good technology. Relationship between plant type and quality has been demonstrated many times, but our interviewees (Table 2.38) acted diplomatically about other plants and consider their own to be the best ones. Obviously, not everybody can be right at the same time!
 - a.6) In addition, mills have only one oil conservation type (Table 2.39), i.e. large metal cans (84%). Mills with business in processing and trade have a mixed system because they sell to consumers. The storage problem highlights at this stage the complete lack of modern and healthy conservation tools.
 - a.7) The final results from processing are different olive oil types. A great deal goes back to the farms, but the millers buy some of it or receive a percentage as a processing service price (i.e. a small can, 16 kg, every 20 cans produced; equal to 5%); some millers have their own olive production. They claim to "produce" almost a third extra virgin (31%) (Table 2.40); recall that farms' extra virgin portion was 16% (and we will see that wholesalers have the same). This led us to think that millers know what good production is and know how to obtain it. Or else, there is some confusion concerning the definition of acidity; in fact, the quantity of type 1 is less (28%) than in farmers' declaration (41%) while the sum is the same. We think that the sub-sector urgently needs a widespread system of modern laboratories for certification analysis.

More consistent are the data about the relationship between the percentage of quality type and plant type: centrifugal plants have higher extra virgin (38%) than hydraulic (23%) and traditional ones (5%); at the opposite end, traditional plants have a higher percentage in type 3 (39%) than other plants (17% and 12%). As for oil data processing, we have analyzed also farm distribution by zones to have some indication of "origin": mills from Idleb produce a great quantity of extra virgin (45%) and also Aleppo (29%); farms from Lattakia (34%) and Tartous (30%) produce a great deal of type 3. These results partially confirm the farm survey data, but census and continuous control is needed to define quality and origin if marketing improvement is an objective.

Some mills do not produce extra virgin (18%) or produce only up to 20% (39%) while nobody produces totally extra virgin and only 4.5% between 61-80% (Table 2.41). In other words, there is no firm (and back farms) able to reach the "excellence" mark. In all cases, few mills produce oil type 1 in large quantities: nobody completely and only 4.5% between 61 and 80%. Looking at

other oil types, it becomes clear that Syrian mills have a large supply range, however, this does not mean that they have product differentiation in the marketing sense (i.e. extra virgin olive oil and type 1, from Aleppo and from Idleb, sweet and better etc.). Differences are determined by good or bad olive production not by marketing choices.

Moreover, it is very difficult to find out from the interviewees themselves if products have any defects (Table 2.42); a large portion of millers (41%) claim to sell without defects (or between 81-100% of total production) and another portion (59%) with 2/3-3/4 of good product (60-80%). Centrifugal mills admit to not reaching the best quality (only 38% for 81-100% without defects) likewise old hydraulic mills (100% in 60-80% class), while hydraulic mills think more positively (56% in 81-100% class). Traditional ones can not hide technical backwardness (80% of these mills with 16-30% of little defects and 100% with up to 10% of big defected production); however, the hydraulic plants have quality problems (44% of the firms with big problems for 11-20% of their supply).

- a.8) Olive oil conservation involves two other aspects: technical for quality and trading for financial goals (Table 2.43). A third category does not store oil (34%); this means only giving a processing service or selling immediately one's limited quantity of production. A large number of mills sell almost total production (36% of firms 81-100%) within one month (61%). Therefore, there are few sales in winter (27%) and spring (21%); the mills' strategy is to sell immediately or in a short time with even trading mills not trying to enlarge their commercial period.

b) Sales activity and market experience

- b.1) Mills have a processing function rather than a trading function, but it is interesting to know olive oil destination by quantity and classes of quantity sold in each different channel.

First, per quantity (Table 2.44): farmers bring back their production in very significant portions but not as much as they and the experts claimed (44% of quantity); certainly old hydraulic mills are specialized in this service (79%). Consumers absorb another part of supply (19%) while retailers do not buy directly at the mills (6%) preferring wholesale channel. In fact, the wholesalers represent the second main destination (29%).

Secondly, per classes of quantity (Table 2.45), a great deal of mills (89%) sell to consumers less than 30% of their supply. In other words, trading activity occurs in little lots. There are all other destinations excluding trade between mills (only 7%) and to exporters (only 5%). Thus, millers sell to different traders like wholesalers (70% up to 30% of their supply) and retailers (98% up to 30%); only a small number of them are specialized in selling only to the wholesalers (14% between 61-95%) or retailers (2%, 30-60%).

- b.2) We tried to find out the different tastes of olive oil supplied (Table 2.46) in order to have an idea about the different qualities other than acid quality. Only

23% of mills supply "fruit-bitter": 14% of mills up to 20% of this production or 9% from 21% to 40%. Of course "bitter" is disliked by consumers. On the contrary, they like fruit-sharp and sweet tastes (91% of mills supply each quality). Because of processing techniques, old and hydraulic mills have a larger supply of fruit-bitter (20% and 17%, respectively, in 1-20% class). Transformation and trade mills do not have this type. If one aims to export, it is essential to know foreign tastes so as to differentiate supply.

In terms of quantity supplied (Table 2.47), they sell 43% of fruit-sharp oil and 37% of sweet taste; thus bitter taste is less present (8%). Old hydraulic mills admit to produce a certain quantity of acid and mouldy (14% both) oil. Technical determinants have a hard effect on the quality system. Trading millers try to have only fruit-sharp and sweet oils (54% and 43%); for these agents, the olive oil market seems divided into two similar portions as if consumers tastes are shared in two parts. There is space to promote marketing actions in the sense of "product differentiation".

- b.3) The structure of current consumer prices (Table 2.48) shows a more restricted range than at farm level where one finds very high prices as well as low prices even for extra virgin, and where a medium price level moving from extra virgin to type 2 is maintained. A large number of mills (50%) sell extra virgin at 130-135 SP (59% of hydraulic mills and 50% of trading mills); old hydraulic mills are able to sell at highest price (50% between 150 and 155 SP), because there is a niche of consumers that believe old methods are still the better ones, or at lowest price (50% between 120 and 125 SP) because this niche is limited. However, the first behaviour (high prices) is repeated for every olive oil type.

Current price levels are shown in Table 2.49. We have examined the price relationships among different olive oil qualities for consumer channel only. On the basis of type 3, extra virgin is paid more than 23% and type 1 more than 16%. Old hydraulic mills pay more than other technical types (extra virgin +20% than average; other types from 13% to 17%) as we just showed. This case is very particular because it can count on traditional consumption habits and prejudices that, moreover, allow them to cover their high processing costs.

- b.4) Often experts claim that Syrian prices are very high because of the costs of processing (small traditional plants); we asked millers to foresee the likely size of their business (Table 2.50) in the future in relation to current size. Currently, mills are concentrated in small plants (73% up to 100 tons) but millers think they will decrease to 23% in the near future. Thus, plants with a capacity of over 200 tons will increase from 4.5% to 43% (18% over 300 tons). Old hydraulic mills do not give answers; centrifugal owners (43%) and transformation and trade mills (50%) are more convinced than others. This propensity is very important but has difficulty in carrying out projects because of an unsatisfactory banking system and legal procedures (informal statements).
- b.5) Here we will go on to explore some marketing experiences and market perceptions of millers. A very strategic approach for a quality system in the olive oil sub-sector is considering the relation between agents at different levels (Table 2.51). It must be said that millers tested this link with farmers in two

thirds (64%): failure was always more important than success in the production stage (27% versus 18%), harvesting methods (25% versus 18%), post-harvesting procedures (27% versus 14%) and delivery (27% versus 16%). Indeed, it is in these last phases that agreements are needed to insure quality. In other words, one has to create policy tools to force farmers to agree and respect good qualitative norms at least for the delivery schedule. There should also be some penalty (delivery time) and aid to buy ventilated boxes (olives conservation). In particular, old mills had failures in the post-harvest and delivery agreements (60%); in this case, the same technique does not help farmers to respect delivery time.

- b.6) At the commercial level, millers have some marketing experience (Table 2.52) but only in small numbers (2-18%). Some of them have tried to improve quality with success (16%) or without (2%); others have raised prices (14%), or reduced them (7%) always with success. These opposite strategies can depend on different markets situation and millers were receptive. Some mills adopted their own brand (7%) or new packaging (2%). Nobody has developed advertising promotion or action with exporters. Firms with a double business are more active in trying out new strategies because they are more interested in trade.
- b.7) Perception of a potential new market (Table 2.53) is an index about knowledge of the world which millers have. As a matter of fact, they think that new markets exist (77%) and distinguish the different areas very well like European producing countries (only 9% of possibilities to confirm our previous analysis), northern Europe (27%) where many countries are limited by EU partnership regulations, as we showed before, and the group of an actual new market in development such as North America (45%), Latin America (41%), Arab Gulf States and other Arab countries (43% and 41%). Eastern Europe was less interested (18%) because of weak economies and Asian and Far Eastern countries (34%) probably because they are farther away and less known. Above all, centrifugal owners and also hydraulic ones believe in these markets just as double business mills who are always above the average, also for Asia and Far East. We think that the knowledge of millers regarding this issue demonstrate a regard for the global market and an opening to develop new business with suitable national conditions.
- b.8) Millers have a positive perception not only of foreign markets, but also for governorates markets. A large number (89%) thinks that there are consumers in other governorates. Other consumption targets (Table 2.54) that can buy olive oil do exist, such as affluent people (75%), affluent countries (82%) and a specific market made up of Syrians people living abroad (91%) as we mentioned before. The same mill types believe in these potentialities. We have added a consumer target linked to the "product differentiation". Millers think that this idea can offer a new outlet to help increase olive oil market as well.
- b.9) Previous optimistic forecasts can explain why millers do not think that there will be (80%) market difficulties (Table 2.55). In the case of domestic structural difficulty (as proposed by us) the answer is very specific with some preferences (Table 2.54). Millers refuse to stop production (98%) and do not want to reach agreements with farmers (84%) and other mills (82%) or mills to export

together (80%). The only type of preferred agreement is directly with exporters (50%).

Preferred actions are divided into two parts: i) public support of prices (59%) or costs (54%); and ii) marketing improvement: quality (57%), reducing prices (57%), creation of one's own brand (57%) and/or collective (54%), export with brand (52). In the case of export, it is very interesting that millers do not want trade without a brand (84%). Of course, they know that in the international market knowing the products' origin is important. Again, centrifugal owners and double business millers are more active than other agents.

c) Propensity to integrate.

We have seen that millers do not like agreements in a difficult market situation, but some of them do not actually deny to have some inclination.

- c.1) Integration propensity is admitted by 52% of millers (Table 2.57), more by centrifugal ones (71%). They dislike other mills (only 27%) except traditional hydraulic mills (80%) that in general seem to pay more attention to different forms of collaboration; they prefer wholesalers and exporters (each 41%) and less foreign traders (36%). Whoever is interested in agreement prefers integration (Table 2.58) regarding general rules set up (14%) or rules control (9%), and also merging activity (14%) and creation of new firms (9%), like hydraulic mills (33% merging and new firms).
- c.2) In any case, millers are not very confident about assured effects from integration (Table 2.59). No more than one third thinks they have some real benefit in higher prices or assured sales (34-32%) or in lower costs (29%). The same for greater business dangers (29%) and opportunities (27%). They are not afraid of higher costs (9%) or new costs (32%) but only of loss of freedom (50%). Furthermore, there are some integration constraints (Table 2.60) which hinder agreement development, from lack of entrepreneurial background (39%) to no trust in other agents (45%), shortage of capital (43%), banking procedures (43%) and lack of legislation (48%). Policy should respond to these different needs. Price increase incentives can promote cooperation for millers as well (Table 2.61). Nonetheless only 27% of millers agree with an increase of up to 10%.
- c.3) Millers are lukewarm about integration, but this lack of attention changes when we point out participation in an olive marketing export board (Table 2.62). Two third agree with a preference towards private capital without state intervention (36%) and also mixed participation (23%). Only a group thinks that the state role would be absolute (9%). Millers interested in trade are more attentive to private capital (50%) with hydraulic owners at 44%, while traditional owners prefer mixed capital (60%).

In any case, we think that there is a basis for discussion of this project.

d) Other information.

- d.1) The information and knowledge needs question (Table 2.63) shows that millers need technical information (93%), management, knowledge in commercial marketing (64-70%), credit and finance (52%) and research (77%). Actually, research is in first place in preferences (70%) while technical information (25%) and marketing (23%) are less. At the second level of preference, there are technical (50%), commercial (41%) and management (36%) information. There is a great deal of room to create public services to improve the knowledge system for agents in this phase. It is important to remember here that farmers did not show the same amount of interest; for them promoting the idea of knowledge would be useful.
- d.2) In addition, millers affirm (Table 2.64) that they do not access the credit system (77%), or sometimes (4.5%). Only a small group does it usually (18%); centrifugal and trading mills have more propensity (29 and 25%). Undoubtedly, the supply of credit services is very limited, but it depends on political and macroeconomics choices.

3.3.3 - Wholesaler survey

a) Olive oil quality.

Wholesalers are not directly concerned with the technical quality problem except for oil conservation, so we have reduced the questions to be answered by them.

- a.1) Quality and time of harvest (Table 2.65) show that a late harvest is conceived as bad by some wholesalers (56%), more for large firms (69%), while early harvest is still bad for another big portion (46%). In our opinion, it seems odd that trade agents do not have a more definite idea about the technical determinants of quality ("suitable" is 100%, so we did not write figures in the table). Perhaps, it depends on the fact that wholesalers think not in terms of techniques but in terms of market, and they know Syrian consumers prefer a fruit flavour that is not too sharp.
- a.2) Another determinant of quality is the processing plant type (Table 2.66). People recognize centrifugal plants are better (72%) followed by hydraulic plants (67%). However, traditional mills are also considered good by a large number of wholesalers (51%). Therefore, we continue to think that agents have clearer ideas about trade than they do about the technical elements. We have already indicated that large firms have a better knowledge of quality. It seems true also for wholesalers.
- a.3) Wholesalers buy different olive oil types in accordance with acidity classification (Table 2.67). On average, they buy a small quantity of extra virgin (17.5%) and not much of type 1 (26%), i.e. less than farmers and millers supply. Evidently, olive oil flows are different in each trade channel: the extra virgin portion is the same at the farm and wholesale levels (and one keeps this percentage as national datum) while mills are able to control a larger extra virgin quota. Moreover, the wholesale market manages larger portion of type 2 and type 3. The larger the firm, the more of the last types of oil it commercializes (67% versus 45% of the medium-size firms).

- a.4) Regarding acidity, it is important to know the organoleptic qualities that are bought (Table 2.68). Wholesalers buy mostly fruit-sharp (88% of firms) and sweet (77%); the former seems somewhat contradictory with the above mentioned time of harvest problem. They also buy fruit-bitter but only in little lots (28% of firms up to 20%) or more (10% for 21-40%). They deny buying acid taste (15%) or mouldy (5%). Of course, retailers and consumers refuse to buy bad products and wholesalers do not have the technology to remove bad smells. It is important to know the distribution of quantity according to different taste (Table 2.69); wholesalers supply sweet oil in greater portions (66%), than millers of our sample, and in less quantity fruit-sharp (24%). There are no differences between wholesaler types.
- a.5) Another qualitative element is the absence of defects (Table 2.70). Most claim to buy also perfect products (87%; 44% between 81 and 100% of its quantity). Other agents affirm, in fact, to buy oils with some little problem (77%) from small quantities (31% up to 20% of the quantity) to large quantities (10% for 81-100%). Evidently, there is a problem of quality production in the passage from the mills to the wholesale. However, everybody claims not to buy oil with great defects (21%) or in small lots (18% up to 20%). In terms of quantity (Table 2.71), oil without defects (47% of quantity) has only a small percentage over the oil with little defects (40%). Thus, there is a small quantity with big defects (12%). Big wholesalers have some more problems with large (19%) and little (49%) defects. Naturally, only a good system of analytical laboratories could distinguish the truth and facts.
- a.6) Defects can damage the olives if the method of conserving oil is not adequate (Table 2.72). Here, we have the national problem of storage; actually, only 2.6% conserve in large steel cans and another 2.6% in small glass containers (large firms do not), but nobody conserves in bottles.
- a.7) The length of conservation before selling (Table 2.73) is more of a commercial activity than a way to conserve oil. In fact, wholesalers are always present in every season of the year and also supply products in the following year (13% of the firms), some of them with a large part of their sales (5% per 81-100%) as a speculative activity. At the opposite side, there are firms that do not store products but rather buy and sell immediately as middlemen (10%, of their total supply). Others choose different strategies even though 3/4 sell within one month (23% of firms up to 20% of their supply and 36% from 81-100%) in accordance with consumers' needs. In fact, sales decrease in the rest of the winter (36% of the firms) and spring (13%) and increase in summer and autumn (36% of firms in each season). In terms of quantity (Table 2.74), the largest portion is sold during the winter considering no storage also (59%). Larger firms sell after one year (12%) but not medium ones; the latter can not store because of the lack of space (30% versus the large firms). The length of sales activity and the method of conserving olive oil do not aid quality level conservation.

b) Sales activity and market experience.

Wholesalers should promote experience in sales activity and in relationships. It is important to note that some people called wholesalers actually have strange characteristics: three cases of those who sell only to consumers; one case of sales

only to other wholesalers, i.e. a middlemen, like others with 80% sold to wholesalers; one exports his entire supply.

- b.1) Wholesalers sell to different destinations (Table 2.75). They sell also to consumers (64%) and medium-size firms (77%) more than large ones (39%). Trade between wholesalers is of interest to 2/3 of firms (68%). Relationships with retailers would be the natural outlet but only 51% of wholesalers are involved in it. A group tried out the export channel directly (10%), larger firms (23%) more than others, or via exporters (5%). It is very important to understand that wholesalers divide their risks among different channels; in fact, they do not go beyond 41-60% of sales for each client (except special cases as mentioned in the introduction to this paragraph).

The distribution of quantity per different destinations (Table 2.76) shows that the larger number of retailers absorb only 23% of the supply while other wholesalers buy almost a half (48%). This means that the distribution structure in Syria is still inefficient.

- b.2) The price structure reflects known connections between olive oil types and different channels (Table 2.77). For extra virgin oil, based on the lowest price at wholesale to wholesale level (125 SP), one has +8.8% for consumers, +6.4% for retailers, +8.8% for exporters (136 SP), This last figure does not correspond to the exporters' informal statements collected in Tartous where the price was at 110 SP. Differences between oil types are based on type 3: +9.8% type 2, +15.2% type 1 and +21.4% extra virgin; with direct sale at the farm these gaps were much higher, so wholesale functions to reduce range of prices. Strategies and means to obtain these results should be better analyzed. In addition, wholesalers foresee a general decrease (Table 2.78) of prices between -5% and -6% (at the farms there was a larger range, from -5% extra virgin to -3% type 2 and -9% type 2).
- b.3) To deal with a previous decrease, wholesalers are considering developing their business: 54% won't change their size, 23% plan to increase between 40% and 70%, 13% only up to 40%. This willingness (46%) is interesting but, to be accomplished, credit, financing and state systems are necessary.
- b.4) The aforementioned point concerns the future. However, at present we are interested in marketing experience (Table 2.79). It seems that wholesalers have tried different actions, some even successful. The easiest is to establish one's own brand and label (84%) and changing the packaging (49%). Large firms have been more interested (92% and 61% in these two actions versus 81% and 42% of medium-size ones). All wholesaler types have improved quality (77% and 69%), sometimes without success. Actions carried out on the prices are few and often ineffective: failure of high prices (49%) and low prices (28%) versus successful prices (15% and 31%). It is possible to accomplish this difficult strategy only by mixing together different actions like price, improved quality, brand and promotion.

In fact, wholesalers also promote advertising and promotion in 46% of the cases with success in 44%. Finally, a third has tried new outlets such as export (39%) also without success (5%). In the end, they also experienced

agreements (46%) with success (28%, more for the large firms 38%) and without success (18%) because business risks are high. Hence, we can affirm that Syrian traders at the wholesale level already have skills to face new markets and opportunities even though business sizes and knowledge are still limited.

- b.5) Since marketing strategy is so important for traders we asked them about planned market experiences (Table 2.80). Many people do not want to try again with price management (85% high and 87% low prices) considering past failures, but are very enthusiastic for other sorts of actions: improve quality (61%), giving themselves a brand/label (61%; large firms 85%) and new packaging (69%), doing advertising and promotion (69%). Regarding price changes, it is interesting to examine different behaviour in large and medium-size firms: the first wants to try to raise prices again (23% versus 11% of medium-size ones), which we believe to be in accordance with other actions; the latter prefer lowering prices (15% versus 8%) to promote sales. Export becomes a very important tool to expand a business (67%), above all for larger wholesalers (77%). Searching for agreements etc. decreases its importance in firms' preferences (31%).
- b.6) The large interest in the export channel and planned marketing actions does not coincide with the interviewees' perception of new markets and new consumers (Table 2.81 and 2.82). We think that there was some lack of communication in collecting data. However, wholesalers can think of new markets in the Gulf countries (59%), inside Syria (77%) and in Syrians living abroad (49%).
- b.7) Regarding the previous remark, attention to export is always present as it is in reaction to likely difficulties (Table 2.83). In fact, some medium-size firms (23%) and more large firms (69%) would like to find integration with exporters, or directly export with brand/label (33%, but 53% large firms) and also without brand/label (5%). Other reactions foreseen are lower prices (23%), creation of new brand (28%), integration with other wholesalers (23%), and searching for public price support (36%). Regarding the latter, most large firms would like to push the government to adopt a price policy (61%).

c) Propensity to integrate.

Wholesalers could be agreement promoters because they are the main strategic link between production and consumption and because they have demonstrated a better knowledge of marketing tools.

- c.1) Wholesalers have had relationship to control quality (Table 2.84) with mills but without fixed procedures (61%), and with farmers for delivery times with some success or without success (31% and 18%) and also to control other quality determinants in production (5% and 10%), in harvesting (18% and 5%) and post-harvesting (3% and 8%). It is clear from the figures how long the process should be to arrive at a much closer relationship in order to supply a final product that satisfies new market needs.
- c.2) In the light of their experience, wholesalers have a propensity to integrate (Table 2.85) to different degrees in relation to different agents along the olive oil chain. In the first place with exporters (41%, but 69% large firms) seeing

the will to enlarge markets, and in the second place with farmers (31% and 38% of large firms) because they are the leading producers of quality as long as the technical procedures are proper. Finally, with other agents, not much but always significant (20-25%). The preferred forms of integration result in not being very clearly defined by the interviewees (Table 2.86), but the set up of contractual and general rules are the first preference (28% and 25%). It might be too little to develop a system based on relationship.

- c.3) Wholesalers do not think that benefits and costs (Table 2.87) are problems of higher or lower prices (10-20%) but, correctly, of assured sales (59%). The main risks are loss of freedom (54%) and others' opportunism (44%) but not the danger of larger businesses (20%). Policy should guarantee agents against opportunism via legal norms and sanctions. Like other agents in the chain, wholesalers claim (Table 2.88) to be reliable people (92%) and do not like to express opinions about others' capacity to respect common rules in agreement (47-67% of no answers). In general, exporters are seen as less reliable (20% high capacity) than millers and wholesalers (31%). The problem is to promote the union of reliable people. In fact, among the constraints to integrate (Table 2.89), lack of trust in other agents represents an important element (44%), above all for medium-size firms (58%), together with lack of legislation (44%) that guarantees them and provides a general law about integrative relationships. Another problem is the shortage of capital (36%) and the inefficient banking system (54%) particularly for large firms (85%). According to medium-size firms, a small price increase (Table 2.90), up to 10%, could also favour integration propensity (50%) while to encourage larger ones higher price incentives, 10-20% (54%), are needed.
- c.4) Only half the wholesalers responded to the promotion of an "olive oil marketing board" (Table 2.91), whereas large firms pay more attention to it (77%). The others prefer mixed agencies between private and public capital (23%; 46% large firms) or only private capital (20%).

In general, it is true that for every integration promotion, large wholesalers are more attentive. That is a determinant to take into account.

d) Other information

- d.1) A large number of wholesalers require information and knowledge (Table 2.92), firstly about credit and financing methods (61%), above all for the larger firms (85%) because they are interested in market expansion. They have a great trust in research (51%) even though marketing tools are more important for business life (59%). These first three elements have to be thought of as an integrated system: research provides basic knowledge, both technical and organizational, so that firms develop entrepreneurial and marketing strategies, while credit information and tools help the firm to achieve its goals. In addition, general commercial information (54% for medium-size firms) and international information (46% for large firms) are highly requested by wholesalers.
- d.2) Wholesalers, like other agents rarely access to *credit system* (Table 2.93), usually (10%) or sometimes (5%); large firms twice as much as the medium-

size ones. The credit system is really the main constraint together with quality procedures.

3.3.4 - Retailer survey

We have examined the retail level in order to have some information about the final consumption and prices rather than retailers' behaviour. We can add only two informal points, namely that i) olive oils have sold in every type of store, including non-food ones; and ii) walking along the streets one can see olive oil cans amassed on the sidewalk even under the sun. Of course, quality can not be guaranteed at the end of the chain.

a) Olive oil quality

- a.1) Quality as acidity is presented in Table 2.94. Two thirds of the sample do not sell extra virgin and half our sample sells lampante (48%). The fact that consumers buy and "can buy" type 3 is an incredible behaviour for a foreigner even though the quantity sold is limited. This is determined by the lack of refineries in Syria and by other social and cultural determinants. Small retailers are the main outlet for these products (17%) and they sell less extra virgin (50% of them). However, all firms are used to selling only a portion of extra virgin of their total supply (44% up to 20% of their quantity and 18% from 20 to 40%); a small number of larger retailers (3.7%) also from 40% to 60%. A high number of retailers sell type 1 and type 2 in great quantity. Commercial zone 7 is better for extra virgin (83%) and zone 1 is the worst (50%).

b) Pricing system

We have distinguished prices between brand and non-brand cans (Table 2.95): extra virgin has a premium price between +2.4% and +6%, but in some zones products without a brand costs more (zone 1, 3). Price level is, of course, higher than at other points of the chain for consumers; for extra virgin it is 143 SP with a brand and 139 SP without. The highest price is the same as directly on the farm (142 SP) where consumers can choose a better or more guaranteed original product. At the wholesale level (really a mixed agent), consumers can buy cheaper (136 SP). In addition, retailers are waiting for a price decrease; extra virgin from -8% for with brand name to -10% for oil without. Promotion pays a small premium price during the crisis.

Consumers buy different types of olive oils in accordance with their needs and pay different prices (Table 2.96). So, the higher price is for salad use (141 SP) and the highest in zone 7. For cooking, they save -14% and -11% compared to oil for conserving food. This is an average because there is a significant difference among consumers and zones; for instance in zone 7 cooking and salad uses are similar (-1%).

c) Consumers

According to retailers' estimates (figures without table) few consumers who buy at their stores are affluent people (18%); others are middle income (50%) or low income (32%). Affluent consumers would have a per capita consumption of 7-8 kg (41% of people), 9-10 kg (30%) and 11-16 kg (22%); middle income people have different positions in relation to their family size (26-30% each with per capita 5-6 kg, 9-10 and 14-16 kg). Customers with low income are concentrated in the two first classes: 33% with 3-4 kg of oil consumption (this level does not exist in other social groups) and 33% with 5-6 kg. As far as consumers' tastes are concerned (information without table), 75% of the retailers claim customers pay attention to olive oil flavour and do not like acidity. The retail structure and behaviour needs to be better studied to understand how to develop marketing tools at this level to promote quality consumption.

3.3.5 - Exporter survey

We have talked informally with three exporters (directly by the consultant) and interviewed, via questionnaire, eight others. From what we can gather they are characterized by different businesses: export and domestic sales to other traders and also to consumers. It is very difficult to consider it an actual export structure!

From these exporters, we can summarize some interesting information (Table 2.98). Only three exporters commercialize large lots of olive oil. Evidently, they are the "Syrian national export" because the first sells up to 2000 tons, the second up to 1000 tons and the third up to 500 tons, and this sum, in fact, corresponds almost exactly to the total national export as seen in the statistical data of 1997. In other words, there is not a true exporting structure. They have a perception of harvest time/quality similar to other agents of the chain (suitable). Regarding acidity, 4 out of 8 claim to export extra virgin up to 50% and 7 out of 8 up to 50% of type 1; only two of them export lampante oil. In our informal discussion, the structure of export was 60% extra virgin and 40% type 1 + type 2 for some exporters and vice versa for others. Thus, Syria would seem to export the first categories of oil and directly consume all types.

The composition of olive oil with regard to taste quality is well distinguished: 5 out of 8 sell fruit-sharp (85-100% of total product), 3 of them fruit-bitter (100%) and 3 sweet oil (10-15%). In terms of real quantity exported, fruit-sharp is higher than other taste types. All agents admit to selling oil with some little defect even in great quantity; only one small exporter claim to sell a considerable 50% of quantity with big defects. Exporters conserve oil in large metal cans (200 kg) and here again the problem of storage appears.

The season of trade is concentrated in one month (at the processing period) until end of the winter season for the whole supply (100%) or less, but in any case a significant quantity (40-60%). Hence, problems of outlet and speculation activity do not exist. Regarding supply, we have not got reliable information about prices and

we prefer to refer to informal discussion as we have done previously: 90-110 SP purchase and \$ 2.50-3.00 sale.

Regarding marketing experience, all exporters have improved quality and have tried to increase prices (50% without success, 25% with success) or decrease prices, with similar effects. They tried brand/label (50% and with success) and new packaging (50% with some positive results).

Exporters do not believe in market difficulties (100%) and they should react with different tools as we have examined in other surveys. This type of trader has tried to meet some agreement with farmers to control quality and delivery (50%) and with millers for delivery (2 out of 8). Of course, since all agents are small firms, this relationship is not seen as an institution whose purpose is to organize trade, but only as a personal agreement. Their propensity is very limited: 6/8 do not want to have any relationships. In the case of integration, they think benefits are assured in sales (6/8), but balanced by loss of freedom (5/8), others' opportunism (4/8) and also the danger of big business (4/8). The last element is very amusing for an entrepreneur! The main constraints are lack of legislation (5/8), shortage of capital (4/8) and inefficient banking system (6/8); it might be true that a class of exporters does not exist. The price increase incentive as a mean to convince them to integrate are +10% (50%) and +10-20% (50%).

They do not like the idea of marketing export board (7/8) and think that the only new possible markets are the Gulf countries (7/8) and North America (6/8); the Gulf countries because of past experience (easy for language and habits). This mental (passive) position is verified by the perception of new consumers: 7/8 think about governorates with a current low consumption and 5/8 about Syrians living abroad (this is right for marketing reasons). Of course, credit supply does not help: they never use it (4/8) or just sometimes (4/8).

Finally, their needs of information and knowledge are few for management, general commercial information and research (1/8, 1/8 and 2/8). There is more interest in international information (3/8 as second and third preference) and credit and financing (2/8 at first place and 4/8 at second place). Marketing knowledge had the highest preference: 6/8 at first place and 1/8 at second place. To be sure, this would be a good starting point.

3.3.6 - Consumer survey

a) Consumption of fat

Syria, like other Mediterranean countries, consumes a great quantity of vegetable oils and a limited quantity of animal fat (ghee). The annual family average consumption in our sample (Table 2.99) reveals olive oil at first place (51 kg) while different types of vegetable oils range from 20 kg (soybean) to 27 kg (corn and cotton seed oils). Ghee consumption is 21 kg.

In general, the total consumption rises with family size, while it has different changes per income class; it depends on oil type and preferences: olive oil consumption increases regularly and the consumption of other oil types shows irregular changes. The coastal zone has the highest olive oil consumption (68 kg), some central and also southern families consume more ghee (24 and 22 kg) but another portion consume a large quantity of olive oil (56 kg the Centre), cotton seed and soybean oils (Centre: 34 and 32 kg). Cotton seed oil is more highly consumed in the North (42 kg).

Per capita data (Table 2.100) indicate that oil and fat per capita consumption decreases as family size increases due to "scale economy" (olive oil: from 13 kg to 9.6 and 7 kg). However, it increases as the income increases (olive oil: from 8 kg to 16 kg) even though vegetable oils have a different pattern because the income effect is balanced by the substitution effect between different perceived qualities (see for example cotton seed oil). But it can depend also on the zone of consumption: families from the North have the highest consumption of cotton seed oil (20 kg) because they live where it is produced.

Concerning olive oil consumption, it must be stated that the average consumption per capita is higher than what the statistical data show as we have already indicated above (10.3 kg versus 5.1 kg). The consumption of the coastal region increases to a "Greek" level (19.8 kg). We discussed this information in the surplus estimate; of course this figure is relative to olive oil consumers while national per capita refers to the whole population. However, even low-income families, in our sample, consume this product although in smaller quantities, but still significant (8 kg).

The fact is that Syrian consumers have a definite preference for consuming this excellent product (Table 2.101): everybody puts olive oil in first place in their ordered preferences (from 95% to 100%). Corn and sunflower oils are second and third (2nd preference) and third and second place (3rd preference, where 42% of consumers do not give answers). Cotton seed oil appears at second preference level (5%) and at third place (7%) with soybean (7%).

Within the olive oil category and in accordance with acidity classification (Table 2.102), consumers prefer to buy extra virgin (38%) and type 1 (48%). The sum is 86% and even 95% in central and coastal regions (the latter with a larger quantity of "bad" products and processing) and does not reflect the percentage we have found in supply at different levels from direct sale at the farm and mill (58%, 59%) to wholesale (43%). Perhaps consumers living in the main cities have access to the best production but we still doubt this "improvement" of quantity of quality products. Increases with increase in family size are not very significant but per income class show extra virgin (from 30% to 52%) and type 1 (from 45% to 53%) increase while type 2 (from 19% to 6%) and type 3 (from 5% to 0%) decrease, even though with some "irregular" figures. This is in accordance with Engel's Law and principle of substitution between superior and inferior goods.

The high demand for olive oil and previous conditions in market and production systems have determined the final price structure (Table 2.103). We have also

considered prices of different oils and fats that show olive oil has a higher level (151 SP) than corn and sunflower oils (80 SP and 71 SP) and soybean and cotton seed oils (58 SP and 50 SP); ghee, as an animal fat, is more expensive (213 SP). In spite of the price gap (double or triple), olive oil is preferred to other vegetable oils. The cheapest price for consumers is in the coastal region (140 SP). Higher income people pay higher prices.

Consumers are also convinced to pay more for brand name products (Table 2.104): extra virgin (+2.7%), type 1 (+13%), and type 3 (+9.1%); type 2 on average is cheaper without a brand (+1.6%) but in many cases the rule is respected. With regard to income class, we have an identifiable increase in percentage gap between a brand and a non-brand product (+1.3% to +5% and +4% in the first three classes); higher income classes behave differently giving a premium price to non-brand products. More detailed marketing research should analyze these aspects, more thoroughly.

Olive oil is consumed for different uses (Table 2.105). There is a balanced share between the three different uses of cooking (34%), seasoning (32%) and preserving food (31%). There are no significant differences among types and classifications except for zones: Damascus families use it for preserving food (37%). North (46%) and coastal region (38%) prefer flavouring, South and central region use it for cooking (45% and 43%). Obviously, these differences can promote different marketing strategies. About 31% of the families (Table 2.106) consume up to 10 kg to cook and another 29% consume between 11 and 25 kg. For flavour, families are more concentrated in the first class of consumption (45%), of course, because this practice involves less quantity; the oil for preserving food is distributed in the same percentage as cooking oil.

Olive oil is preferred to other fats (advantage of consuming olive oil – Table 2.107) as first preference: for flavour (69%) and health (25%). As second preference health (37%) and flavour (19%) are still chosen. Southern families appreciate flavour more (95%) than families from the central part (51%) who focus more on health (33%) and other aspects (15%). Consumers would like (Table 2.108) to increase olive oil consumption (67%) more in the southern (80%), central and coastal regions (75-77%) for medium income classes (71-73%) and small families (74%). These few figures can give some indications to firms that want to enlarge their market; but obviously before making decisions like these more thorough marketing research needs to be carried out. Here we have shown the method.

However, there are conditions to increase olive oil consumption (Table 2.109); first the price which is considered too high (47%) and income level which is considered too low (16%). Other less important determinants are increase in family size (7.5%), improved quality (5%), packaging (4%) and prevention of cheating (2%). Some different elements, following price and income, are shown as a second condition: quality and purity (12%), and prevention of cheating (7%). The problem of "cheating" is only a worry for some people, but we think that emphasis on purity and quality could become a strong element of marketing. People who are afraid of this problem (first condition) are in the lower income class (5%) and in Damascus (6%) and the coastal (5%) regions. People interested in quality and packaging and

promotion are in coastal and central regions (10-15%). Affluent people are interested in packaging and promotional aspects (10%) and do not worry about income (only 7%). Price and income play some role in lower and higher income classes.

Other collected data, as factors limiting olive oil consumption (which we do not show here because they are similar to the previous data), give us cheating after price and income determinants (16%) and low quality (5%) as a second factor of importance. Finally, the reasons to increase consumption (Table 2.110), that come after the desire to consume, are health problems (36%), an increase of family members (18%), a price decrease (6%, in the sense "if prices decrease") and farm production (5%).

4. TABLE OLIVE MARKET

The Syrian table olive market represents about 2% of the olive oil market value (final consumption prices); in other words, it is a by-product of the main market. The total production (Karabeej and Al-Hindy,1996) has changed from 49,000 tons in 1984 to 82,000 tons in 1994 (+67%) but IOOC statistical data (*World table olive balance,1998* - Tables 2.111, 2.112 and 2.113) show that the production was 60,000 tons in 1997/98. That represents 6% of world output and also 6% of the total consumption.

Spain is the first producer with 325,000 tons and Turkey ranks second (124,000 tons) followed by a group of countries that produce from 95,000 to 80,000 tons (USA, Greece, Morocco and Italy). Syria is the 7th leading producer. As for consumption, the USA ranks the first (172,000 tons) followed by Italy, Turkey and Spain (130-113,000 tons). The EU countries (e.g. Spain) and Morocco are the main exporters, whereas the USA and the EU are the main importers.

Our survey has focused on the main table olive suppliers: farms and wholesalers. More than half of the olive tree farms (56%) produce table olives (Table 2.114): 28% up to 200 kg and 15% from 200 to 500 kg. There are also farmers producing more than 500 kg to over 2 tons (14%); for some farms this is a profitable business, particularly small farms (69%) while larger ones are more specialized in olive oil production. Dara'a and the Damascus countryside farms are producers in large numbers (94%) and in big quantities (37% more than 2 tons). Other producers are farms from Homs and Hama (68%) and Idlib (82%).

We have collected average prices in different zones of the country (Table 2.115). Dara'a and the Damascus countryside have the best performance (62 SP/kg because of its proximity to a big city); Lattakia and Aleppo are the cheaper locations (30-32 SP/kg). Some local farmers foresee a decrease of prices, but others are more optimistic; the optimism is justified because the demand and supply are balanced at the national level and because, in the face of some unlikely crisis, it is easy to process olives to obtain oil.

The second supplier is the wholesale market. However, the table olive business is very limited (Table 2.116); only one third of wholesalers supply this product, 21% up to 200 kg and 12% about one ton. Actually, consumers prefer to buy directly at the farm. We have provided a detailed chart (Table 2.117) of wholesaler firms per destination of their supply. One can observe that, in four cases, supply is totally bought by consumers; one must note that Syrian consumers prefer to buy the original product directly at the farm or at the wholesale level to transform it at home in the traditional way. Wholesalers sell, of course, to retailers but also to other wholesalers and processing firms. There are also exporters (processing-exporter firms) interested in this business which means that an export flow exists. We have not got sufficient information to analyze this issue but the statistical data help us to conclude that this is not a very important aspect for the Syrian sub-sector economy. However, it is of course interesting for a few processors and exporters.

We can claim that table olive export is of some interest in nearby Arab countries and there is some contact with Spanish importers, always in bulk supply. In this regard, one can distinguish three different markets for the table olive sub-sector (not only in Syria):

- i) the non-processed olive market for local consumption; this means that consumers (families) buy olives and process them at home. It is a very local market in many producing countries at the countryside and small town level;
- ii) the wholesale bulk processed olive market; many wholesalers process a small quantity of olives in the traditional way or sell olives, collected at the farms, to specialized processors who provide for the local market, national firms or importers in other countries; and
- iii) the main consumer countries (producer or not) are characterized by two different final markets:
 - a) small firms which are not marketing oriented: strategy based on low-middle range prices and local or regional markets; and
 - b) large firms which are marketing oriented: strategy based on middle-high range prices, high costs for advertising and promotion, and national or international markets.

Syrian processing firms and wholesalers-exporters should think about this classification and their strategic goals.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1- Conclusions about Syrian competitiveness in international markets

Syria has some problem not only with the oil quality and organoleptic standards, but also with olive production which is of acceptable quality until the harvest. Its prices are not competitive enough to export to the EU and only a political agreement can open this market for a certain quota of export; consequently, this does not solve the future structural surplus problem. Its prices seem to be competitive in some international markets outside the EU, but the exporters do not have enough experience in international trading and marketing information. It follows that they complain about Syrian laws, the bureaucratic procedures for export and the lack of a modern banking system as well as management training and marketing support. Moreover, the size of these firms is too small to effectively face international markets.

To promote a policy, or a group of integrated policies, aimed at improving the olive oil sub-sector, it is necessary to have a thorough knowledge of the agents and the processing for which policy has to be implemented. The second part of this report was dedicated to this. Long time and large financial resources has been spent on this research. We think that this is the first time someone has tried to do it in Syria for the olive oil sub-sector, and perhaps for other sectors, and we would like to thank all the people who made it possible.

5.2 - Conclusions about the field survey

We would like here to present some conclusions not as articulated critical summary of the previous analysis, but only as an outline of the main statements expressed (Chap.3), following that one will find a list comprising quality, integration, consumers and marketing, "exporters quality", and information and knowledge needs issues.

a) Quality

Olive harvesting and conservation methods damage Syrian olive production. One has to create tools to force farmers to agree with millers and respect good qualitative norms at least for the delivery schedule. But quality is not only a problem of harvesting, and conserving olives at the farm, but also depends on plant technology and procedures and general conditions of processing, like temperature, cleanliness etc., that in other countries would not pass to get through the HACCP system (Hazard Analysis Critical Control Points). For these last reasons, an improvement in quality can be obtained not only by changing or improving plant type but by merely changing procedures using the same plants (at very low costs). Actually, olive oil type 1 could easily be changed into extra virgin by improving the harvesting and processing stages. This could also help to tie quality to the product's origins, supporting this marketing action with internal and export promotion.

Regarding different olive oil types and quality, we can claim that millers' and wholesalers' statements demonstrate a certain lack of precision. We must point out that quality classification should be verified through a larger field analysis or a complete inventory of different Syrian olive oil products. Consequently, we think the sub-sector urgently needs a widespread system of modern laboratories for certification analysis.

Another problem facing the quality is the olive oil storage; actually, at every stage, there is a complete lack of modern and healthy conservation tools. Hence, at the end, olive oil conservation methods need to be improved. In conclusion, we think that the Extension Service and the policy and marketing services have a great deal of work to do; that is to promote and spread quality concepts among farmers. Moreover, we can add that the quality problem is present also at the end of the olive oil chain. In fact, at the retail stage, one can observe that olive oils are sold in every type of store, including non-food ones, and that walking along the streets one can see olive oil cans amassed on the sidewalk even under the sun. The State has to define selling method rules also for retailers. For instance, the fact that consumers can buy olive oil type 3 (even though it is forbidden by the law) is an incredible behaviour even though the quantity sold is limited. This is determined by social and cultural determinants but also by the lack of national refinery system.

b) The distribution system, firm size and integration needs

The idea that farmers sell mostly to consumers seems to be wrong. In fact, the wholesale market is still important to locate production outlet and to finance farms. At the same time, retailers absorb only a small portion of farms', mills' and wholesale's supply while other wholesalers buy almost half the wholesaler's supply. This means that the distribution structure in Syria is still inefficient, even though wholesalers have some essential functions also as final retailers.

To reduce internal distribution costs and to compete in the international market, larger plants, warehouses and export firms are necessary. Actually, millers, for example, claim that they are willing to increase from a capacity of 100 tons, or less, to 200 tons and over 300 tons. Less of course, they require credit and modern credit procedures. In our opinion, the "natural" trend to achieve larger sizes would be too slow and, therefore, different cooperatives, agreements and contractual integrative forms need to be encouraged and promoted. In a specific case, Tartous, there is the largest percentage of farmers who want to collaborate with exporters, perhaps due to the commercial tradition of the harbour. Other agents in other regions do not have the same propension. People interested in agreement prefer not only integration regarding general regulations and regulation control, but also merging activity and creation of new firms. Thus, one can set up different integration promotions: norms and laws to regulate relationships and businesses regulations. The target of a larger integration can be reached with widespread training to explain the advantages to farmers and other agents and with provision of price subsidies to farmers who accept to cooperate. In fact, there are some integration constraints which hinder agreement development, e.g. lack of entrepreneurial background, shortage of capital, banking procedures and lack of legislation. In many cases,

agents are frightened of others' opportunism in business collaboration. Policy should defend agents against opportunism through legal norms and guaranteed sanctions.

Finally, at higher level there are different proportions to join a Marketing Export Board. In any case, we think that there is a basis to discuss this project.

c) Marketing

New marketing concepts become more important in relation to general surplus and expected price decrease. In the agents' opinion, good products would show a certain capability to face market difficulties (in our opinion this is an important approach). But "good" product is a relative concept. For instance, the concept of harvesting time/product quality and "suitable" time is preferred by agents. We can claim that "suitable" is not an absolute word because it depends on consumers' tastes. Thus, agents should respond to suitable or early ripeness according to different market niches. This marketing concept is now a new cultural approach for producers who are used to selling what they traditionally produce.

Looking at different oil types, it becomes clear that Syrian agents have a large supply range; however, this does not mean that they have product differentiation in the marketing sense. In fact, differences are determined by good or bad olive production and different acidity degrees, not by marketing choices. At the same time, in trading millers' opinion, the Syrian olive oil market is divided into two similar portions (fruit-sharp and sweet oil). There is space to promote marketing actions in the sense of real product differentiation. However, all wholesaler types have already tried to improve quality and with success. Others have tried to become "price makers", generally with both high price and low price failures. It is possible to accomplish this difficult task only by mixing together different actions like price, improved quality, brand and promotion.

d) Consumers' preferences and needs and marketing

The marketing research showed that the per capita olive oil consumption grows when income increases in accordance with Engel's Law and the principle of substitution between superior and inferior goods, with consequent higher prices (i.e. olive oil versus vegetable oils and extra virgin versus other olive oils). Moreover, consumers would like to increase olive oil consumption (expense propension). This is important for the firms that want to enlarge their market; but obviously before making decisions like these more thorough marketing research needs to be carried out.

Olive oil is preferred to other fats as first preference for flavour and health; as second preference for health and flavour. Syrian southern families appreciate flavour more than families from the central part who focus more on health and other aspects; these are other possibilities for marketing segmentation.

However, now there are conditions for increasing olive oil consumption based on price, considered as too high and income level considered too low; of course, there

are different quality-prices for different income categories. Other less important determinants for consumers to increase their consumption (at present less important for Syrian consumers) are improved quality, packaging and promotion (affluent people are more interested in it) and, last but not least, prevention of cheating. This problem is only a worry for some people, but we think that with their emphasis on purity and quality it could become a strong element of marketing. People who are afraid of this problem are in the lower income class, more in Damascus and in the coastal regions.

In conclusion of the marketing discussion, we can affirm that consumers and suppliers are, or are starting to be, interested in the marketing aspect; likely future difficulties in demand/supply equilibrium and in international competition will push them more in this direction. We believe that firms and public and private agencies have to prepare the agents to face difficulties and opportunities and consumers needs.

e) Exporters "quality"

Syrian exporters are characterized by different businesses: actual export and domestic sales to other traders and also to consumers. Moreover, we know that only three exporters commercialize almost the total national export. In other words, there is lack of a true exporting structure while the Syrian strategic goal of facing its structural surplus is to have and prepare in advance a skillful business class to improve domestic relationships and to compete in international markets. For this reason, we talk about exporters "quality"; one has to consider that a portion of interviewed exporters has claimed that big business is dangerous. This limited mental position is also verified by the perception of new likely consumers; mainly in the governorates with a current low consumption. More correctly, they think also about Syrians living abroad, but do not sufficiently consider the role of new consumers and market niches in the world.

f) Knowledge and information needs

Agents singled out their knowledge needs in research, marketing, international or commercial and credit information. These elements have to be thought of as an integrated system; research provides basic knowledge, both technical and organizational, so that firms develop entrepreneurial and marketing strategies, while commercial and credit information (and tools) help the firms to achieve their goals. Obviously, they need also a complex of integrated policies and tools (information agency, training policy, credit policy, credit system improvement policy, research policy). There is a group of agents who realize that knowledge and information are very important issues and are ahead in their thinking compared to others.

There is a great deal of millers and wholesalers that require the creation of public services to improve the knowledge system for trade. It is important to remember here that farmers did not show the same amount of interest; for them promoting the idea of knowledge as a variable to improve their performances would be useful.

g) Table olive market

We can distinguish three different processors in the table olive sub-sector in Syria and also in other producing countries (from Chap.4): families processing at home; wholesalers processing and selling; specialized processors who provide for the local market, national firms or importers in other countries. The main consuming countries (producers or not) are characterized by two different final suppliers: small firms which are not marketing oriented with a strategy based on low-middle range prices and local or regional markets; large firms which are marketing oriented with a strategy based on middle-high range prices, high costs for advertising and promotion, and national or international markets.

Syrian processor firms and wholesalers-exporters should think about this classification and their strategic goals.

5.3 - Suggestions

In this part we will summarize many suggestions about policies for the sub-sector. We distinguish between suggestions by national experts and our suggestions which include:

- i) general principles; and
- ii) some detailed advice.

Both sources of suggestions include technical advice and organizational and marketing advice.

5.3.1 - Suggestions by national experts

A "Preliminary report on the Syrian olive oil industry" by M. Faez Asfari (1998) focuses on the technical problems suggesting an improvement of olive picking by farmers and new technologies and processing procedures. We have analyzed these problems through surveys and can share his conclusions.

The report of M. Karabeej and A. Al-Hindi (1996) points to many problems and gives suggestions. At the beginning of the chain, they put technical problems and procedures in the farming and the processing fields but also in organizational issues. However, our surveys have verified deficiencies and gaps with technical and marketing needs. Later on, their attention is more focused on marketing and trade. To start off, they suggested establishing or improving marketing institutions. To increase exports, they suggested a mix of institutional and promotional actions (information, container types, canceling tax, credit, participation in international fairs). We think that this report represents a valid approach to solving problems because it sets in a new cultural perspective.

Finally, there is the SEBC (Syrian European Business Centre) report in which suggestions are given in this order: promote farmers cooperatives, establish analysis

laboratories, change olive oil specification, support producers for high quality, control the mills' pollution, establish an olive oil commission to join some international committee, register some trade marks, open an oil refinery and new storage systems, negotiate an export quota with the EU.

We agree with the acceptability of the list but with some reserve, and we explain a general concept subsequently. Here we want only to point out that cooperative institutions should not be taken as the only type of integration among farmers and along the chain. We also partially disagree with the primary importance given to the EU relationship.

5.3.2 Suggestions by the consultant

- i) In every list of suggestions good ideas can be found but, often, there is no unifying criterion to face the surplus problem. One considers quality and its improvement but always thinking in terms of technical quality, i.e. acidity and other chemical parameters, followed by organoleptic parameters. This quality, made up of two components, depends on compliance with producing, harvesting, processing and conserving procedures used to obtain olive oil. Thus, it can be said that the quality of this chain and final product "contain" procedures. It is the concept of global quality that is even wider due to the relationships between different stages (from farming to consumption) being not only physical, but also represent institutional relationships among agents as well. This is the reason why we have studied agents' behaviour by direct interviews to accomplish the task of suggesting policies for the improvement of efficiency in the olive oil sub-sector.

From this "institutional approach", a group of suggestions is derived that are integrated because the chain is integrated and in terms of policy each act has to be considered in relation to others and has to work together; otherwise the quality of the chain is destroyed. We claimed earlier in this report that a new export country, such as Syria, should choose between two different strategies:

- i) sell in bulk without product differentiation while trying to reach a satisfactory agreement with the EU, or
- ii) qualify its products and present them on the global market (the EU not excluded). We will discuss these briefly.

The first strategy deals with cost and the needs to reduce it. Improving, enlarging and modernizing processing plants help to lower costs and also to improve quality. Extension service can still help farmers to improve the harvest and the delivery of olives to the mills.

The second strategy deals with the quality and the product differentiation; costs partially decrease thanks to modern plants which must guarantee quality, and they partially increase because of quality costs (control, analysis, certification, techniques, promotion and advertising, etc.). At the same cost or little more, one can sell very well in international markets and although the initial and launching

expenses are high, international management and marketing are quickly learned (learning by doing). Thus, transactional costs are lowered.

We recommend the last option because a market with a growth trend and a growth in consumers attention to quality (health and taste) is an opportunity to be exploited. The governing class of the country should focus on a strategy and pursue it with coherence in order to encourage agents of the chain through six general tools:

- 1) training for all agents within the olive oil chain,
- 2) subsidies to improve quality,
- 3) support for agreements and cooperation within the chain,
- 4) promotion in international markets; this is a public task not only to present good products, but also to offer a reliable image of the country as respectful of international marketing rules,
- 5) credit to improve the chain efficiency and export, and
- 6) simplification of bureaucratic procedures.

b) We summarize hereunder our suggestions and those of others in a final list, but they need to be integrated:

- 1) *Training at every level of the olive oil chain to explain quality and integration concepts.*

It is not only a problem of spreading the knowledge about the concept of quality in final markets, consumers' behaviour, ways to cooperate, efficiency within the chain, but also there should be a different approach to learning with an interactive exchange between different agents' experiences, and, moreover, there should be a way to promote discussion between agents at different levels of the chain (for instance farmers and millers regarding olive quality and delivery). The Extension Service is an excellent tool to organize a new system of training because it is always in contact with farmers and other agents; however, there is a lack of means and human resources to face new tasks or, in other words, to pass from the technical approach to management approach.

- 2) *Renewing technical processing plants to assure better quality*

Every expert and agent is aware of the concept; here, we can add that the exploration of new technical tools is needed. Modernization has to occur through the purchase of the latest improved plants that do not damage the olives with the hammer method, but rather return to the old crushing idea (in fact, this working stage is called crushing), obviously not with millstones but with the latest technical innovations.

3) Improving harvesting, delivery time and processing procedures

This issue has come up repeatedly in this report, but it is necessary to add the importance of aiming for the maximum control through agreements among agents and training on quality; if linkages in the chain are weak, the final product will not achieve top quality. We have to distinguish between public control (control agencies, laws, sanctions) and farms/firms self-control, both collective (association trust, bureau of cooperatives etc.) and individual (farm/firm production procedures).

4) Applying a modern system in order to control quality, i.e. HACCP and ISO 9000

To emphasize the previous point, one can join the international norms as ISO 9000 (International Standardization for Organizations) applied to agro-food sector and use the HACCP method (Hazard Analysis Critical Control Points) and record every phase and task that occurs after the olive harvest. Applying these methods to control safety is a very important and difficult task and, consequently, learning a perfect control of production procedures is necessary. We think that the mills should control, by agreement with the farmers, the agricultural stage starting from the ripeness of olives, as well.

5) Applying an advanced method of analysis to check quality

In comparison with the above point, verification by analysis can be easier because chemical and physical procedures are technically validated through scientific methods; in other words, quality procedures in the field (farms, mills etc.) need a complete involvement and awareness on the part of all the agents.

6) Establishing laboratories and preparing the technical resources

It is essential to be equipped with the best analytical laboratories to be able to issue certifications that are recognized by the international markets; of course, it takes highly skilled technicians to do so. Moreover, we suggest the support of three types of labs, with soft loan financing: public, private and associative. As a matter of fact, reliability of the laboratories is a critical point to assure the trust of producers and transformers before selling;

7) Modifying oil specifications in order to meet international standards

In accordance with previous advice, Syrian specifications should be changed to international specifications; for virgin olive oils that means changing from the following four types:

- extra virgin (less than 1%)
- type 1 (from 1.0% to 1.5%)
- type 2 (from 1.5% to 3.3%)
- type 3 (more than 3.3%),

to the following four types:

- extra virgin (less than 1%)
- virgin, or "fine" in wholesale market (from 1.0% to 2.0%)
- ordinary (from 2.0% to 3.3%)
- lampante (more than 3.3%).

It is important to remember that it is forbidden to sell ordinary and lampante olive oil to consumers.

It is note worthy that European regulation had introduced a qualitative element for screening different qualities through a score assigned by a panel test (for instance, an extra virgin must be over 6.5 points). The last regulation (Reg. CE 2638/98), valid until 2001, has deferred this innovative norm until a qualitative analysis method, that is still being studied, has been perfected.

8) *Studying and promoting legislation to create and defend some collective brands and denominations of origin*

Syria has different areas of production of olive oil. These are characterized by different qualities and varieties of olives and, consequently, olive oils derived from them have or can have different tastes and flavours that can be distinguished with legal protection: denomination of origin and collective brand. Moreover, olive oil products are often linked to some cultural references, i.e. historical and artistic; consequently, this can be exploited as well to sell in foreign markets; that is, in an olive oil consumption area, there can be two or more groups of people that prefer different qualitative oil types such as pungent or sweet, and local or foreign. We will try to suggest some names:

- a) by origin: "Aleppo Extra Virgin Olive Oil" (message: from Aleppo's countryside); the name Aleppo is very well known and is associated with nice tales besides being a beautiful city that has been visited by many tourists;
- ii) by imagination/creativity: "Palmyra" - Extra Virgin Olive Oil (message: Palmyra is beautiful so the product is good). Note in every denomination the different position of inverted commas. The name and origin must be linked to the real guaranteed quality with certification previously granted by the analytical laboratories. Every producer or trader can use the common brand adding it to his own trademark but he must respect common rules of production, with HACCP certification.

We realize this set of rules and procedures is a very advanced system of quality, and there are difficulties in applying it to agents who still do not understand the problem and have little knowledge of the complexity and needs of modern consumption markets. In fact, we suggest starting with a great deal of training and very interested people.

9) Renewing legislation regarding individual trademark, label and packaging

Individual trademarks can be accepted under the common brand (origin-quality or quality), but more generally a brand and label legislation, that also promotes and assures domestic and foreign consumers of the correlation between product and statements on the label, is needed. Brand and label are always associated with some packaging; legislation has to fix norms about hygiene and safety. Policy should favour and finance packaging establishments.

10) Establishing awards to support quality

For each level and/or action to improve global quality from the farm to wholesale and export and from the procedures to brand and integration, a little reward or subsidy has to be given by the quality improvement policy. Different subsidies for different actions or procedures can be accumulated to try pushing agents to adopt both individually and together all the possible quality strategies.

11) Encouraging agreements and merging among firms to achieve economical sizes

Since plant and commercial business sizes in Syria are very small (except in some cases), legislation should favour agreements, the creation of new firms, and merging. This allows for the achievement of two important goals: cost reduction and knowledge and skill improvement.

12) Promoting cooperative-mills of farmers to involve farmers in trade and the improvement of quality

This is similar to the previous point, but it concerns the first stage of the chain; in this way farmers also become transformers and traders and are directly responsible for quality management and control. Legislation should facilitate the creation of these cooperative-mills providing criteria for the choice of the cooperatives' managers because this has been, in past European experience, the main determinant variable leading to success or failure.

13) Promoting joint-ventures

In the same direction, one has to promote joint-ventures with foreign companies that are already experienced in international markets. This allows for achievement (almost without costs) and for the exposure to developed knowledge enabling learning without having to pass through a long training and experience stage.

14) Promoting a Marketing Olive Oil Export Board to encourage export

It is very important to enlarge the integration idea and create a "Marketing Olive Oil Export Board" (MOOEB) as a new associated tool to promote, encourage, assist, inform, and also coordinate export for associated agents. A marketing export board can be of a double legal nature: private and public. For our purposes, "private" means dealing with other agents to achieve some business goal (profit, lower costs,

knowledge) and "public" (no State) is a mediator guarantee for the respect of common rules and making peace among different interests in the same agency; but it can have a second meaning (state representatives) if the MOOEB is recognized as a strategic national interest, i.e. diminish structural surplus and/or conserve a balanced economical relationship among all sub-sectors agents in the country. State (i.e. chambers of commerce, trade ministry) promotion activities should pass through the board.

15) Financing a refinery to avoid business losses

There is a need to establish a large national refinery in order to avoid losses. The high costs of establishing it leads one to search for other solutions; that is to create a joint-venture

16) Financing a system of storage to improve oil conservation

Exporters and other experts claim that there is the lack of large appropriate containers to store and sell olive oil. This is also connected with the previous point about the lack of larger firms. However, the Syrian storage problem is more important because it starts from individual farms and goes all the way through to traders, from small metal cans at farms and wholesaler levels to a little bigger but technically limited and inappropriate containers at export.

17) Promoting tools to fight farm and mill pollution

It must be added that there is a big problem of pollution in the processing stage, and there are technical tools and procedures to avoid it. We recommend a new qualitative system to eliminate the problem and to create an image of product quality that can be sold with other components of global quality if emphasized in general promotion and on the label.

18) Preparing managers to run new businesses

We have referred to the importance of management skills in running cooperatives, but the problem is clearly evident at all stages, in the farms and firms in Syria. Training is very important to develop knowledge at the level of people who already work in the olive oil chain. However, since it can not be sufficient to face new tasks, we propose "buying" competencies in international labour market; joint-ventures are an indirect way to do it.

19) Creation or revitalization of institutional commissions

The creation of an "Olive Oil Marketing Service Bureau" or a renewal and expansion of the old Olive Bureau, to inform farmers, millers and wholesalers about initiatives and marketing actions. This should be tightly linked to the training system.

20) Achieving a marketing agreement with the EU based on some new criterion, and developing the international market

The EU market is an important factor to evaluate carefully. Of course, it is an immediate outlet for Syrian surplus and it is hoped that an agreement in the near future will satisfy Syrian requirements.

On the basis of our above analysis, we think there is a percentage of surplus that should be sold in other markets. However, we would like to focus more on the needs of Syrian export and explain an innovative idea. We think that the Syrian producers of olive oil should divide the mass of export into three parts, two thirds towards the EU (in accordance with a likely agreement in this regard) and one third towards the rest of the world.

Export to the EU could be based on: i) a first part of normal products sold in bulk following the rules set for the other Mediterranean non-EU exporters, and ii) a second part, even if limited, of excellent product quality (which is controlled and certified) offered in original final consumption containers for European retailers or at least in bulk but with a special clause permitting the final products to be presented with their brand of origin or quality. In our opinion, one should sell a little less quantity but compensate with a little higher price. This higher price could be directed towards northern European countries like the UK and Germany, to consumers and not producers where the consumption trend is positive. Certainly, there is some difficulty in reaching this agreement (European wholesalers and farmers and non-European producing countries). However, in our opinion, it represents a new criterion that can open interesting business areas for an old producing country with the prospect of a possible international agreement (i.e. GATT).

Hence, the third part will be necessarily sold in the global market with a marketing policy built on a very qualitative approach, as we have tried to draw, and directly in final containers to retailers. The global market includes all countries where consumption is already present and growing, starting from the more promising countries for Syria to others, i.e. where marketing research and consumers' propensity show that there are people who could buy Syrian olive oil (USA, Canada, Gulf countries, Japan etc.). We want to note that European exporters will sell products of the same origin but without its original name. In this case, as for little qualitative export to the EU, Syrian traders and exporters will be able to gain experience and get acquainted with international marketing behaviour and then bring this added value back home.

21) Developing a promotion plan

Domestic olive oil consumption and growth of international Syrian olive oil markets have to be supported by specific, well financed and (above all) lasting promotion. For the domestic market, it is enough to concentrate advertising in low consumption governorates (for example, Hassakeh and Dier Ezzor). For the international markets, it is more important that producers-suppliers (cooperative-mills, mills, traders, exporters and MOOEB) and the government officials are present at the main

promotional initiatives and exhibitions in those countries which has been singled out by marketing research as potential targets for the sale of Syrian production. The policy should establish a long-term plan for international promotion linked with quality improvement policies.

22) Reducing bureaucratic procedures

Concerning export, the Syrian government should reduce and improve bureaucratic procedures to avoid both wasting of time and delays in commercial deliveries; we recall that the respect of contractual commercial norms also belongs to "global quality".

23) Providing an olive oil sub-sector financing plan

Within a more general reform of both the credit and banking systems, we would like to suggest (as fundamental mean without which every good plan remains only on paper) the provision of:

- i) a medium term plan to finance soft loans to invest in post-harvest activities, processing plans and small and large storage, and to support export and participation in foreign exhibitions. To aid export, an "Export Support Fund" should be established; and
- ii) a long term plan to finance some very large storage containers and refinery establishments.

24) Providing a general sub-sector plan

Policy makers should conceive a complete general sub-sector plan that comprises all elements, at the same time, and should avoid producing laws and regulations at different times for each separate action. Of course, different marketing strategies coexist in the short term and different actions need different periods of time to be realized.

25) Establishing short term and long term strategies

- i) Syria should choose between three different marketing and processing strategies in the short term:
 - a) search for an agreement with the EU, not only to supply non-differentiated or low quality oil in bulk, but also to push selling of high quality products in original final consumption containers or at least in bulk but with a special clause permitting the identification of the final product; or
 - b) sell the product in bulk in free markets as done with the Gulf countries and Brazil, and try to enter in some new markets like the USA, Australia etc.; or
 - c) start from now to organize very quickly the whole olive oil chain.
- ii) For the long term, we suggest the following main strategy (deriving from the previous point 25c): qualify and differentiate olive oil (regional origins and

brands), and present its products in the global market as global quality products. Syrian olive oil should become synonymous of high quality.

Finally, we think that the report provides a consistent idea about the importance of the relationships among the agents, tied with the high quality of the production supplied that can be found above in the list of the final twenty-five recommendations which offer topics for discussion to the Syrian government and show the work that needs to be carried out, in order to cope with international competition.

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