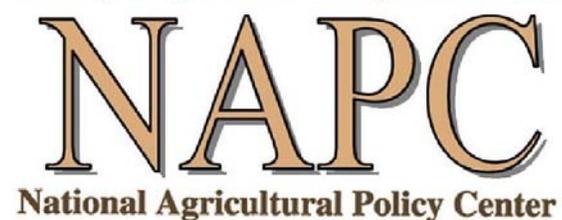


Ministry of Agriculture and Agrarian Reform



**COMMODITY BRIEF No 9**  
**TRADE in OLIVE OIL in SYRIA**

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## **The objective of this paper**

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

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

## **Introduction**

Syria is considered as the homeland of olive tree before its spread to the rest of the world. Relevant literature indicate that olive tree was first a native of the greater Syria nearly six thousand years ago (in some references 12000 years) where the first appearance of olive tree was in the ancient city of Ebla which is located on the outskirts of the Syrian city Aleppo. Also olive tree was found in Pharaoh Tombs in Egypt dating back to more than 1500 years B.C and there are proofs of their existence in that period of time in the Libyan oasis and on the coasts of Aegean sea in Turkey and Greece. Phoenicians spread the olive plant in 16-th century B.C. to the Greek islands. Starting from 11<sup>th</sup> century B.C. olive entered Spain. In the 6<sup>th</sup> century B.C. olive moved to several of Mediterranean coasts. After that time, olives planting widened and started to appear in Mexico, Peru From there to California, Argentina, Australia, Japan, and China.

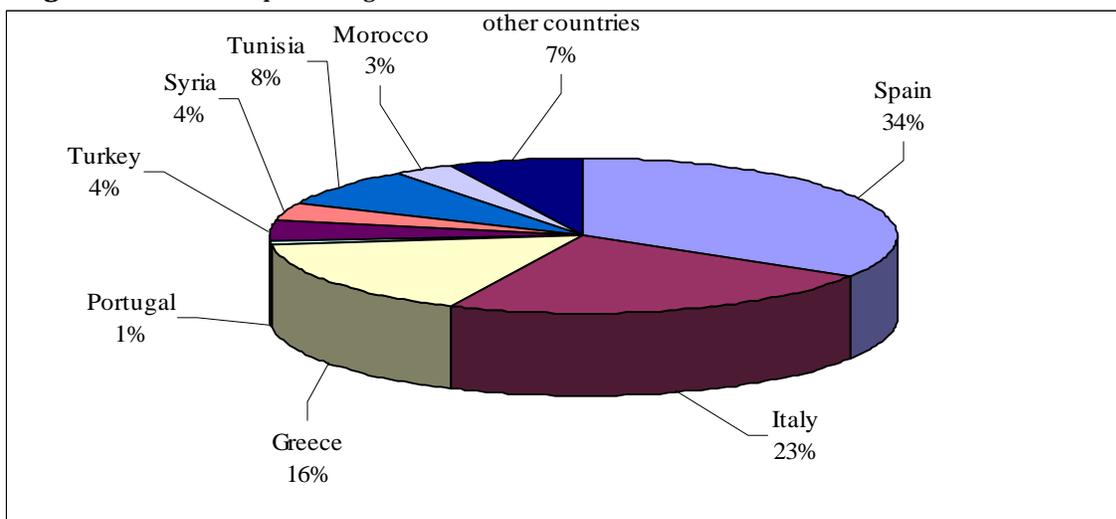
In Syria olive tree is considered as one of the important plants as it includes good varieties convenient for olive oil extraction and other varieties for table olives, such as Sorani- khdaeri- doaebli- dan- kaese- jlut- mosabi- mokharam- abo satal- abade- abo shoka.....etc.

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

### **1. International production and consumption of olive oil**

According to the International Olive Oil Council (IOOC) there are about 789 million of olive trees in the world, 95 % of these trees are in the Mediterranean basin. Spain leads producing countries with about 40% world production, followed by Italy with about 20 % and then Greece. The production of these three countries accounts for about 75% of world production. In, addition Tunisia, Syria, Morocco and Turkey are considered as important countries in the field of producing olive oil (see figure 1). In addition, annex 1 illustrates the world's main producing countries of olive oil during the period 1996-2005. Also olive oil is produced out of the Mediterranean basin in some countries like South Africa, Chili, Argentina, Australia, and the USA.

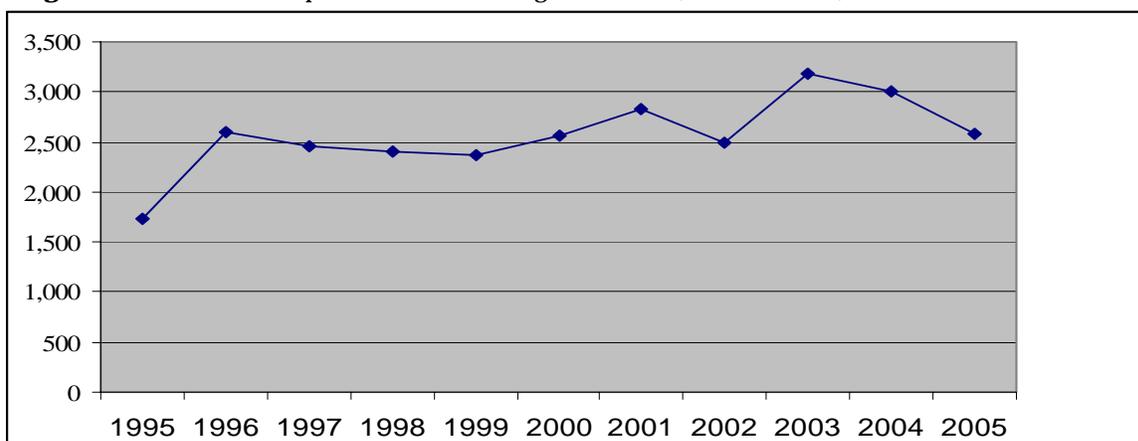
**Figure 1**-world main producing countries in 2005(%)



Source: IOOC website

World production nearly doubled between 1995 and 2004, however the overall production in this period fluctuated as figure 2 illustrates. This is mainly because of the uncertainty of production of the two main producing countries (Spain and Italy) as a result of alternative bearing phenomena. Accordingly significant changes of the production in these two countries affect the world production.

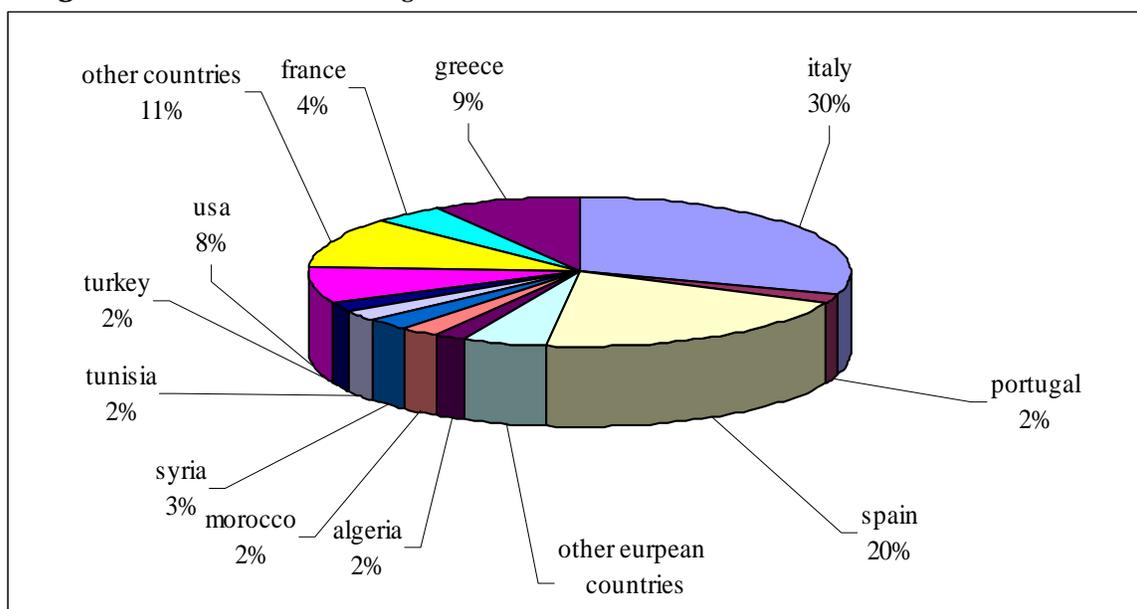
**Figure 2**- world olive oil production increasing 1995-2005(thousand tons)



Source: IOOC website

As for consumption, consuming countries reflect the percentage of the producing countries (figure 3). Furthermore annex 2 illustrates the main consuming countries, as we can see the consumption percentage of European Union (EU) accounts for 71% of world consumption, Mediterranean countries (including those Mediterranean countries of the EU) account for 77%. Other consuming countries are the USA, Canada, Australia and Japan.

**Figure 3** - world main consuming countries in 2005(%)



Source: unctad website

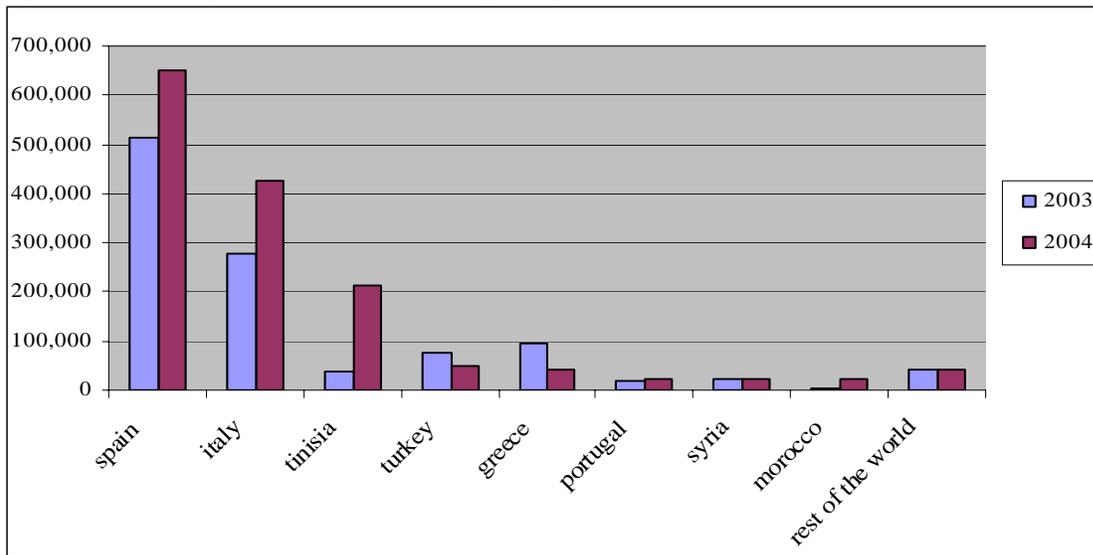
## 2 Olive Oil International Trade

### 2.1 Exports

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

- Spain leads exporting countries where its exports are more than 40% of world exports. Spain exports olive oil to more than 100 countries
- Italy ranks second with more than 20% of world exports, followed by Tunisia and Turkey while other countries like Morocco and Syria export little quantities of olive oil in comparison with the first four countries.

**Figure -4** most important world olive oil exporting countries (ton) 2003-2004

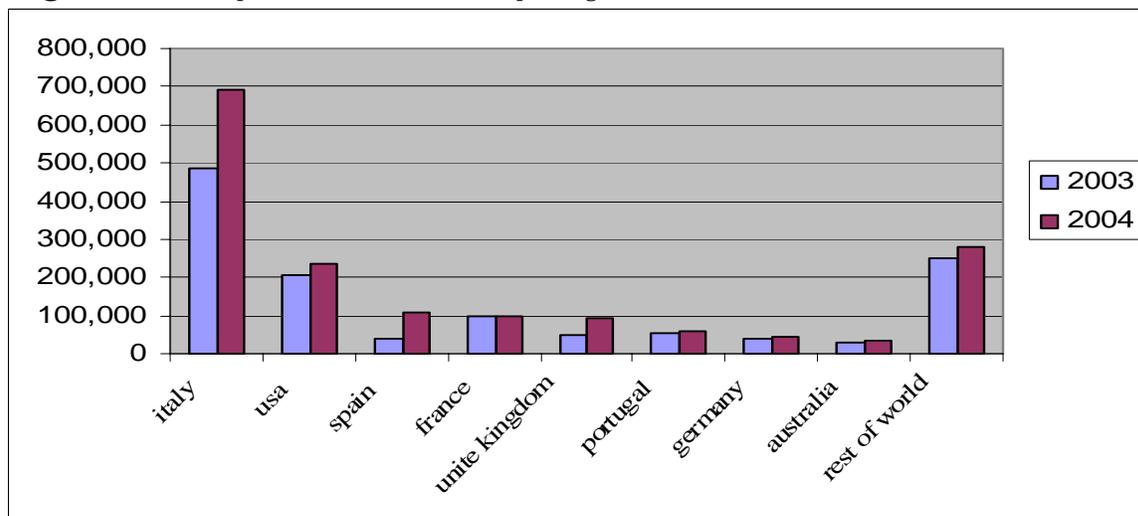


Source: FAOSTATE

## 2.2 Imports

Imports are also centered in the EU where Italy leads importing countries accounting for 40% of world imports which together with the Spanish imports is about half of world imports. This is because both countries import large quantities of olive-oil in bulk containers, where it is refined and bottled for re-exportation. The USA ranks second and is considered as a net importer with about 15% of world imports (figure 5).

**Figure 5** –most important world olive oil importing countries (ton) 2003-2004



Source: FAOSTATE

## 3. World agricultural policy related to olive oil

Since EU production of olive oil accounts for 75% of world production and its exports have nearly the same percentage as mentioned earlier, my discussion of world agricultural policy concerning olive oil will therefore be mainly about EU policy. The EU subsidized olive oil production in the past, notably by means of the Common Agricultural Policy (CAP). as a result

of this policy farmers received subsidy payments relative to their production (i.e. the more farmers produced the more subsidy payments they received). The value of annual EU olive oil subsidies was \$2.3 billion; the value of world trade in olive oil was \$1.1 billion excluding intra-EU trade. This means EU olive oil subsidies were twice the value of the world olive oil trade (\$2 of subsidies for each \$1 of world trade). In addition, olive oil world trade faced European tariffs of € 1.2 – € 1.3 per kilo. The level of European olive oil subsidy ranged from less than €100/hectare in traditional areas (producing c. 500 KG/year), to more than €2000/hectare for mechanized and irrigated farms (producing more than 10000 KG/year). Also the national guaranteed quota established by the CAP allocates certain quotas to European countries (760000 tons for Spain and 543000 tons for Italy) even though actual production is often higher.

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

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

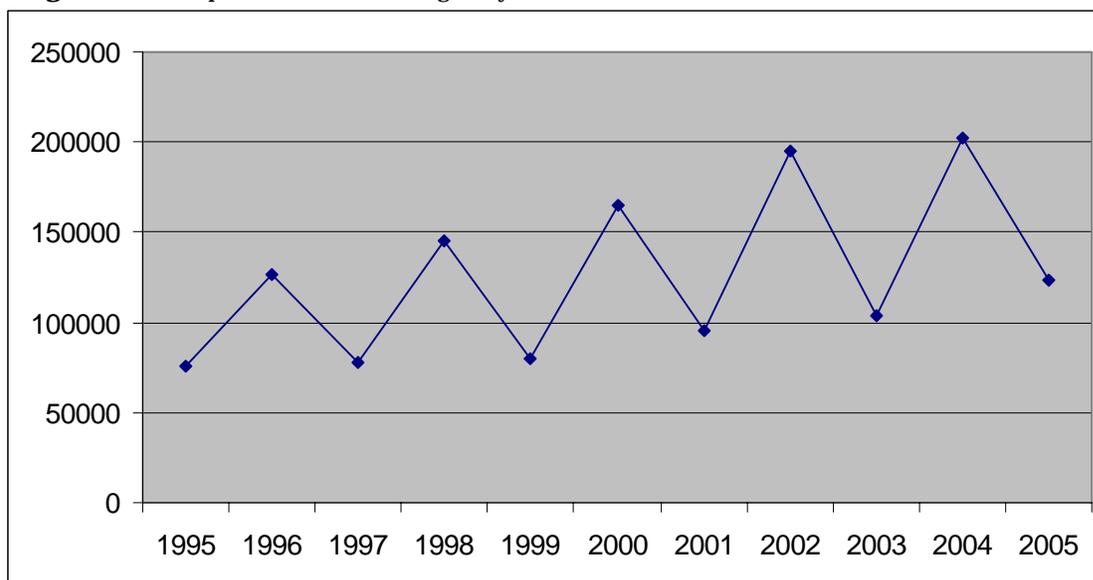
- *Extra-virgin olive oil* comes from the first pressing of the olives, and must contain no more than 0.8% acidity. It has superior taste with no refined oil.
- *Virgin olive oil* must have acidity less than 2% which it has a good taste with no refined oil.
- *Olive oil* is a blend of virgin oil and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

#### **4. Syrian production and consumption of olive oil**

##### *4.1 Syrian production of olive oil.*

Olive oil production has doubled over the last decade in Syria, mainly because of the governmental policy in reclaiming lands. In the last decade the total area involved in olive cultivation and olive tree density grew from 421 thousand hectares planted with 54 million trees (32million as productive trees) in 1995 to 545 thousand hectares planted with 79 million trees (58 million as productive trees) in 2005. This led to an increase in olive production from 647.6 thousand tons in 1996 to 1027 thousand tons in 2004 and 612 thousand tons in 2005, where olive oil production fluctuated from 126.6 thousands tons in 1996 to 202 thousands tons in 2004 (the highest level), and 123 thousand tons in 2005 (figure 6).

**Figure 6** –olive production increasing in Syria 95 – 2005 (tons)



Source: NAPC database

Total olive production varies from year to year due to alternate bearing phenomena (figure 5). In Syria statistics indicate that productivity per tree decreases to become about half in seasonal years (table 1)

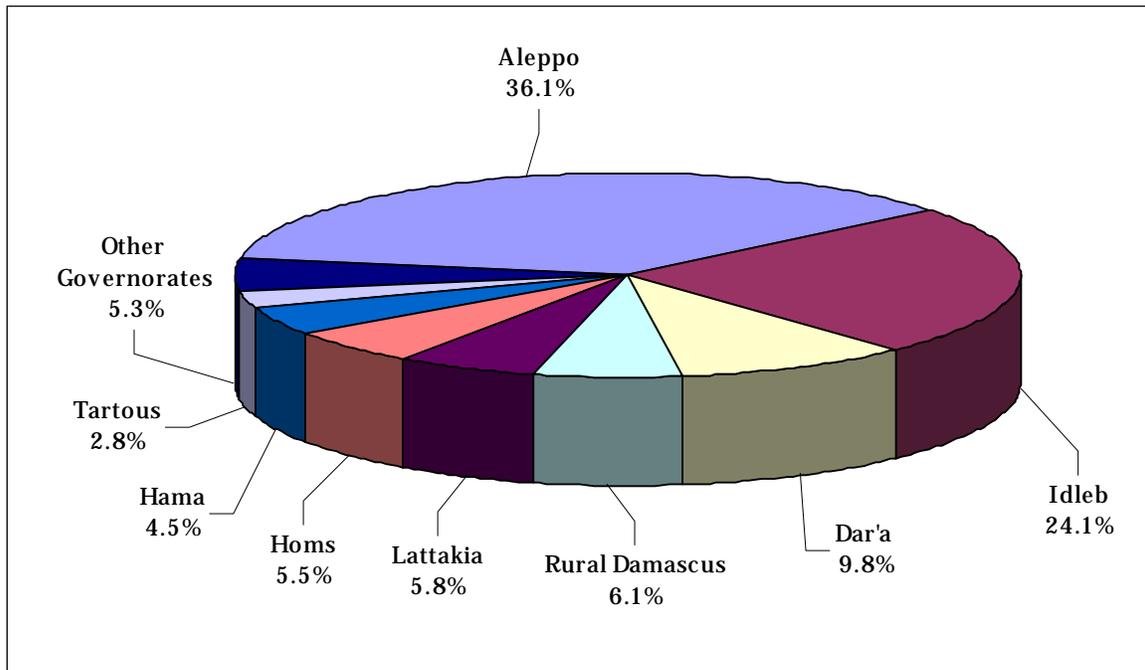
**Table 1**-Productivity increase per olive tree 1995-2005

year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Productivity KG/tree</b>	13.3	20.3	11.4	21.4	10.5	21.5	11.3	18.3	10.5	18.5	10.5

Source: NAPC database

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

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



Source: MAAR database 2005

#### 4.2 Syrian consumption of olive oil

Syrian consumption of olive oil is linked with the domestic production and the available production after exporting which affects domestic prices. Syrian consumption is about 6 KG/per capita (Malevolti 1999) which is low compared with other producing Mediterranean countries (e.g. Greece 19KG/per capita). At the state level, consumption is about 110-115 thousand tons/year, and the surplus is about 50 thousand tons/year which is expected to continue as a result of a continuing reclamations policy and on the basis of 1-2 million new trees.

### 5. Syrian trade in olive oil

#### 5.1 Exports

Syria ranks 6<sup>th</sup> – 7<sup>th</sup> among the world producing countries (4<sup>th</sup> in 2005 because of olive production alternative bearing phenomena in Tunisia and Greece). Syrian olive oil exports are also affected by alternate bearing phenomena. Due to some local and foreign investments, annual Syrian exports of olive oil increased from 4413 tons from 1995 – 1997 to 18906 tons during 2002 -2004 (table 2). Olive oil exports in 2003 recorded a peak in value of \$53 million. Between 2000 and 2004, Syrian exports of olive oil increased considerably with an average of 92.9% in quantity and 69.7 % in value achieving 22.1 thousand tons in quantity and \$38million in value in 2004. Table 3 illustrates the main destination countries

**Table 2** - Syrian exports of olive oil in 2004

Years	Quantity(ton)	Value(Million USS)	Value Million SP	Value unite USS/ton
AV59 - 97	4,413	12.0	134.4*	2,729.7
AV02 - 04	18,906	34.2	1573.2	1,811.2
2000	1,598	4.6	211.6	2,870.3
2001	2,205	6.1	280.6	2,783.0
2002	4,837	11.5	529	2,831.0
2003	29,739	53.2	2447.2	1,788.1
2004	22,144	38.0	1748	1,717.8

Source: Syrian Agricultural Trade 2005

\*this value is based on old exchange rate (11.2SP/SUS) for exports

**Table 3-** main destination countries for Syrian olive oil exports (%)

years	
2000	Turkey 37.7, S.Arabia23.7, USA9.1, UAE7.9,Kuwait 6.2,Canda 3.6, Lebanon2.3
2001	S. Arabia 51.8, Kuwait 12.7,Turkey 9.6, UAE 5.5, USA 3.3, Canada 2.4
2002	S. Arabia 33.4, , Turkey 21.2, Switzerland 9.7, Kuwait 9.5, EU 5.5, UAE 4.4
2003	EU 61.4 Switzerland 17.5, S. Arabia 6.9, Kuwait 2.4, Turkey 2.1
2004	EU 51.9, Switzerland, 16.2, Syrian Free Zone 9.5, S. Arabia 8.5, USA 3.3

Source: Syrian Agricultural Trade 2005

## 5.2 Imports

Since 1994, the Syrian government has prohibited olive oil imports for human consumption with the aim of protecting domestic production. Syrian does import other kinds of olive oil in small amounts such as Lampante for manufacturing soap. But in 2006 as there was a significant rise in olive oil domestic prices<sup>1</sup>, the Syrian government allowed the importation of olive oil until the beginning of September.

## 6. Determinative factors for Syrian trade in olive oil

- Competitiveness is considered the most important factor affecting Syrian olive oil exports. Syrian olive oil faces a very stiff competition from the well-known European companies especially from Italian and Spanish companies which produce high-quality olive oil fit for consumption in importing countries.
- Additionally, Syrian olive oil, which is still considered as a new product in the world market, faces the problem of advertising and promoting in these consumer markets.
- Production fluctuation as a result of olive alternative bearing phenomena raises olive oil prices considerably and affects signing exporting contracts.
- Using traditional methods in olive harvesting and delaying the harvest pressing affects the quality negatively and product competitiveness' in Arab and world markets.

<sup>1</sup> Olive oil prices in domestic markets reached about 250 SP/KG where the reason is probably the intensive export that resulted from new foreign investments which have recently started in the field of refining and bottling olive oil for exports. In addition, large quantities of olive oil are exported in bulk containers to some European countries such as Spain and Italy where its companies refine and bottle olive oil again for world markets. This is because the production in these countries in some years isn't adequate to cover the contracts with the importing countries.

- Other problems related to lack of specialized and technical experiences, furthermore some olive diseases affect quality and productivity.

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

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

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

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

- Regarding olive cultivation, the government reclaims wide areas of land owned by private sector at a low cost and provides subsidized seedlings adapted to the Syrian environment in addition to providing soft loans to farmers.
- The Ministry of Agriculture and Agrarian reform provides an intensive extension program free of charge that aims at increasing productivity.
- The Government applies Integrated Pest Management to control many olive diseases which cause decrease in production.

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

Also, at the beginning of 2005 the Syrian government exempted olive oil exports (6 olive oil exporting companies' accounted for 80% of total Syrian olive oil exports) from the systematic controlling provision on exports by the External Trade Center where these companies will be subjected to selective control by the center according to international standards.

In the field of import, the Syrian government agreed to import olive oil until the beginning of September (the beginning of the new season) to cover the shortage in the domestic market to reduce the high price of this product. It is worth noting the law which banned olive oil importing started in 1994 with the aim protecting national production.

## **8. Suggestions and recommendations**

- Educate farmers and encourage them to follow proper procedures starting from picking olives, bottling and transporting in order to reduce loss in the production.
- In addition, modernize mills so increasing their production of olive oil, according to international standards.
- Promote and advertise Syrian olive oil in world markets so that they become well known by consumers for adhering to international standards related to quality and goodness (acidity – color-taste –smell). Thereby assisting in making Syrian olive oil competitive in the world markets.
- Increase planted areas and finance more scientific research in the field of olive farming and marketing, and encourage research to find solutions to alternate bearing

phenomena. This will help to increase production which will guarantee a fixed surplus of exports where also prices will not raise during alternate bearing phenomena.

- Decrease marketing routes which will decrease marketing costs especially for brokers
- Exempt all levied taxes on production inputs and mills. Develop a banking system and provide finances resources for marketing.
- Signing agreements for certain quantities of Syrian olive oil exports with some countries such as Brazil and other promising South American countries.

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## Annexes

### Annex 1

#### World main producing countries of olive oil (thousand tons) 96-2005

year country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Spain</b>	947.3	1,077.0	791.9	699.1	973.7	1,411.4	861.1	1,412.0	980.3	880.0
<b>Italy</b>	370	620	403.5	735	509	656.7	634	685	879	600
<b>Greece</b>	390	375	373	420	430	385.3	414	308	435	424
<b>Tunisia</b>	270	93	215	210	130	35	72	280	130	200
<b>Turkey</b>	200	40	170	70	175	65	140	79	145	112
<b>Syria</b>	125	70	115	81	165	92	165	110	175	100
<b>Morocco</b>	110	70	65	40	35	60	45	100	50	75
<b>Portugal</b>	44.8	42	35.1	50.2	24.6	33.7	28.9	31.2	46.4	30
<b>Other countries</b>	137.90	78.50	134.00	69.20	123.20	113.40	135.50	168.80	160.30	163.50
<b>total</b>	2,595	2,465.5	2,402.5	2,374.5	2,565.5	2,825.5	2,495.5	3,174.0	3,001	2,584.5

Source: international olive oil council website

### Annex 2

#### World main consuming countries of olive oil (thousand tons) 96-2005

year country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>Italy</b>	675	698	705	714	729	735	770	785	837.1	837.1
<b>Spain</b>	470.2	550.4	528.5	502.6	580.8	631.2	591.3	613.9	600	560
<b>Greece</b>	240	240	245	265	270	270	270	270	283	255
<b>France</b>	58.8	75.6	78.8	81.5	92	95.1	97	94	98	98.5
<b>Portugal</b>	62	69.3	66.1	66.5	60.5	61.5	64.9	67	69	63
<b>Other EU</b>	60.7	71.9	85.5	98.4	102.8	101.6	125.4	167.4	178.6	169.1
<b>USA</b>	130.5	142.5	151	169.5	194.5	188.5	184	216.5	217	219
<b>Syria</b>	85	95	88	90	110	86	128.5	150	135	95
<b>Tunisia</b>	70	52	49	60	58	28	30	56	42	50
<b>Turkey</b>	75	85	85	60	72.5	55	50	46	60	50
<b>Morocco</b>	50	55	55	55	45	60	60	70	50	60
<b>Algeria</b>	50	31.5	44	42	26	25	21	60	35	44
<b>Other countries</b>	214.3	215.3	232.1	238	249.4	269.6	285.4	286.7	280.8	263.3
<b>total</b>	2,241.5	2,381.5	2,413.0	2,442.5	2,590.5	2,606.5	2,677.5	2,882.5	2,885.5	2,769.00

Source: international olive oil council website