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The Syrian Olive Oil Sector: a strategic appraisal

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SUMMARY - Two short missions have been carried out at the end of the project implementation phase in order to integrate the technical advice provided by the whole project expertise in the field of training, technology transfer, institutional capacity building and technical assistance carried out during 2 and a half years of implementation, to a more global and integrated evaluation through a strategic appraisal that includes the Syrian agricultural policy, olive oil trading and the socio economic related scenarios. On the base of the pluri-annual experience of the Apulia organizational olive oil producers' realities and taking the opportunity of the results and answers given by the Project for the "Technical Assistance for the Improvement of Olive Oil Quality in Syria" combined expertise, the main guidelines for the future integrated approach for the Syrian olive oil sector have been drawn through a SWOT analyses based on the technical lacks up to the needs of a properly driving for the trading and exporting private sector and its potential to face the new challenges of the Mediterranean and international "quality olive oil" demand. Gradual implementation of the technical advice described in this strategic plan together with the creation of Producers' associations and the improvement of the monitoring system at custom level for the olive oil quantities and quality exported abroad represent some of the mandatory priorities to be achieved as soon as possible.

Key words: Association, olive producers, olive oil export, socio economics

RESUME - Deux Missions courtes ont été réalisées à la fin de la période de mise en place du projet dans le cadre d'intégrer les diagnostics et activités d'assistance technique, formation, transfert technologique, construction des capacités et des habilités à niveau institutionnel, pourvues pendant les 2 ans et demi de durée du projet, avec une expertise pour l'évaluation et l'analyse stratégique préliminaire qui incluait soit les politiques agricoles, la commercialisation, les phénomènes socio-économiques impliqués. Sur la base des expériences pluri annuelles des Institutions dont les experts italiens faisant partie et grâce aux réponses et expériences réalisées par le « Projet d'assistance technique pour l'amélioration de la qualité de l'Huile d'olive en Syrie » des lignes-guide de base pour soutenir l'approche future du développement intégré du secteur de l'huile d'olive Syrien ont été tracées à travers une analyses combinée en se basant sur les problèmes techniques jusqu'à la prises en considération de la nécessité d'aboutir à une renforcement du secteur de l'exportation pour faire face aux demandes d'« huile d'olive de qualité » de la part des marchés internationales et de la méditerranée. L'application graduelle des conseils et des expériences décrites dans ce plan stratégique, avec l'encouragement à la formation des « associations de producteurs » et un système amélioré de monitoring des exportations qui vise à identifier et quantifier les différentes qualités commerciales des huiles d'olives à exporter soit en vrac que en bouteille, représentent les priorités plus importantes à réaliser le plus tôt possible.

Mots clés: Association des producteurs, exportation d'huile d'olive, socio-économie

INTRODUCTION

During the project implementation the main activities have been operating within the following main topics:

- Socio economic characterization of the Syrian olive oil sector
- Technical lacks related to the whole technology applied from tree production up to by-product management
- Institutional support for centralized quality control structures (laboratories)
- Whole characterization of the Syrian olive oil
- Private sector technology and specific knowledge
- Rural development potential for promotion of the olive oil and related typical produces.

In this strategic plan, all those aspects are described in depth in order to provide the picture of what was found at the start, what the project has done, which answers have been given, what can be the future of the sector and the possibility that a real change and improvement is effective mainly through proper technology transfer, institutional capacity building, technical assistance and training.

In the final period of project implementation phase, the Syrian government has expressly requested a whole integrated wide-ranging analysis that might start from the above cited technical answers and cleared topics to achieve a general integrated interpretation of the strategic consequences of the peculiarities that the project contributed to identify, highlight and solve.

For this reason, two specific missions have been carried out to get from one hand a whole vision of the sector combining the main inter-relationships based on the different strengths and weaknesses raised up through the technical expertise and - on other hand - interpreting and designing the strategic scenario that those factors might evolve in the short-middle terms taking into consideration the external factors affecting the olive oil trading peculiarities as threats and/or opportunities to be explored.

ACTIVITIES and METHODOLOGIES CARRIED OUT

First step has been the verification of institutional and sampled statistical available data also through the project activities (Project Surveys, dedicated meetings with all stakeholders, field days, etc) leading to better comprehension of the actual on going dynamics; this context analysis allowed to proceed in carrying out of the following specific activities:

- Laying out of the actual operational framework both at social and policy level
- Identifying the strength and the weaknesses of the Syrian productive and export system;
- Identifying a new strategic frame taking into consideration the relationships between public and private stakeholders with the common intent to rationalize and optimize the offer concentration for the Syrian olive oil.

To achieve that, several meetings have been held during the missions, involving a complementary participation of the stakeholders (millers, traders) and decision makers (Ministry of Agriculture, Economy, Industry, Environment), together with international experts already operating in loco (Italian Embassy, FAO, European Union, local and international NGOs)

The “chatting interview” methodology was applied during all the meetings, with key questions asked accordingly in order to let the problem, weaknesses and strengths of the oil sector be highlighted by the same interviewed persons taking the occasion to inform and update their knowledge and information about the project activities and achieved results/answers gathered during the implementation. During the mission the olive oil sector topics related to quality and olive oil commercial classifications, have been deeply discussed with decision makers and the involved private stakeholders. The related labeling promotional policies have represented also an important matter of discussion since they are actually affecting both the internal and international market for the Syrian oil. In other words, in absence of international regulation to be applied, the actual situation in Syria dominated by a proliferation of many labels with few and limited verification of the declared quality, with the risk of consequent possible destabilization of the internal olive oil market.

PRELIMINARY CONSIDERATIONS, MILESTONES

Associative Structures

In Syria one National Farmers' Union is operating. The Farmers' Union is actually representing the 60% of Syrian farmers (1 million associates) with a yearly contribution of 1 USD /year/farmer and 2 USD/hectare (una tantum). It owns 62 offices at village level and 13 regional ones, managing 20 governmental mills and assisting 5000 farmers' groups through special prices for purchase of agricultural inputs and credit at very low interest rates. The related obtained olive oil is stored and sold at markets and social governmental structures directly managed by the Government. The Farmers' Union acts also as a real syndicate thanks to the political representative at the Syrian Parliament and its presence in all institutional and decisional levels. This implies an important role within the frame of a pre defined market system, however the Union does not seem to have the necessary flexibility for facing the coming challenges in terms of olive oil quality and required market organization. Through the meeting with GEF and AKDN has been highlighted the mandatory need to form and increase the producers' association through proper training and legal framework. These associative forms, totally new in Syria, might represent the future of the Syrian olive oil sector.

Another important meeting held during the missions in Syria has shown important aspects related to marketing strategies and internal territorial organization of the private sector. In particular the idea of the regional productive districts has been discussed with specific focus on the possible legal and technical frameworks.

The produced/exported olive oil quantity and quality

Aspects related to agricultural policy strategies have been discussed with private and public Syrian institutions. A deepening of the specific agricultural sector policies has been faced and a check of the main objectives at agricultural policy level has been discussed. Through the dedicated meetings both at private and public levels, the analyses of the available statistic data on Syrian olive oil export and thanks to the established collaboration with the private olive oil trading sector, it has been possible for the first time in Syria, to draw a very first model of the traded Syrian olive oil flow according to the different commercial qualities produced (Fig 1).

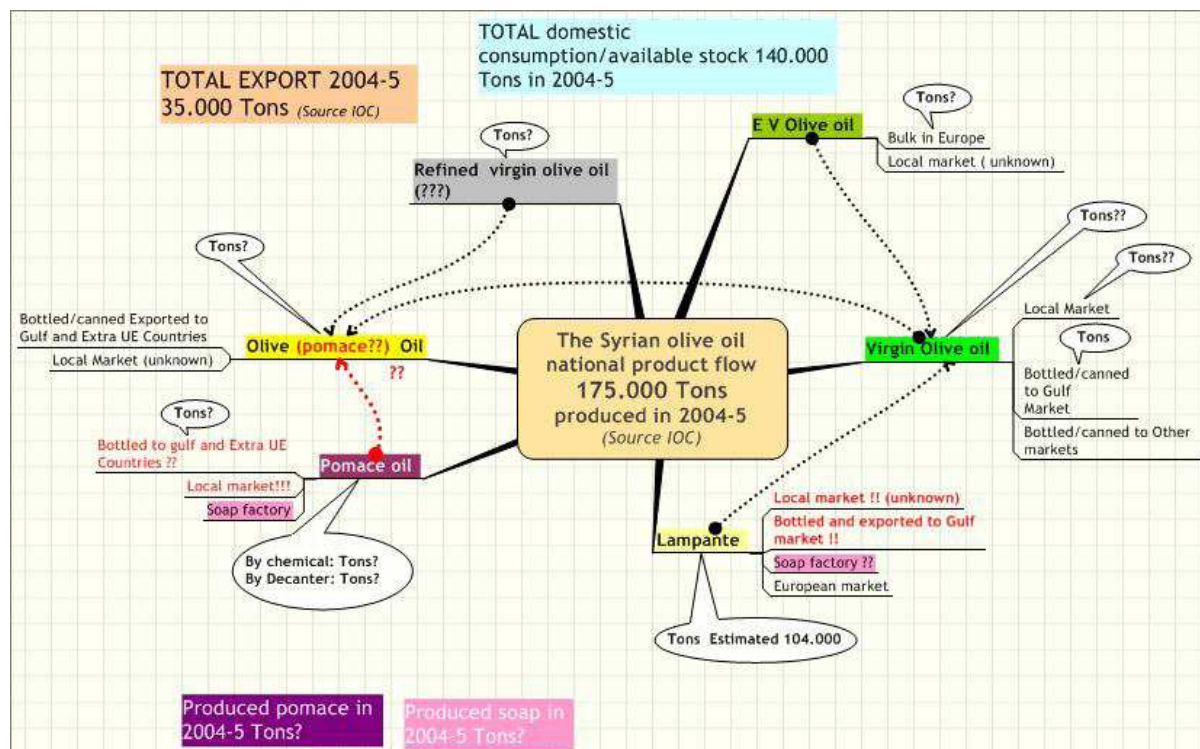


Fig.1: Tentative flow for different olive quality traded in and out of Syria (Source: Project Expertise)

As is evident from the Figure 1, one of the main difficulties has been to detect exactly the commercial quality standards of the traded/exported olive oil, as well as the quantity of oil produced both from mechanical and chemical extraction from pomace.

However, this general tentative flow helps us to get the synoptic view of the trading Syrian olive oil sector and from this flow another has been detailed (Fig 2) which concerns the flow of oil gathering with respect to the private sector (Local Exporters) in relation with the storing facility. Syrian private exporting/trading sector faces many difficulties in concentrating the offer and getting a more constant quality in proper storing facilities from its providers (mainly big farmers and millers). For this reason the storing and quality control weaknesses raise up influencing remarkably the offer potential for the Syrian traders. The traditional 16,5Kg tin “tanake” commonly used by farmers because is cheap and easy to pile home, oblige the local buyers and especially the big trading companies to higher costs for quality control and decanting in their own stainless steel vessels together with a more complex strategy for oil gathering from their usual and unusual providers.

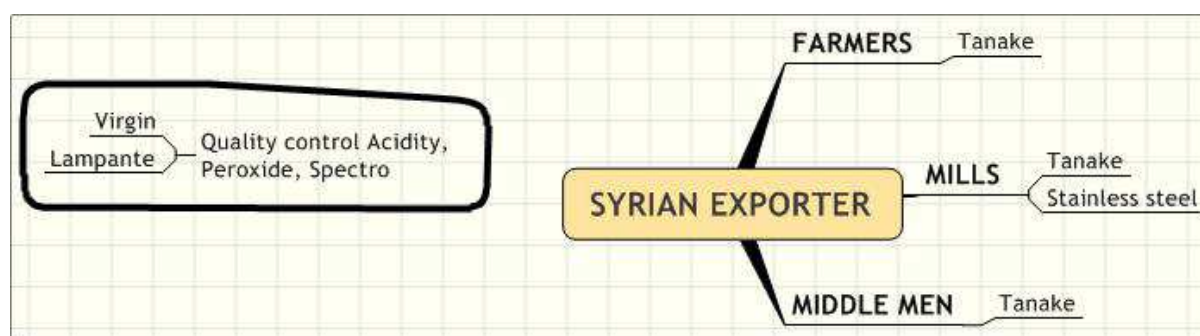


Fig.2 The Syrian exporters face an heterogeneous quality and storing facility

We would like to highlight as second key element of our analyses that olive oil export from Syria is notably increasing as figured in Chart 1. This implies that the demand of Syrian olive oil is increasing thanks also to a higher sensitivity acquired by the stakeholders and probably to the olive oil project both technical and promotional activities.

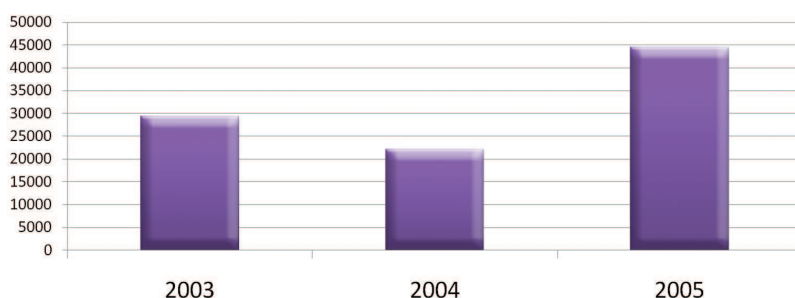


Chart 1: Total Export of olive oil in 2003-2005 (Source: *Ministry of Economy-Syria*)

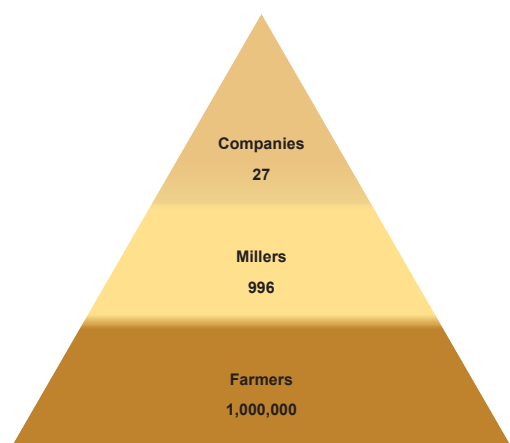


Chart 2: The socio economic pyramidal structure of the Syrian olive oil production

In Chart 2, the main data characterizing the Syrian olive oil production sector related to the typical socio economic “pyramidal model”. As already described in the related chapter of this strategic plan, olive sector represents a really strategic one for Syria, especially if we consider the raising phenomenon of urban immigration starting to affect the countryside and causing sudden lack of labor during the most critical period: the harvesting.

The project widely demonstrated that quality can really be raises up both at national level (Charts 3,4) and at pilot group level (See p.121 of this document Pilot Group activities).

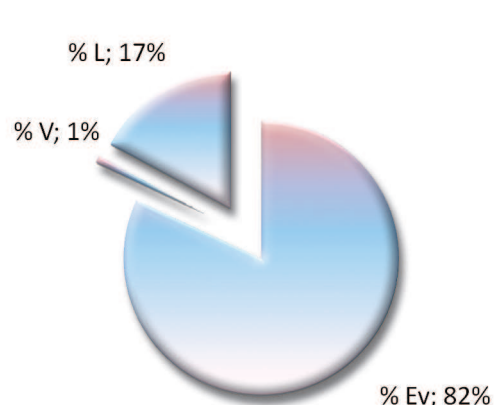


Chart 3: Syrian olive Bulk Export theoretic Trend 2004
(Source: Syrian Private Companies)

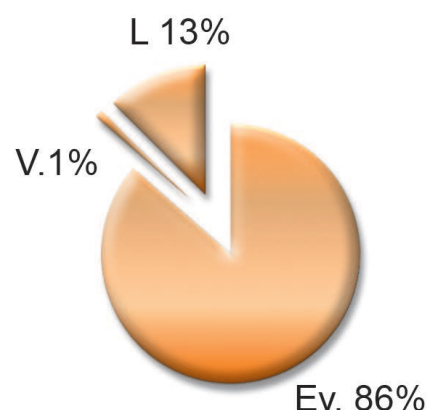


Chart 4: Syrian olive Bulk Export theoretic Trend 2005
(Source: Syrian Private Companies)

SWOT ANALYSES

An integrated study involving also other project experts has been carried out by gathering the main data and facts that the project contributed to highlight and solve, and a preliminary SWOT analyses (Table 1) has been drafted to resume the main strengths and weaknesses of the Syrian olive oil sector.

Table 1 Preliminary SWOT Analyses

MAIN STRENGTHS	MAIN WEAKNESSES
<ul style="list-style-type: none"> • The reinforced relationships with Italian Government • The Olive oil project expertise/results • Low production costs • High potential for quality 	<ul style="list-style-type: none"> • Labor availability for harvesting • Olive oil Quality traded control • Tanakes affect oil storing and logistic • “Information asymmetry” on olive market situation • 50% of oil mills are press • Labeling not responding to intern. standards • Low awareness of quality in local consumers • Some olive cultivars have problems in chemical quality
<i>The National Strategic plan</i>	

<p>MAIN OPPORTUNITIES</p> <ul style="list-style-type: none"> • Free trade area 2010 • Higher and higher quality olive oil demanded • EU regulation • New markets <p>MAIN THREATS</p> <ul style="list-style-type: none"> • Rural emigration • New olive oil producers • Limited EU olive oil quota (10,000 tons/year) • Pollution from Waste waters • Pomace oil sold as extra virgin 	<p>Strategies to transform strengths into opportunities</p> <ul style="list-style-type: none"> • Further cooperation projects • Maintain the inputs low costs • Participation to international events • EU Agreement signed <p><i>Implementation of the strategic plan</i></p> <p>Strategies using strengths to reduce threats.</p> <ul style="list-style-type: none"> • Introduce mechanical harvesting • Introduce financial support for olive oil mill recovery and mechanical harvesting <p><i>Implementation of the strategic plan</i></p>	<p>Strategies to overcome the weaknesses.</p> <ul style="list-style-type: none"> • Rural development policies • Reinforce “quality inspectors” • Encourage Producers’ Associations • Training • Raising awareness <p><i>Implementation of the strategic plan</i></p> <p>Prevention strategies to avoid weaknesses becoming threats-</p> <ul style="list-style-type: none"> • Explore other local olive cultivars • Support for stainless steel facilities at mills and farmers’ level • Raise awareness <p><i>Implementation of the strategic plan</i></p>
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Final Considerations and Recommendations

Commercial and trading main topics

Concerning the problems related to the politic commercial-trade problems related to Goods exchange between Syria and Italy-EU, in particular we here remember the following:

1. Delay in signature of the association agreement with EU;
2. Commercial association agreement has been signed between Syria and Turkey which will surely make worse the import of non regular oil to Italy, with consequent severe repercussions at promotional level for both Italian and Syrian high quality olive oils.

Many factors characterizing the Syrian Agricultural policy are susceptible of improvement mainly regarding the 2 main following issues strictly related with the olive oil sector:

- Organization and trading of produce in relation to the internal price system not? related to international ones
- Syria is not yet part of the WTO (preliminary work is on going at the moment) and as consequence conditions foreseen by this regulation are not applied. Negotiations are still not started because of the veto imposed by other countries.

Association strategy

It is of primary importance to concentrate the Syrian olive oil offer involving in an integrated model including millers and farmers.

This is possible through a better organization of the farmers /producers and quality improvement as well. This strategy may be sustainable only if such structures are in a condition to exist separately from the representing formal Unions as technical assistance and management associations for the valorization and the aggregation/concentration of the olive oil offer as foreseen in the European model (E.U. Regulation 2080). The actual structure grouping those 2 main roles make very slow the above described process which need a more direct commitment of the local stakeholders in a vertical and horizontal “filiere” topic. This separation even if may be imagined as “traumatic” will not affect at all the importance and the role of the representative of the national socio-political body representing the farmers, since the implemented strategy with a consequent fostering of the economic power of the involved farms, will allow the Union to increase its representative power and position at governmental level. To achieve this goal it is advisable and necessary to address the main strategy and efforts on the extension and on the representing bodies together. It might be also advisable to set up an agency in contact with the olive farms / producers in order to diffuse the new strategy for organizing the sector and to form the pioneer producers’ cores for basic training and quality improvement of the olive oil especially if considering the free Mediterranean trade area peculiarities.

The pilot producers’ association experience set up by the AKDN project and technically supported by the Olive Oil Project, demonstrates that this goal is achievable and that this important experience has to be proposed and diffused in order to modulate and adapt the origin model through also a certain support given by the Government.

The producers’ association has to act with a “filiere” approach, maintaining a complete tool for extraction, storing the produce accordingly and a proper extension system. Quality and a typical produce represent nowadays one of the main key issues demanded by the highest level new (North Europe, Australia, Japan, etc) and traditional (Europe) olive oil markets.

In this context, supporting and provide the necessary advice on the aggregation process for the correct farms’ involvement and to the construction of the administrative and legal necessary frames already recognized by the international and European Institutions where the Syrian olive oil production might be started in the short period.

At this regards the main key words and activities might concern:

- Legal tools for the producers’ association constitution and management
- Organizational and administrative dedicated tools (already set up by the project and described in this plan)
- Operational guidelines (already set up by the project and described in this plan)
- Extension and Training facilities (already set up by the project and described in this plan)
- Certification and Quality control/Traceability basics (already set up by the project and described in this plan)

As a further evolution of this proposed model, the “agro alimentary district” might really represent a valid instrument to verify the possibility to elaborate a gradual approach to those 2 different kinds of integrations that in the Syrian reality need of medium-long term periods together with concrete training program on the economic topics of high importance. The Italian experience on the “agro food districts” and the “rural districts” linked with the experience of the “filiere contracts” aiming to the integrations policies of all the components of the agro food chains (in vertical sense) and to their integration with the public and private stakeholders, first of all the public institutions and the public administration (horizontal integration) can represent a first step to tailor a Syrian-European compatible model applicable and sustainable within the local Syrian reality by applying and introducing the necessary modifications and adaptations in a simple and progressive “step by step” way.

Association in this regard represents an important tool, to facilitate and make easier as well the quality control through, for example, stainless steel storing facilities.

Policy quality related aspects

It is important to increase the quota of virgin olive oil to improve the country's international image starting up a short-medium term process which will follow the actual trend of high quality olive oil consumption especially in new emerging markets. The increasing quota of extra virgin olive oil is also important as a sort of security income source and sale potential because of its higher shelf life (18 months) compared with virgin oil at the same proper storing conditions. It is also mandatory to monitor and reinforce the statistic/custom departments demanded to record exports flow and control the quantity and quality of olive oil produced and exported abroad with specific reference at least to the main commercial international specifications ("Extra Virgin", "Virgin", "Lampante").

It is worthwhile also to consider that this scenario has already started to play a non indifferent part in the increasing value of the olive orchards in Syria: according to the different regions, an average value of a 20 years old Olive orchard per dnum (1000 square meters) ranges from 150.000 SyP up to 400.000 SyP (*Project survey 2006*) and is very realistic supposing that those values will increase.

However, a progressive application of all the technologies (olive nursery production, olive growing, harvesting, post harvesting, oil extraction and storing, by-product management, quality control, etc), the application of the hygienic basic and advanced practices (HACCP) already designed through the specific project activities involving Syrian and \ Italian experts, a clear and controlled legal framework providing labeling criteria in conformity with the international regulations, represent the main goal to be achieved in the short - middle term.

We like to remind that on occasion of the opening of the free trade area in Mediterranean in 2010, the already cited behaviors and competitive policy strategies should be taken into stronger consideration because of time shortage. The only applicable recommendation at the moment representing a priority is to start up a real dedicated policy of quality in the sector of the olive oil, by applying in a gradual and integrated way this national strategic plan.