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Lebanese Market Overview

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Exporter Guide

Agriculture in the Economy

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Report Highlights:

Lebanon is recovering from a long-lasting internal conflict that damaged infrastructure and stymied economic development. The post-conflict period has seen strong economic growth, which has slowed moderately in recent years, due to regional instability. In spite of this, Lebanese economic growth remains positive. Lebanon’s well-developed food processing sector continues to demand imported ingredients, and higher income Lebanese consumers consistently purchase high-value imported food products. Opportunities for US exporters exist, though competition from EU suppliers is notable.

General Information:

Country Overview

Lebanon is a Mediterranean country bordered to the south by Israel, to the north and east by Syria, and to the west by the Mediterranean Sea. The country is roughly one-third the size of the US state of Maryland, approximately 10,230 km^2. Sixty-three percent of the country's area is agricultural land with permanent crops covering 12.3 percent and permanent pasture an additional 39.1 percent. Forests cover 13.4 percent of the country's area.

As Lebanon has not carried out a formal census since 1932, population estimates vary. A July 2015 US estimate put the population at 6.185 million people, with approximately one-third residing in the capital of Beirut. The population growth rate is estimated at 0.86 percent. Since 2011, as many as one million Syrian refugees have fled into Lebanon, distorting population estimates, creating strains on public services and depressing labor markets.

Since the end of the French colonial period, following World War II, the Lebanese government has been a parliamentary democracy. Under a 1943 agreement known as the *National Pact*, power was divided amongst the country's four religious groups in a *de facto* confessional system. As such, the President is always a Maronite Christian; the Prime Minister is a Sunni Muslim; the Speaker of Parliament is a Shi'a Muslim; the Deputy Prime Minister and Deputy Speaker are Greek Orthodox Christian. Due to a lack of consensus within the parliament, the president's position has remained vacant since May 2014.

Lebanon has spent the last 25 years rebuilding from a civil war and subsequent military occupation. In 1975, sectarian tensions led to a full-scale civil war that lasted until 1990. During much of that time foreign military forces occupied Lebanon in an effort to restore peace. The longest-lasting of these was the Syrian Deterrent Force which entered the country in June 1976 and remained until 2005. Shortly after their departure in 2006, Lebanon fought a month-long skirmish with Israel, further damaging the country's infrastructure.

Economic Situation

Lebanon's economic situation was profoundly impacted by the decades of conflict. Prior to the civil war, the economy depended heavily on the banking and services sector, and its location made it a natural entrepot between the east and the west. The civil war destroyed much of that economic infrastructure and sharply decreased economic output. Furthermore, substantial borrowing for reconstruction from private banks in the post war years saddled the country with debt. Today Lebanon's debt to GDP ratio is the fourth highest in the world, with debt representing 138 percent of 2015 GDP. Estimates of Lebanon's nominal GDP in 2015 varied from $49.23 to $54.4 billion. Similarly, US estimates of Lebanese gross domestic product adjusted for purchasing power were around $18,600 per capita in 2015, putting it at number 65 globally. Private sector estimates were slightly lower in 2015, at $16,808 per capita.

Table 1

Private GDP and Growth Estimates	2011	2012	2013	2014	2015	2016
Nominal GDP (US$ m)	40.076	44.100	47.221	49.570	49.817	49.204
Real GDP growth (%)	0.9	2.8	3.0	2.0	1.4	0.7
Population (m)	4.5	4.7	4.8	5.0	5.2	5.3
GDP per capita (US$ at PPP)	16073	16446	16946	17316	16808	16902

Source: The Economist Intelligence Unit

After four years of economic growth averaging eight percent, growth rates decreased following 2011. The influx of over 1.1 million Syrian refugees flooded the labor market, depressing wages and pushing some Lebanese nationals into unemployment. The World Bank estimated Lebanese unemployment steady 6.2 percent through 2014, though current Government of Lebanon estimates reach 13 percent. Presumably, the sharp increase in the latter figure is explained by the influx of Syrian refugees.

Economic Structure

Traditionally, the Lebanese service industry produced the lion's share of domestic product, though its stake is in decline as Lebanese industrial production grows. In spite of this, the Lebanese economy still remains heavily dependent on the service industry, with 69.7 percent of 2014 GDP attributing to this sector. The industrial and agricultural sectors make up 24.7 and 5.6 percent of GDP respectively. Major industries include banking, tourism, food processing, and winemaking.

Table 2

GDP % by Sector	2010	2011	2012	2013	2014
Agriculture	4.3	4.1	6.1	7.2	5.5
Industry	14.9	16.1	20.5	19.7	24.8
Services	80.8	79.7	73.4	73.1	69.7

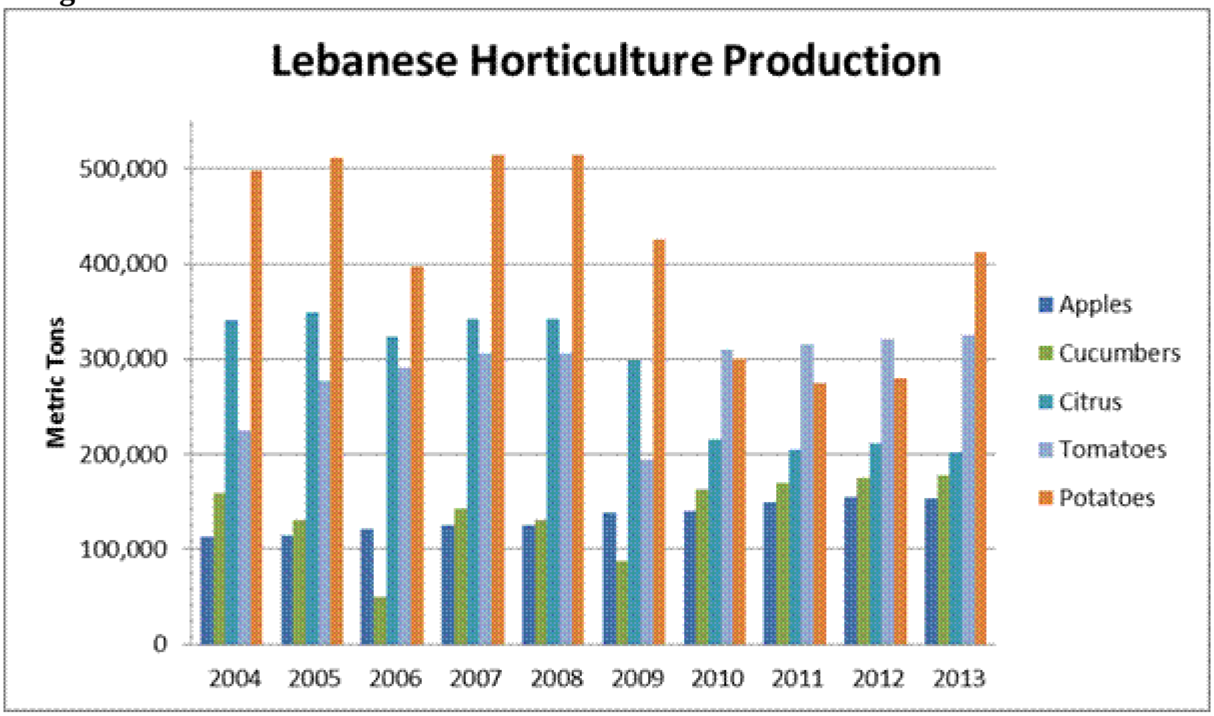
The trade flows to and from Lebanon confirm its role as a hub between east and west. Major Lebanese export partners are located primarily in the region. Saudi Arabia, UAE, Syria, and Iraq top the list. These four partners receive a combined 33 percent of total Lebanese exports. Conversely, Lebanese import partners tend to be outside of the Middle East. China, Italy, Germany, the United States, and France are the country's major suppliers, shipping around one-third of total Lebanese imports.

Overall shipments to Lebanon from the United States remain tepid due to competition from the EU and China. Deliveries from the US reached US $1.268 billion in 2014, which represented 7.9 percent of total Lebanese imports. This is down from US $2.009 billion, or 13.5 percent, in 2010. The decrease in US market share was offset by a near-equivalent increase in imports from China. In spite of the current downward trends in US exports to Lebanon, many products from the US, especially inputs for further processing and specific luxury goods, would be competitive.

Food and Agriculture – *Production*

Lebanon was historically a producer of cereals, fruits and vegetables. Its Mediterranean climate gives the country a natural advantage in the production of citrus, olives, and many horticulture products. United Nations' estimates show that potatoes, tomatoes, citrus, cucumbers and apples are the highest in terms of tonnage produced domestically. In terms of value, olives and potatoes are the highest producers. Other relevant horticulture crops produced in the country are bananas, onions and eggplant. Cereals, mostly wheat and barley, are also produced in Lebanon; however, volumes are limited compared to other regional producers. Annually, wheat imports make up around 80 percent of the country's total supply.

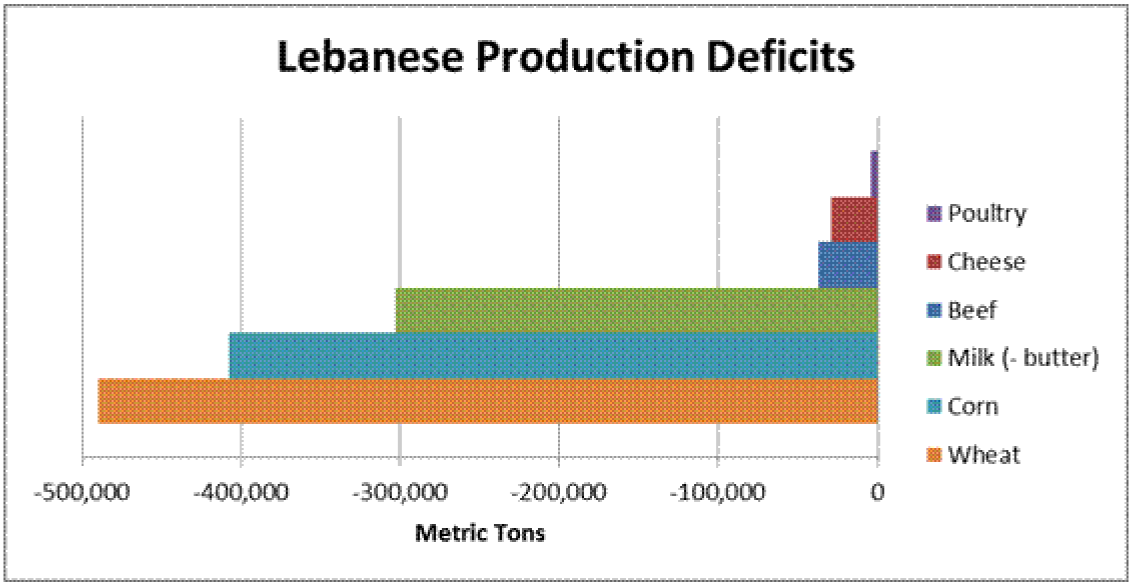
Figure 1



Source: FAO Stat

Animal production remains an important component of Lebanese agriculture. Chicken and dairy are, by far, the most produced livestock products, followed by beef and mutton. In 2013, chicken meat production was estimated at 85,000 tons, while beef reached only 47,545 tons. Whole milk production was estimated at 367,471 tons. Lebanon is a significant importer of animal protein, with a majority being sourced from Brazil and India.

Figure 2

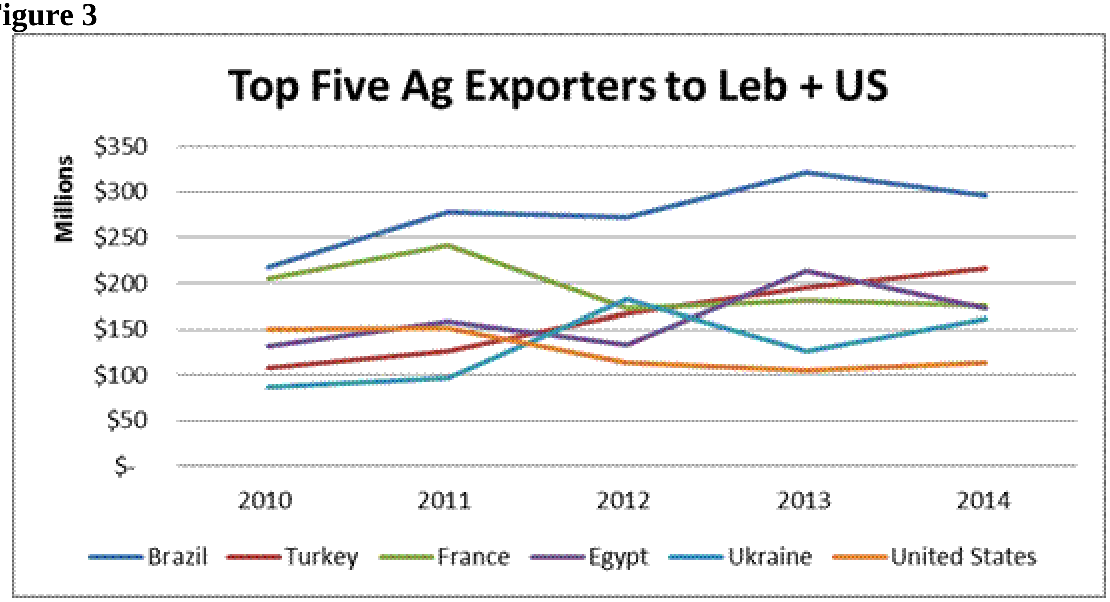


Source: FAO Stat, 2011 data (Domestic Production – Total Use)

Imports

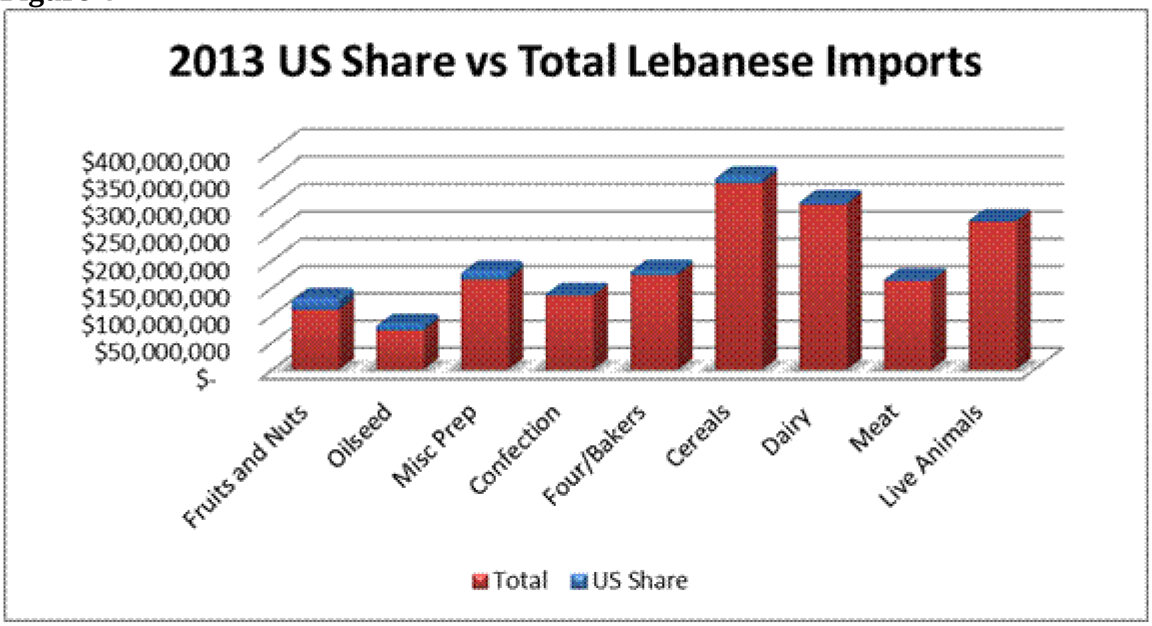
Lebanon imports significant volumes; however, only relatively small percentages of these products are food and agriculture goods. World Bank 2014 data indicate that 17.85 percent, or USD $3.78 billion, of total merchandise shipments to Lebanon are food products. In 2011 the US was the third largest exporter of agricultural products to Lebanon, with total shipments reaching US $150 million, around 7 percent of the total market. Since that time the US market share of agricultural products declined to reach US $113.8 million in 2014, or 3.1 percent of the total. During the same period, marked increases are seen in shipments from Turkey, Ukraine, Egypt, and Brazil.

Figure 3



Of the total food products shipped to Lebanon, prepared foods (HS 16-24) are by far the highest-valued segment, at US $1.4 billion. These products currently make up about 41 percent of the country's USD $3.34 billion in food imports. This is followed by animal and vegetable products (HS 01-05 and HS 06-14) at around 27 percent each. Globally, the top five agricultural exports to the country include cereals, dairy products, live animals, tobacco, and flour or bakers' wares. Of US origin products, the top five exports to Lebanon include fruits and nuts, cereals, miscellaneous prepared foods (primarily coffee products, condiments, and a variety of products not otherwise specified), oilseed seeds, and confectionaries.

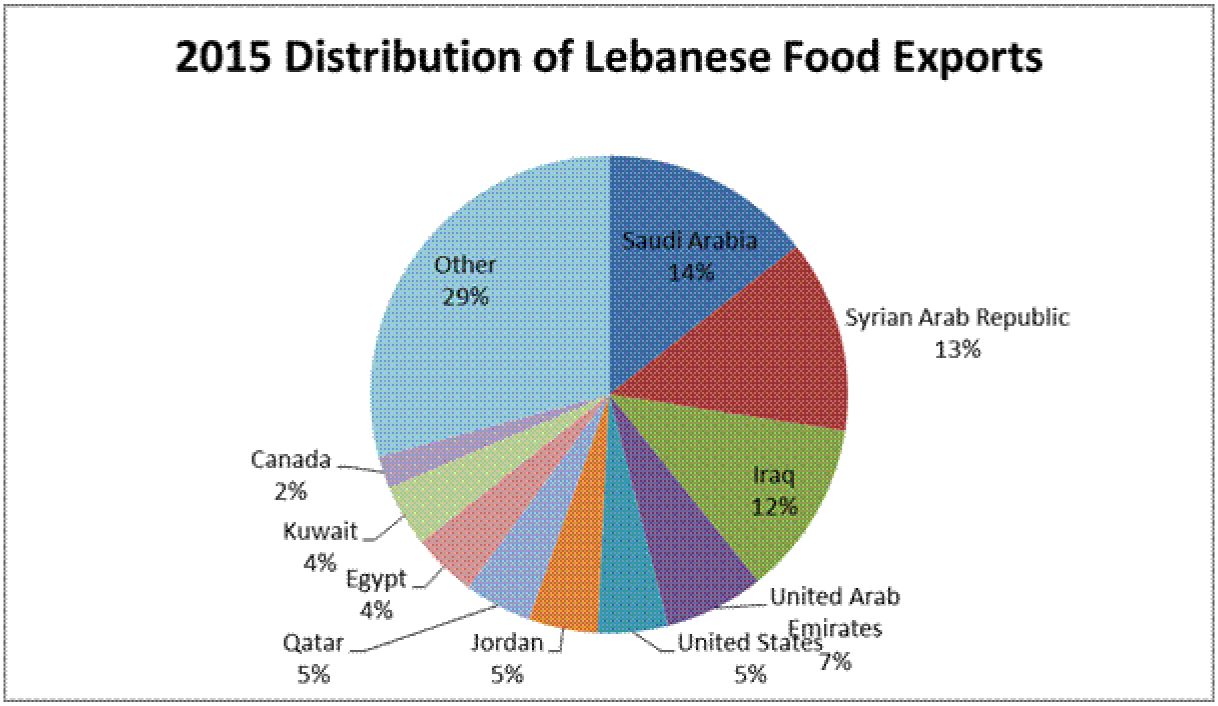
Figure 4



Exports

Most of Lebanon's exports of food and agricultural goods are shipped to Middle Eastern markets. Lebanon customs authorities reported exports of US $732 million in food and agricultural products in 2015, representing about 25 percent of all merchandise exports. Saudi Arabia, as well as neighboring Syria and Iraq remain the largest buyers of Lebanese food and agricultural products. These three countries combined purchased 39 percent of Lebanese food exports in 2015. They imported US $105, $96, and $87 million in food products, respectively. Lebanese exports to the US trail at US $35 million, or five percent of total shipments.

Figure 5



The Lebanese food and agricultural sector is genuinely engaged in the further processing of food and agricultural goods. Approximately 66 percent of Lebanese exports in 2015, or US $483 million, came from prepared food products (HS 16-24). Within that category, vegetable, fruit or nut preparations; beverages (primarily wine); and confectionary products were the most sold at US $127, 82, and 78 million respectively. Following processed products, products of plant origin (HS 06-14), mostly fruit, vegetables and nuts, were the second most exported, making up 31 percent of the total.

Opportunities

The Lebanese tariff structure is complex and perhaps the greatest challenge to US exporters. Lebanon is not currently a member of the World Trade Organization and maintains prohibitively high tariffs on some food products. Goods originating in the European Union have preferential tariff treatment under the Euro-Mediterranean Agreement. In spite of high tariffs in certain sectors, many products imported for further processing, as well as those imported to supplement domestic production shortfalls tend to face relatively low tariff rates. As such, many of the food products that currently enter Lebanon are doing so at low or zero tariff rates. Table 3 lists the tariff rates of some commonly imported products.

The clearest opportunities for US products in the Lebanese market fall into two broad categories: 1) high value products; 2) primary or intermediate products for further processing.

Table 3

Lebanese Tariff Rates

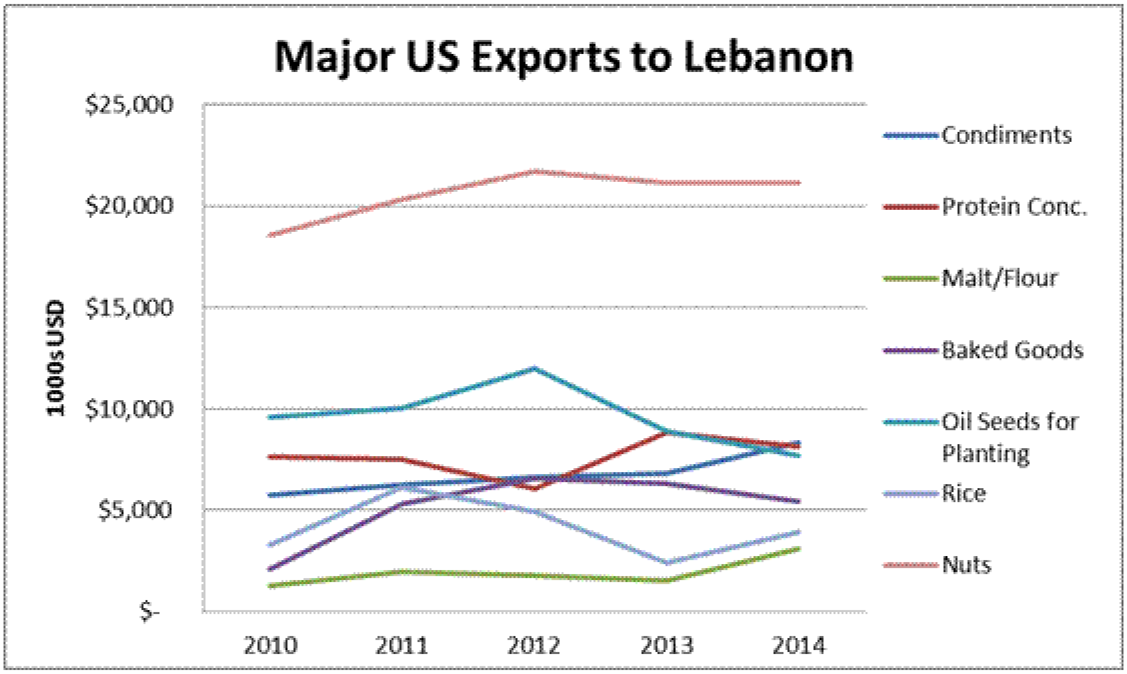
Cereals (wheat, rye, oats)	0
Milk Powders	0-5%
Dried Whey	5%
Butter	0%
Flour/Bakers Ingredients	5%
Fruits/Nuts	Nuts 5%, most fruit 25-70%
Coffee Extracts	5%
Condiments	5-35
Oilseeds (soy, rape, sunflower, cotton)	0%
Confectionaries	0-10%
Chilled Beef	0-5%
Cheese	5-70%, processed/grated cheeses 5%

Lebanon has a subset of consumers with high purchasing power who could access higher-valued US-sourced products. Researchers with UNDP estimate that the richest 10 percent of the Lebanese population accounts for 25 to 30 percent of total consumption. This segment of buyers has the purchasing power to access high-value imported goods. Many US brands are associated with high quality and the concomitant high price. Products appealing to these buyers represent an opportunity for American exporters. Exports of chilled US beef (US $3.2 million in 2015) are one such product, as are frozen turkeys, and certain high-value ready to eat meals.

The advanced Lebanese food processing sector represents a second clear opportunity for US exporters. US primary products that could be further processed or used as inputs in Lebanese production could potentially compete with other-source products. Lebanese processors currently import primary products, such as nuts, cereals, and oilseeds for further processing. Exports of US nuts to Lebanon reached US $33.7 million in 2015 and US cereal exports to Lebanon in 2011 reached a high of US $68 million before decreasing to US $3.2 million in 2015.

Similarly, Lebanese processors purchase intermediate products, such as flour, dairy products, and poultry cuts for use as ingredients in processed final products. Though some of these products face domestic competition, demand currently outstrips domestic supply, creating an opportunity for exporters. Additionally, certain products face reduced tariff rates if they are destined for further processing in country; poultry cuts are one such example. Potential exporters can review tariff rates online with the Lebanese Customs Authority.

Figure 6



Challenges
Over the last five years (2010-2015), Lebanese purchases of US agricultural goods have decreased from US $150 million to US $95 million. Much of this decrease is explained by the rise of low-cost Black Sea cereal production, in addition to preferential tariff rates for European exporters. In spite of these challenges, US exporters remain competitive in key sectors.

As the Lebanese economy continues to dig out from the debt incurred during war reparations and growth rates increase, demand for imported food products can only increase. Furthermore, an eventual resolution to the Syrian conflict would create immediate demand for food products in the area, many of which would be shipped through or processed in Lebanon.

In-country Cooperators and Support
USDA's Foreign Agricultural Service provides coverage of the Lebanese market from its regional office in Cairo, Egypt. The US Embassy in Lebanon provides additional support to US businesses through its commercial and economic offices in Beirut.

A number of US cooperators have direct representation in Lebanon. Arab Marketing and Finance Inc. provides in country representation for the US Dairy Export Council, the US Meat Export Federation, the Pear Bureau Northwest, the US Poultry and Egg Export Council, the US Rice Producers Association, and the Washington Apple Commission. Other cooperators provide support in Lebanon through their regional offices.

Lebanese Government Contacts

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Website: www.agriculture.gov.lb

Lebanese Ministry of Economy and Trade
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Lebanese Industry Contacts
Syndicate of Lebanese Food Industries
Email: slfi@slfi.org.lb
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Syndicate of Agrifood Traders in Lebanon
Email: agrifood@agrifood.org.lb
Website: www.agrifood.org.lb

Syndicate of Importers of Foodstuffs, Consumer Products and Drinks in Lebanon
Email: foodsynd@cyberia.net.lb;sales@manyfood.com

Other Useful Information

- US Embassy in Lebanon
- American Lebanese Chamber of Commerce
- World Bank
- Economist Intelligence Unit
- Middle East Business Information
- Lebanese Ministry of Industry
- Lebanese Ministry of Finance
- Lebanon Central Bank
- Lebanese Customs
- Lebanon Central Administration for Statistics
- Port of Beirut
- Investment Development Authority in Lebanon
- The Council for Development and Reconstruction in Lebanon
- Libnor
- Lebanese Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon
- Lebanese Chamber of Commerce, Industry & Agriculture of Zahle & Bekaa
- Lebanese Chamber of Commerce, Industry & Agriculture of Tripoli & North Lebanon
- Lebanese Chamber of Commerce, Industry & Agriculture of Saida and South Lebanon
- Daily Star – English-language local newspaper
- Middle East Food (MEF) Magazine