

**IDAL**

INVEST IN LEBANON

## AGRI PLUS PROGRAM 2014 Annual Report



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## I. Introduction

The “Agri Plus” program was put in place in 2011 as an extension to the existing “Export Plus” program. The program which aims at increasing the volume of Lebanese agricultural exports, to both traditional or existing and new markets rests on three pillars:

- **Enhancing product quality:** consists in improving the quality of existing products and producing new products based on international markets trends, and promoting sound agricultural practices through the attainment of quality certifications.
- **Improving packaging:** consists in encouraging the modernization of packing houses, and cool storage rooms, both at the technical as well as at managerial levels, while ensuring compliance with international safety standards.
- **Promotion and marketing:** consists in setting a marketing strategy to promote agricultural products through a mix of promotional activities (participation in trade shows, advertising campaigns, and so forth)

The “Agri Plus” program was announced by the Council of Ministers as a national program designed to increase the confidence of the consumer in the Lebanese agricultural produces and to help open up new markets for Lebanese products, especially in markets with high potential such as Europe and other countries with significant Lebanese diaspora.

The program has six components:

1. **Granting financial incentives** to farmers, exporters, agricultural cooperative and traders who contribute to increasing the volume of exports as a result of improved product quality and packaging standards. The incentives are based on a variable scheme that is set by IDAL.

The value of the financial support granted to each of the exporters depends on:

- a. The type of product,
  - b. Its destination,
  - c. The quality of packaging,
  - d. The shipping modality, and
  - e. Conformity with quality standards.
2. **Taking part in local and international trade fairs** through the financing of Lebanese pavilions and promotional activities during the events.
  3. **Conducting promotional and marketing activities.**
  4. **Encouraging the modernization** of packaging and storage houses.
  5. **Launching training programs** that offer quality certifications to packaging houses.
  6. **Conducting market studies** to identify potential export markets.

The program classifies the countries that import Lebanese agricultural products into four zones, as follows:

- Zone “a”: Jordan and Syria;
- Zone “b”: Bahrain, Egypt, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, Sudan, Turkey, United Arab Emirates, and Yemen;
- Zone “c”: Africa, European countries, and Middle Asia;
- Zone “d”: Australia, East Asia, and North and South America;

## II. 2014 Results and Achievements

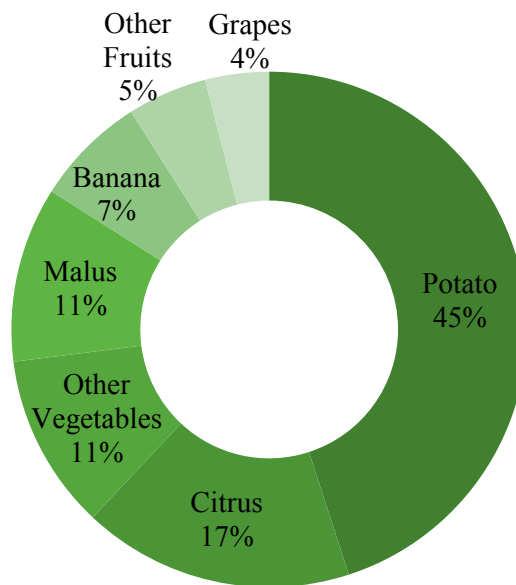
The third year of implementation of the program came out with positive results:

- Total exports increased by 1% from 2013;
- Total quantities of exported fruit and vegetables reached 526,000 tons;
- Total eggs exports recorded a modest transaction of 1,374 boxes;
- Olive oil exports recorded 3,143 tons, a 57.3% increase from 2013.

### a. Fruits and Vegetables Overview

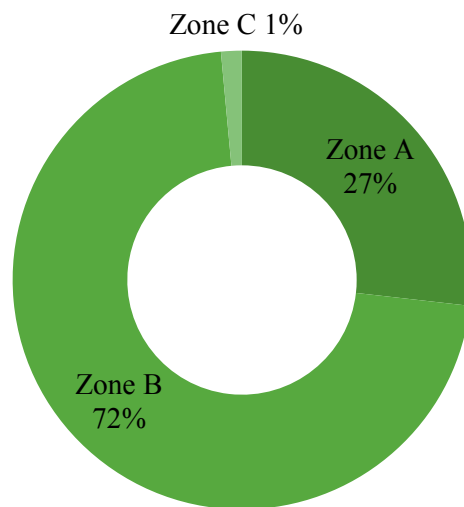
Potatoes accounted for the bulk of total agricultural exports with 238,531 tons, accounting for 45% of total exports, followed by Citrus with 86,568 tons, while Grape registered the lowest with only 22,937 tons, representing 4% of total exports. Figure 1 illustrates the quantities exported by category.

**Figure 1: Distribution of Main Agriculture Products (2014)**



The majority of exported goods were shipped to zone “b”. Lebanon’s main export partners remained the Middle East and the North African regions, namely zones “a” and “b”. Egypt, Jordan, Kuwait, Saudi Arabia, Syria, and United Arab Emirates received around 99% of all agricultural exports as shown in Figure 2.

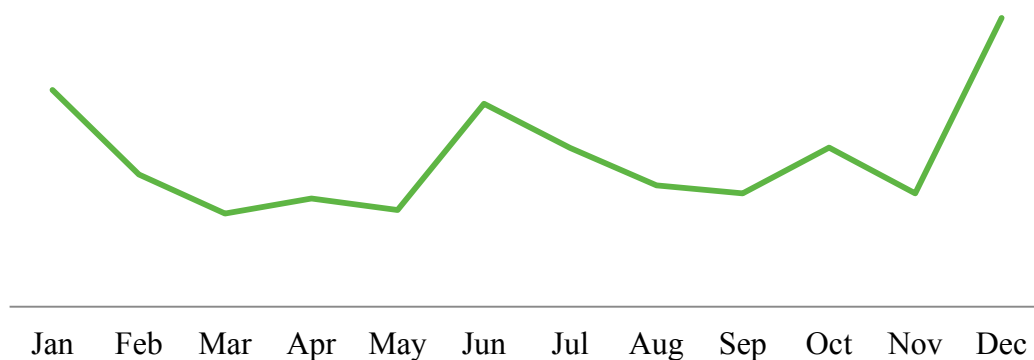
**Figure 2: Distribution of Products Export to the Different Zones (2014)**



### **b. Olive Oil Exports**

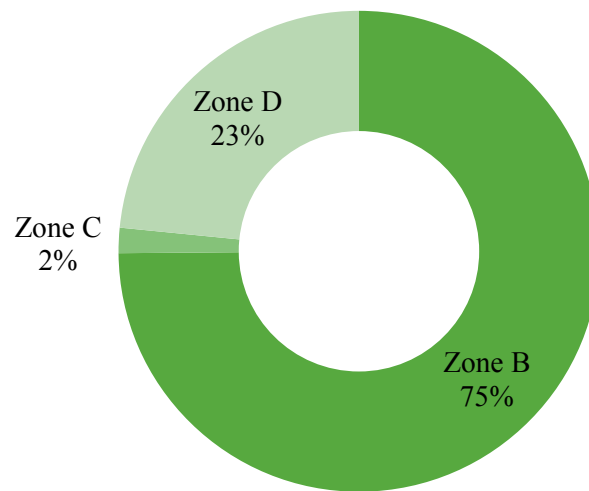
The monthly average of olive oil export through the “Agri Plus” program reached 261.9 tons registering higher results in comparison with 2013 exports. It is worth noting that the exports recorded at the beginning of 2013 were modest and did not exceed 146 tons during the first month. Figure 3 shows the fluctuation of the olive oil monthly export highlighting the seasonality of the product exports, with a peak registered during the last quarter of the year when the season actually begins.

**Figure 3: Olive Oil Monthly Exports (2014)**



The bulk of Olive Oil exports were shipped to the zone “b” (Gulf countries), with 2,353 tons, representing around 75% of total exports. The second destination was zone “d”, exported quantity reached 736.4 tons. Lebanese olive oil has a very promising export market, providing for various business opportunities. Figure 4 illustrates the percentage by zone of imports of Lebanese olive oil products.

**Figure 4: Olive Oil Monthly Exports (2014)**



### **c. Other Products Exports**

With respect to the egg exports, only 1,374 boxes were exported to Qatar, while a total of 23.7 tons of honey were shipped to the United Arab Emirates (18.44 tons) and to Jordan (4.67 tons).

### III. Comparison of 2013-2014 results

#### a. Fruits and Vegetables

Over the 2013-2014 period, nearly all agriculture product exports rose, with a net increase of 1%, despite the unstable security conditions in the region which impacted the transportation costs.

This increase had a particular effect on potato products (24%), the other vegetables category (11%), the citrus (8%) and the grapes (7%). The products which exports fell were malus, banana and the other fruits categories by 29%, 33% and 36% respectively. Table 1 displays the exported quantities in 2013 and 2014 by category, and the corresponding increase or decrease.

**Table 1: Total Size of Agricultural Exports, January to December, 2013 and 2014**

|                  | Potatoes | Other vegetables | Citrus | Grapes | Malus  | Banana | Other Fruits | Total   |
|------------------|----------|------------------|--------|--------|--------|--------|--------------|---------|
| <b>2013</b>      | 193,035  | 53,654           | 80,281 | 21,496 | 79,292 | 55,307 | 39,472       | 522,538 |
| <b>2014</b>      | 238,531  | 59,457           | 86,568 | 22,937 | 56,579 | 37,292 | 25,416       | 526,782 |
| <b>Ratio (%)</b> | 24       | 11               | 8      | 7      | -29    | -33    | -36          | 1       |

The largest increase was in the potato category due to several reasons:

- Increase of the potato acreage as a result of the Minister of Agriculture's decision to delay the potato import date from Egypt in order to protect the local production.
- Saudi Arabia suspended potato export, opening the Gulf market to the Lebanese production to replace the Saudi, coupled with the decline of production and exports in Syria, which is considered the main rival of Lebanese products.
- Increase in Syrian demand as a result of the low volumes produced by the country allowing the export of the Lebanese production to Syria.
- Abundant production during this year due to good productivity and suitable climatic conditions.

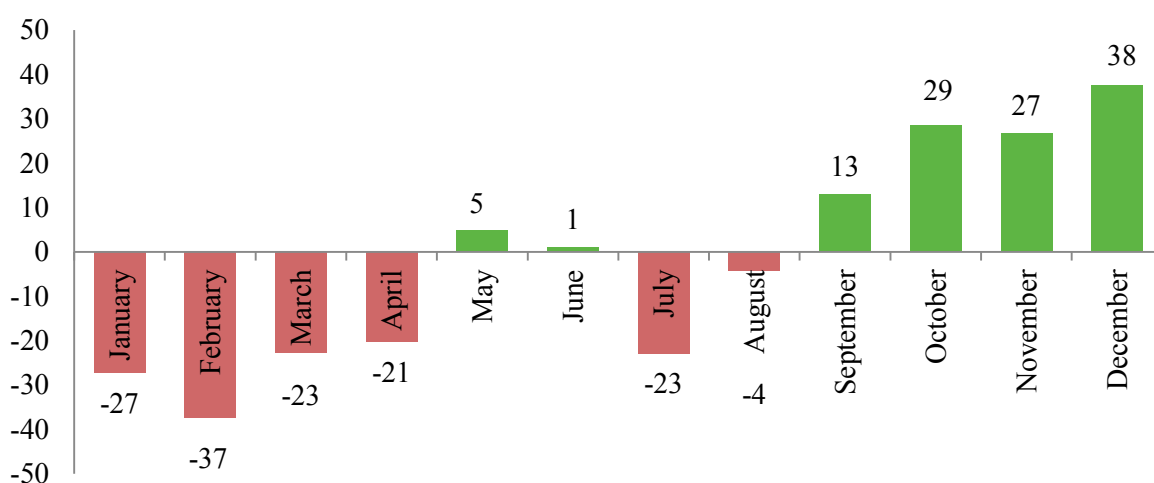
The increased volume of export of the other products such as grapes, and fruits and vegetables, is attributable to other factors, such as the good crops with high quality due to the favorable climatic conditions. The good prices in the foreign markets during some periods of the year contributed to achieving this increase.

The decline in exports of some products is associated with the reduction of the quantities of produces of malus due to the unfavorable climatic factors, contrasted to the fact that the quantities produced last year were exceptionally high owing to the advantageous climatic conditions. The decline in the banana exported quantities is attributed to the impact of the

Syrian crisis since the Syrian markets were absorbing most of the Lebanese bananas exports.

In terms of monthly changes in exports over the 2013-2014 period, the most difficult months turned out to be January to April, July and August, where negative growth was observed. The remaining months witnessed an increase in total agriculture exports, notably December with a 38% rise. Figure 5 reflects the monthly changes in exports in 2014 as compared to 2013.

**Figure 5: Monthly Exports Changes 2013-2014 (%)**



Similarly, agriculture exports increased in three export zones, while zone “a” (Syria and Jordan) registered a 10% decline; this zone receives around 27% of the Lebanese exports. The highest increase in share was in zone “d” (62%).

Table 2 illustrates the exports fluctuation rates that occurred between January and December of 2013 and 2014 by importing zone and category.

**Table 2: Distribution of the Exported Quantities by Zone 2013-2014**

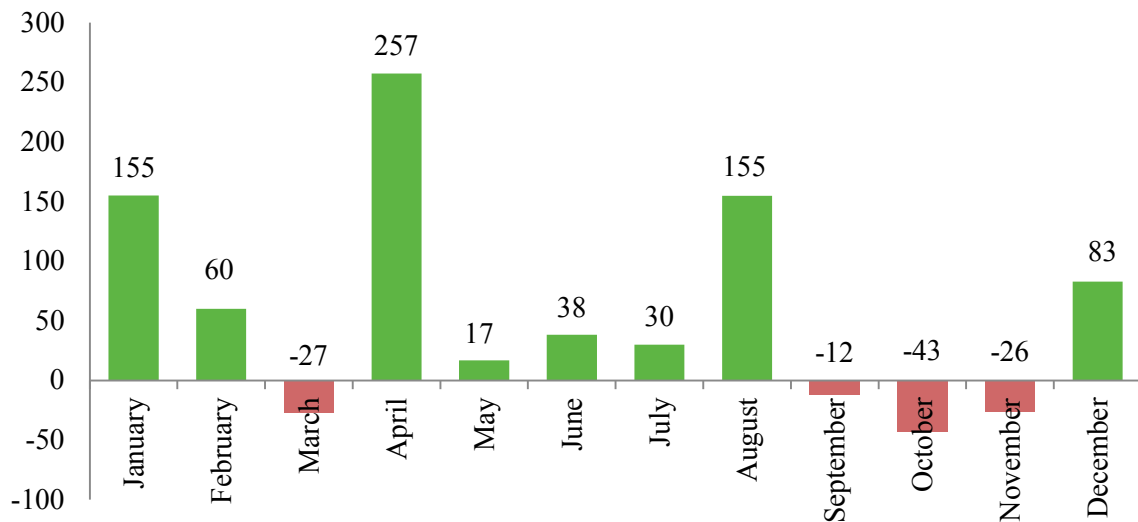
|                  | Zone “A” | Zone “B” | Zone “C” | Zone “D” | Total   |
|------------------|----------|----------|----------|----------|---------|
| <b>2013</b>      | 157,288  | 359,841  | 5,389    | 20       | 522,538 |
| <b>2014</b>      | 141,158  | 377,892  | 7,700    | 32       | 526,782 |
| <b>Ratio (%)</b> | -10      | 5        | 43       | 62       | 1       |



## b. Olive Oil

The exported quantities of olive oil rose during the first eight months of 2014 compared to the amounts that were exported during the same period of 2013, registering an increase of 57.31%. The total quantity exported in 2014 amounted to 3,143 tons compared to 2,500 tons in 2013, hence an increase of 25.7%.

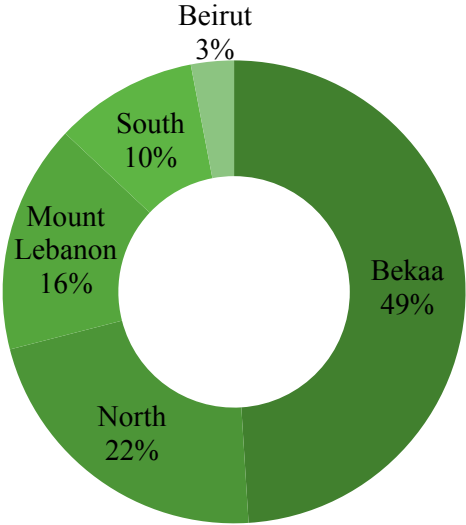
**Figure 6: Olive Oil Monthly Exports Changes 2013-2014 (%)**



## IV. Shipping and Transportation

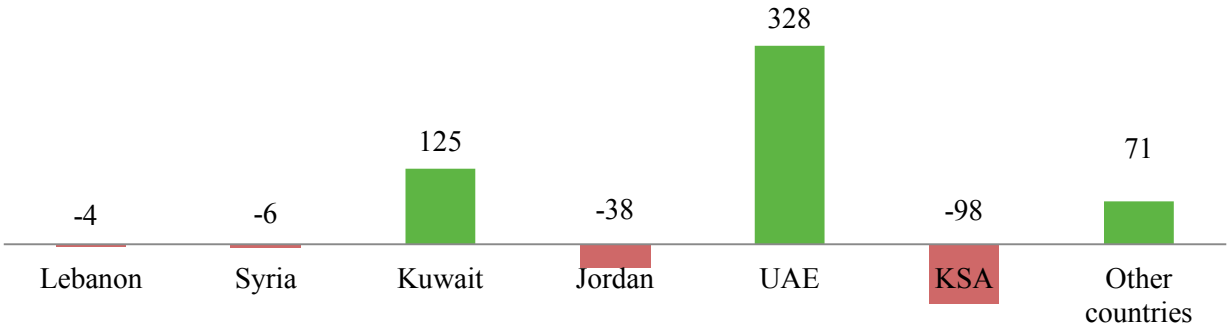
Overall, during 2014, 18,883 trucks were used for transporting the Lebanese agricultural products to neighboring countries. The Lebanese share was the highest and represented 60% of all the trucks origins, 4% less than 2013 share. Figure 7 illustrates the percentage of trucks used in 2014 and their distribution by origin.

**Figure 7: Trucks Origins (2014)**



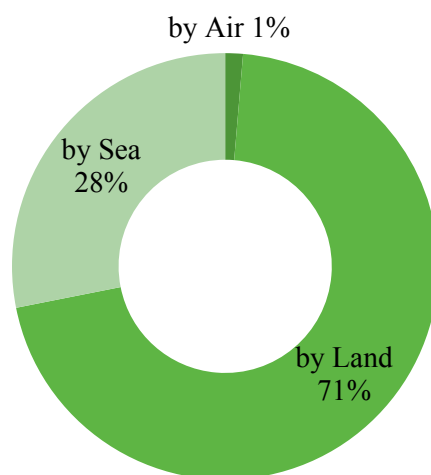
Despite the increase in the exports volume by 1%, the usage of the Lebanese trucks saw its share of the total trucks used within the program drop by 4% compared with 2013 (Figure 8). It is worthy to note that the decision issued by the Ministry of Public Works and Transport to prevent the entry of empty trucks from some countries did not increase the usage of the Lebanese trucks. Nevertheless, the share of the Lebanese shipping trucks recorded 60% for the second consecutive year.

**Figure 8: Trucks Origins Variation between 2013 and 2014**



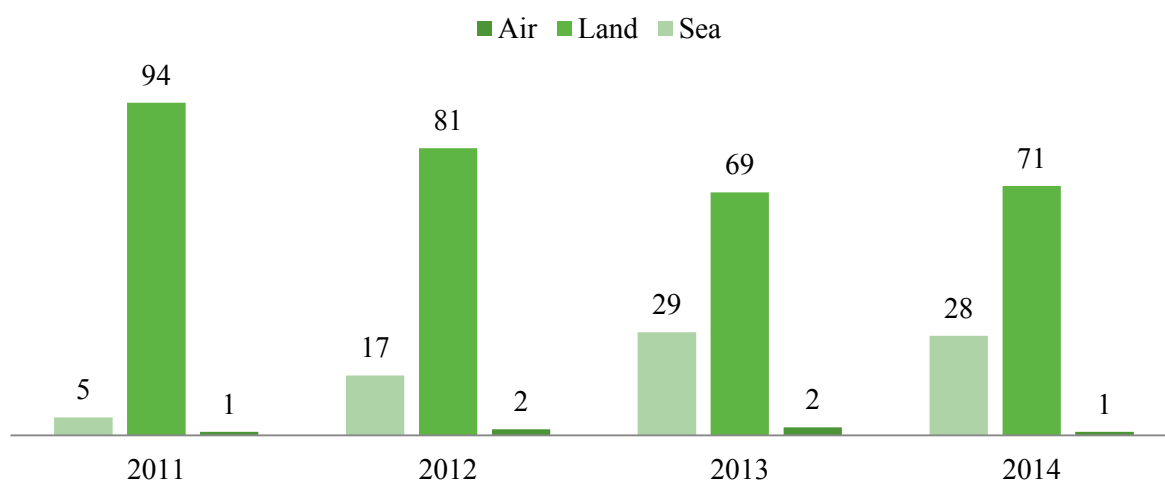
The highest decline was registered in the use of Saudi Arabian trucks (-98%), while the United Arab Emirates trucks achieved the higher increase reaching 328%, as a result of the inability of many other origins to pass through the Syrian territory for security reasons. These variations can be explained by the increasing usage of the maritime transportation means (Figure 9) as a result of the armed conflict in Syria, which has led at times to the closure of the land borders.

**Figure 9: Fruits and Vegetables Exports by Means of Transportation (2014)**



Fifty-two percent (52%) of olive oil exports were shipped by sea in 2014, while 48% were exported by land. It is worth noting that the maritime transportation has regressed negligibly during 2014. Figure 10 illustrates the evolution of the three transportation means usage for agricultural exports in the past 4 years.

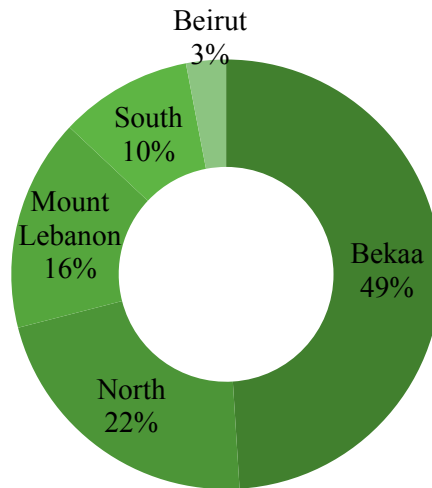
**Figure 10: Variation of the Use of Different Means of Transportation between 2011 and 2014 (%)**



## V. Agri Plus Registered Exporters

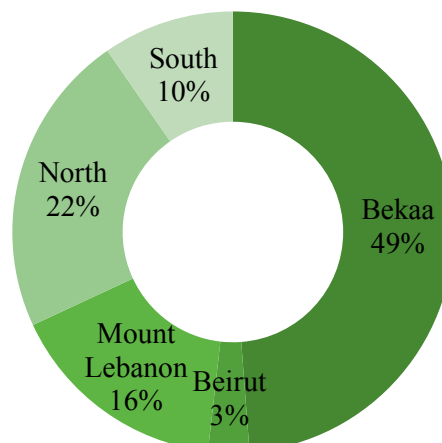
The “Agri Plus” program registered 166 exporters during 2014, twenty three (23) more than in 2013. Eight (8) of this year’s exporters are specialized in the export of olive oil while only one is specialized in the export of Lebanese honey. Figure 11 shows the distribution of adherents to the program by province. The registered exporters from the Bekaa region were the most prominent.

**Figure 11: Distribution of the Agri Plus Registered Exporters (2014)**



With its plan to encourage exporters to improve the quality of their products in terms of produce, IDAL granted 20% additional subsidies to any exporter who gets a certificate of quality for his product along with a certificate for the packinghouse. Both growing and packaging procedures must adhere to the highest international standards to obtain certification from internationally approved sources. IDAL also has packinghouse specification requirements that packaging centers need to comply with for acceptance. 177 packaging centers fit IDAL’s criteria and conditions and were registered in the program in 2014, almost 26% increase compared to the 141 registered packinghouses in 2013. Figure 12 shows the distribution of packinghouses by province.

**Figure 12: Distribution of the Packaging Centers (2014)**

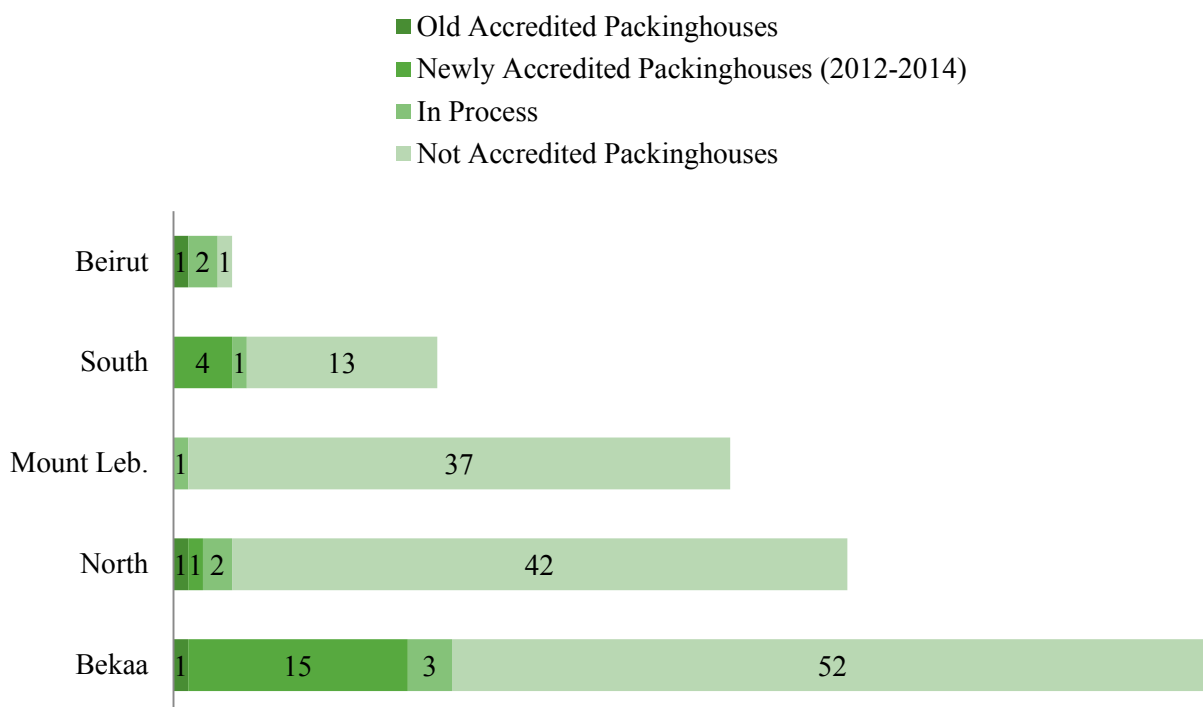


Consequently, the program demonstrated positive results three years after launching its operations, in terms of:

- Quality of Products: eighteen exporters presented certificates for one or several parcels of lands that obtained a GAP certificate (an internationally recognized set of farm standards dedicated to Good Agricultural Practices (GAP)).
- Packinghouses: only three (3) of the packing houses had international certificates at the beginning of 2012. However, as a result of IDAL's encouragement through additional incentives, 20 additional packinghouses obtained approved certificates during 2012-2014. Another nine (9) of the active packinghouses are also in the process of acquiring certificates bringing the number of accredited packinghouses to 32, which represent 18% of the total active packinghouses.

Figure 13 presents the operating Lebanese packaging centers (177 centers), their distribution and the number of certified packinghouses.

**Figure 13: Distribution of the Packaging Centers Certifications (2014)**



## VI. Other Activities of the Program

In addition to exporting agricultural products, IDAL undertook various activities in 2014, through the “Agri Plus” program, aimed at supporting key tasks related to the implementation of the program, the most important being:

- A bid for inspection companies that applied to the institution in order to proceed with the surveillance and inspection of the agricultural registered exports through the “Agri Plus” program and the selection of two companies.
- The update of IDAL’s 2014 packaging centers specifications. These specifications should be present in all of the “Agri Plus” registered packinghouses.
- Organization of lectures and convening of workshops to introduce to the exporters and farmers the services that the “Agri Plus” program provides, and how to benefit from these services.
- Convening of meetings with stakeholders to ensure the functionality of the program.
- Administration of a survey among all the registered exporters and farmers to identify and solve the main operational problems they face during the implementation of the program and taking the necessary measures to modify the program accordingly.
- Development of a product and packinghouse inspection mechanism for the certified exporters who should benefit from additional subsidies.
- Periodical packinghouse inspection and coordination with the inspection companies in the elaboration of the registered packinghouses quarterly reports.
- Participation in the Agricultural Specialized Committees in cooperation with the Ministry of Agriculture and the Federation of the Chambers of Commerce, Industry and Agriculture of Lebanon for the containers industries and cold stores specifications development.
- Participation in the marketing committee to discuss the marketing strategy created in order to promote the agricultural exports.
- Establishment of the Russian market workshop to introduce it to, and help the exporters reach and enter this new market.

## VII. Conclusion

Various positive indicators provide evidence of the success of the “Agri Plus” program launched in the beginning of 2012, such as the net 1% increase in 2014 of the agricultural exported quantities; the packaging quality evolution, packinghouses improvements and more exporters tending to have Global GAP, HACCP and ISO certificates; and the good response of exporters and farmers to the strategy developed by the program in order to improve and develop the quality of the production, packaging and packinghouses to increase the volume of exports.

Maintaining the record level of exported quantities achieved this year requires additional efforts to improve the quality of the production of the items that registered the lower shares to bring them back to their prior positions in the market. The program will face challenges over the coming years. The most important objective is to open new markets and help farmers and exporters obtain quality certificates in both production and packaging stages.

