

# Maritime Lebanese Exports Bridge (M.LEB) Program Annual Report - 2015



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## I. Introduction

**Description of the Program:** The Maritime Lebanese Exports Bridge (M.LEB) program was put in place by the Lebanese Government in September 2015 to create a temporary maritime bridge for trucks loaded with Lebanese produce as an alternative mean to land transport as a result of the closure of land borders between Lebanon, Syria and Jordan, countries whose borders have historically been considered fundamental for Lebanese exports.

The security conditions in Syria have severely affected the flow of Lebanese produces to traditional markets. The program was therefore designed to ensure the flow of Lebanese products to traditional markets, mainly the Gulf countries and Jordan, hence maintaining their market position, upholding the importers' and consumers' confidence in Lebanese exporters and their products, as well as setting a balance within the Lebanese market between supply and demand.

**Program Results:** The M.LEB program achieved positive results (during the last quarter of 2015) compared to its set targets during the first quarter of work: for instance, agricultural exports (fruits and vegetables) reached 14,096 tons, industrial exports registered modest results of 36 tons, while exports of agro-food products reached a high record of 1,113 tons. The number of exporting trucks on board of maritime vessels amounted to 829, including 715 subsidized trucks, through 16 sea trips of three registered vessels. It should be noted that the M.LEB program has helped to resume the operation of a large part of the land transport fleet which had stopped working due to the security reasons previously mentioned.

With regard to importing markets, the highest share of products was exported to the Gulf countries through the port of Duba in the Kingdom of Saudi Arabia, accounting for 88% of total exports, while the Hashemite Kingdom of Jordan was the second destination through the port of Aqaba, with a share of 12%.

Monthly exported quantities followed an upward trend since the launch of the program (September 17<sup>th</sup>, 2015), despite the time it took for the exporters to familiarize themselves with the new system of transportation. Although the program achieved good results, it did not meet the set targets. The exported quantities did not reach the expected levels for the following reasons:

- 1- The quantities estimated before the establishment of the program were based on the period extending from June till December 2015; it should be noted that exported agricultural quantities usually reach their peak during such periods, particularly between the months of July and September. Moreover, the program started/was launched at the end of September.
- 2- Exports via containers are less expensive but require more time to reach the destination country. Therefore, exporters who shipped on board of vessels through the program, had to ship products that are difficult to carry and export via containers for reasons related to product quality.
- 3- The high cost of maritime transport via vessels, coupled with low competition among transportation companies.

## II. Program Overview and Objectives

The Investment Development Authority of Lebanon (IDAL) set up the Maritime Lebanese Exports Bridge (M.LEB) Program, according to the Council of Ministers' Resolution No. 1 dated July 2, 2015, which provides IDAL with a treasury credit of 21 Billion LBP to cover part of the costs of the Lebanese products exported to Arab countries by sea.

As a result of the Syrian crisis and the border closure, the M.LEB program aims to support/absorb the difference in costs between the terrestrial transportation cost - established at the rates prior to the closure of borders - and the maritime shipping cost - for both agricultural and industrial exports to Arab countries - from Lebanese ports to selected ports in the Arab Countries.

The program timeframe is set to seven months from the sailing date of the first vessel registered to the program and loaded with Lebanese products on September 17, 2015.

The program aims at:

- Ensuring the flow of Lebanese products to traditional markets, particularly the Gulf countries and Jordan.
- Maintaining the Lebanese products' position in these markets.
- Setting the balance within the Lebanese market between supply and demand by facilitating the export of Lebanese products.
- Upholding consumers' confidence in Lebanese products and their quality.
- Confirming the credibility of the Lebanese producers, industrialists and farmers towards their trading partners in these markets and their ability to meet their commitments towards third parties.

The M.LEB program is based on three main pillars:

- Contributing to opening a regular maritime shipping line between the Lebanese ports and the ports of the target markets.
- Facilitating the daily transportation of about 35 trucks loaded with Lebanese agricultural, industrial and agro-food products to key target markets.
- Granting direct support/subsidy for each truck loaded with Lebanese products exported to target countries across the sea, and using various means of transportation - (RoRo) or (RoPax) depending on the shipping lines - either directly through the Suez Canal or indirectly through the Egyptian ports. The Lebanese State shall cover/assume part of the difference in costs between land transport expenses as established prior to the closure of borders and the shipping cost.

All exporters of Lebanese agricultural, industrial and agro-food products willing to ship their goods through the shipping companies endorsed by IDAL to the Gulf countries and the Hashemite Kingdom of Jordan and through the ports of Duba and Aqaba, shall benefit from the shipping subsidy offered by the program, provided that they submit their application to IDAL.

The beneficiaries are divided into six categories:

- Agricultural exporters or traders subscribed to the “Agri Plus” program
- Agricultural exporters or traders not subscribed to the “Agri Plus” program
- Industrial exporters or traders
- Agro-food exporters or traders
- Shipping and land transportation companies
- Marine transportation companies

### III. 2015 Results

In the first quarter of the M.LEB program implementation, i.e. from September 17, 2015 to December 31, 2015, the results registered were as follows:

- Agricultural exports (fruits and vegetables) reached 14,096 tons;
- Industrial exports amounted to 368 tons; and
- Agro-food exports recorded 1,113 tons.

The month of November witnessed the highest exported quantities through the program, registering 5,503 tons while the exported quantities were at their lowest in September, with 967 tons, noting that this quantity was exported within 13 days of the said month, as the program was launched on the 17th of September.

However, the monthly upward trend of the overall exports witnessed a slight decline in December, as a result of an additional increase applied to the transportation cost (Figure 1).

Figure 1: 2015 Monthly Exported Quantities (tons)

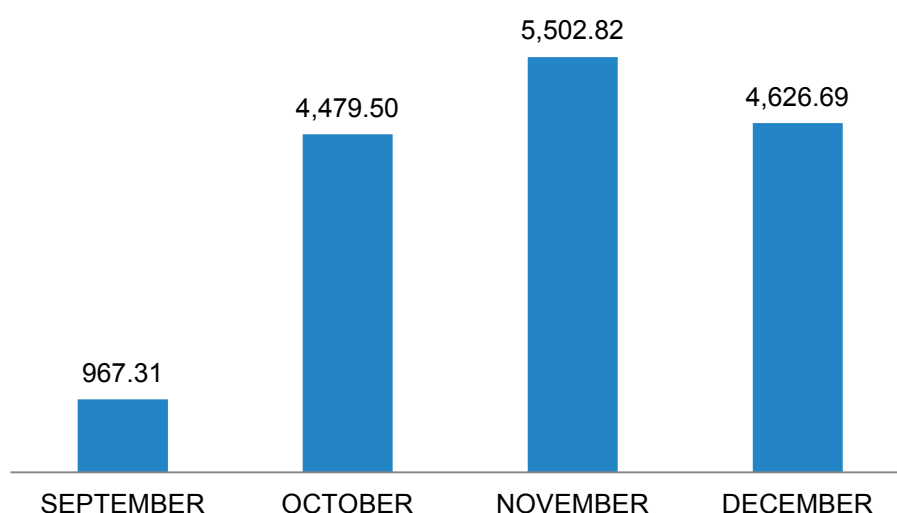


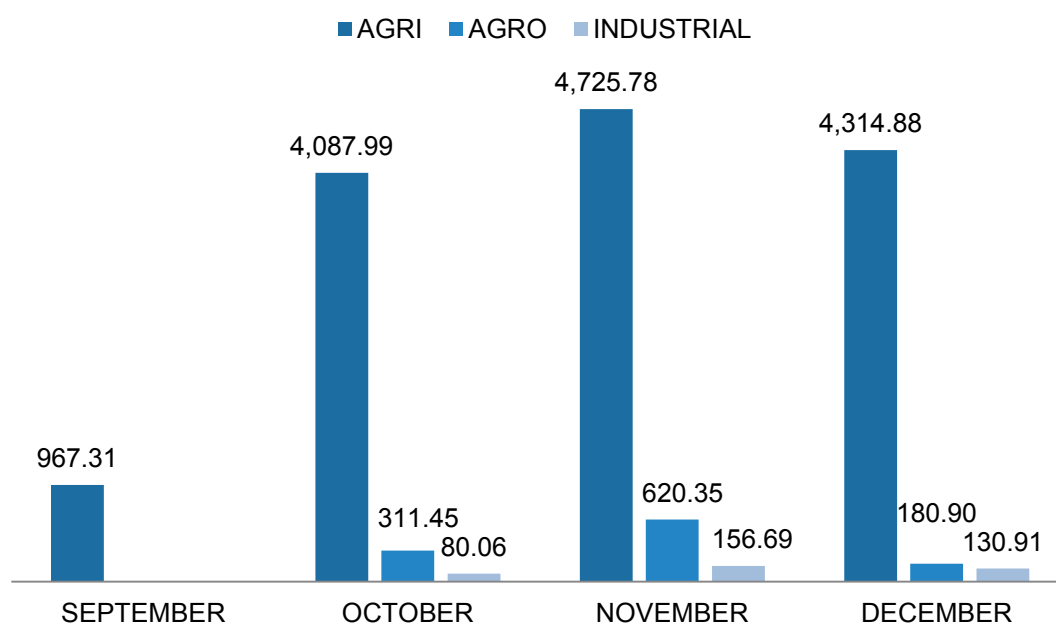
Table 1: Monthly Exported Quantities through M.LEB by Product from September till December 2015

	September	October	November	December	Total
<b>Agriculture</b>	967.31	4,087.99	4,725.80	4,314.88	<b>14,095.98</b>
<b>Agro-food</b>	0.00	311.45	620.35	180.90	<b>1,112.70</b>
<b>Industry</b>	0.00	80.06	156.69	130.91	<b>367.66</b>
<b>Total</b>	967.31	4,479.50	5,502.84	4,626.69	<b>15,576.34</b>

It is noted from the above statistics that agricultural exports represented the highest share of exports within the M.LEB program, reaching 14,096 tons (91% of the total exports through the program). Also, the month of November had the biggest share of agricultural exports (Figure 2).



Figure 2: Monthly Exported Quantities between September and December 2015 (tons)



The three registered vessels – AZOV, MED BRIDGE, and BEKAA DREAM undertook 16 trips during the period being analyzed. The number of trucks that exported on board of these vessels amounted to 829, including 715 subsidized trucks (Figure 3) and representing 86% of total trucks (Figure 4).

Figure 3: Number of subsidized exported trucks (monthly) - 2015

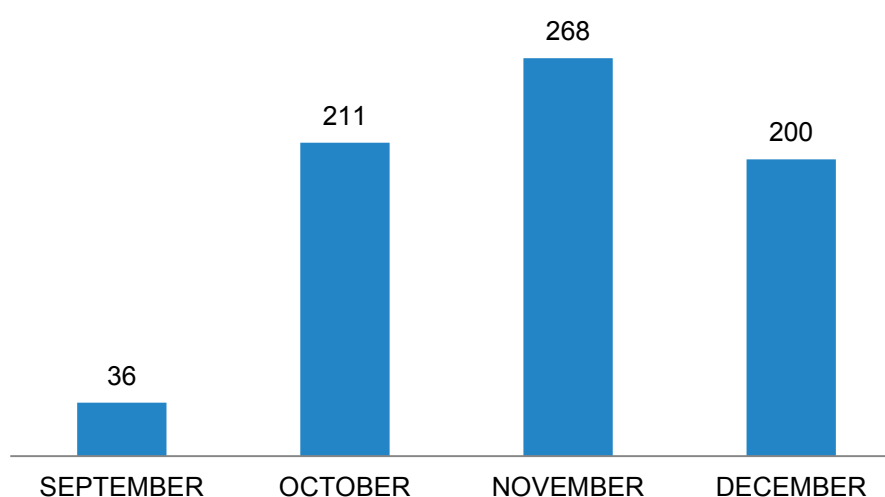
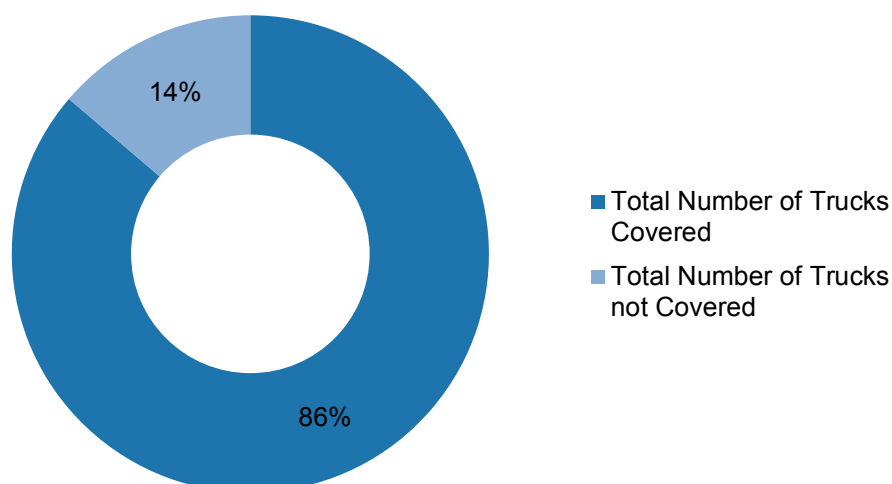
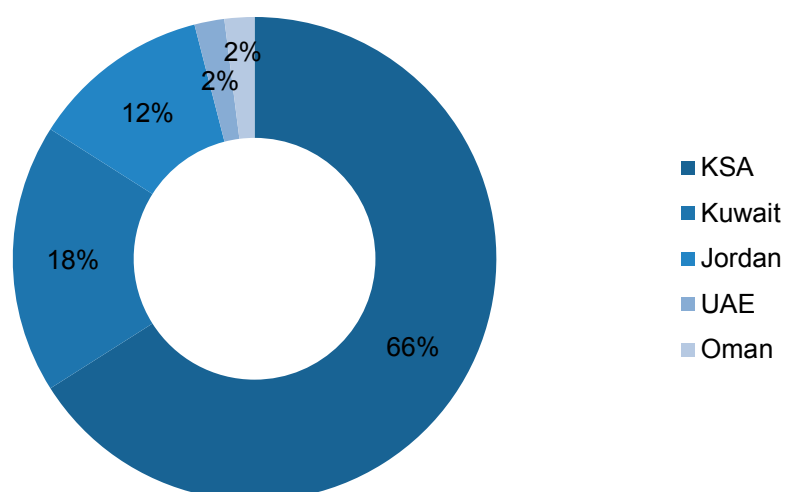


Figure 4: Share of Subsidized and Not-Subsidized Trucks share – 2015 (%)



The Kingdom of Saudi Arabia imported the highest percentage of Lebanese products through the program, registering 66%, while Kuwait came second with 18%, and Jordan came third with 12% (Figure 5). It is worth mentioning that the highest share of products was exported to the Gulf countries through the port of Duba in the Kingdom of Saudi Arabia.

Figure 5: Distribution of Products by Destination (%)





### a. Agricultural Exports

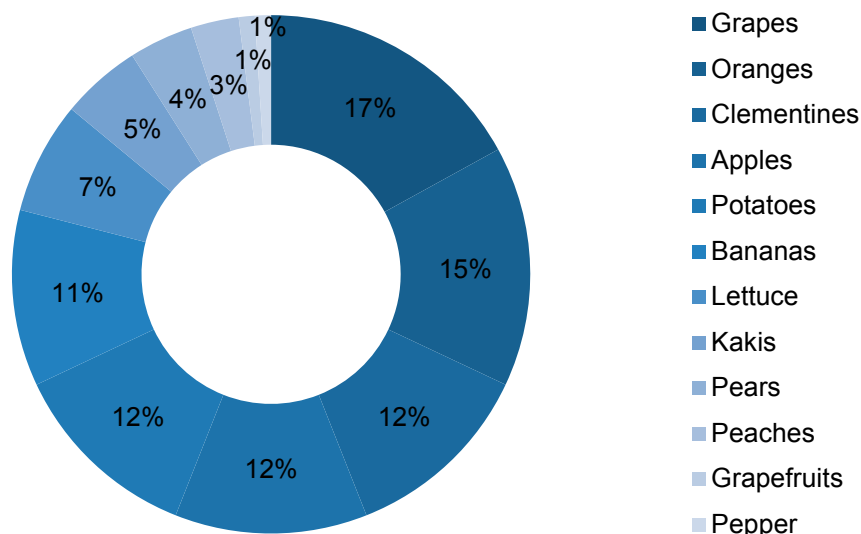
Exports of fruits and vegetables through the M.LEB program reached around 17.5% of total Lebanese agricultural exports between the months of October and December of 2015, while exports by air did not exceed 3%. As for the rest of exported quantities to the Gulf countries and Jordan, it was exported by sea through containers, and therefore it is not covered by the program.

As shown in Figure 6, exports of grapes ranked first representing 17% of total exports, followed by oranges which accounted for 15% of the total.

The decline in exports of fruits and vegetables to the Gulf countries over the last quarter of 2015 amounted to 29%. Agricultural exporters adopted the sea line after the closure of land borders, thus allowing maritime shipping to represent 97% during these three months. However, only part of the sea line was covered by the program since shipping by containers was excluded from M.LEB. Nevertheless, the program was able to reduce the decline in exported quantities to the Gulf countries.

The value of agricultural products exported through the program was estimated at 16.5% of the total value of the agricultural products exported during the period to the Gulf countries, equivalent to approximately 5.1 million dollars.

Figure 6: Distribution of Agricultural Products – 2015 (%)



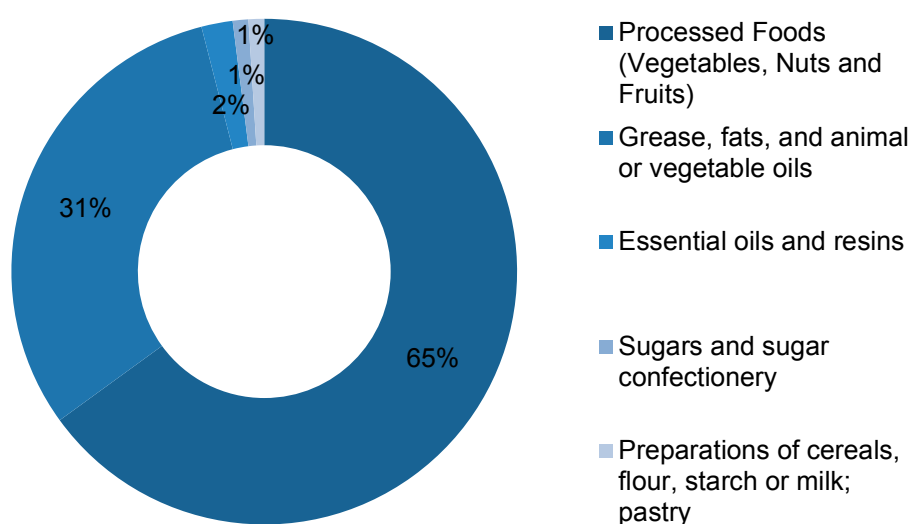
## b. Agro-Food Exports

During the first quarter of activities of the M.LEB program, the total volume of agro-food exports reached around 1,113 tons, equivalent to 7% of the volume of exports through the program (Table 1).

Exports of Processed Foods (vegetables, nuts, fruits) ranked first, accounting for 64.8% of total agro-food exports, followed by exports of Grease, fats, and animal and vegetable oils which constituted 31.3% (Figure 7).

The value of agro-food products exported through the program is estimated at 2.7 million dollars. The agro-food products exported through the program during the last quarter of 2015, accounted for 2% of the total value of the national agro-food exports.

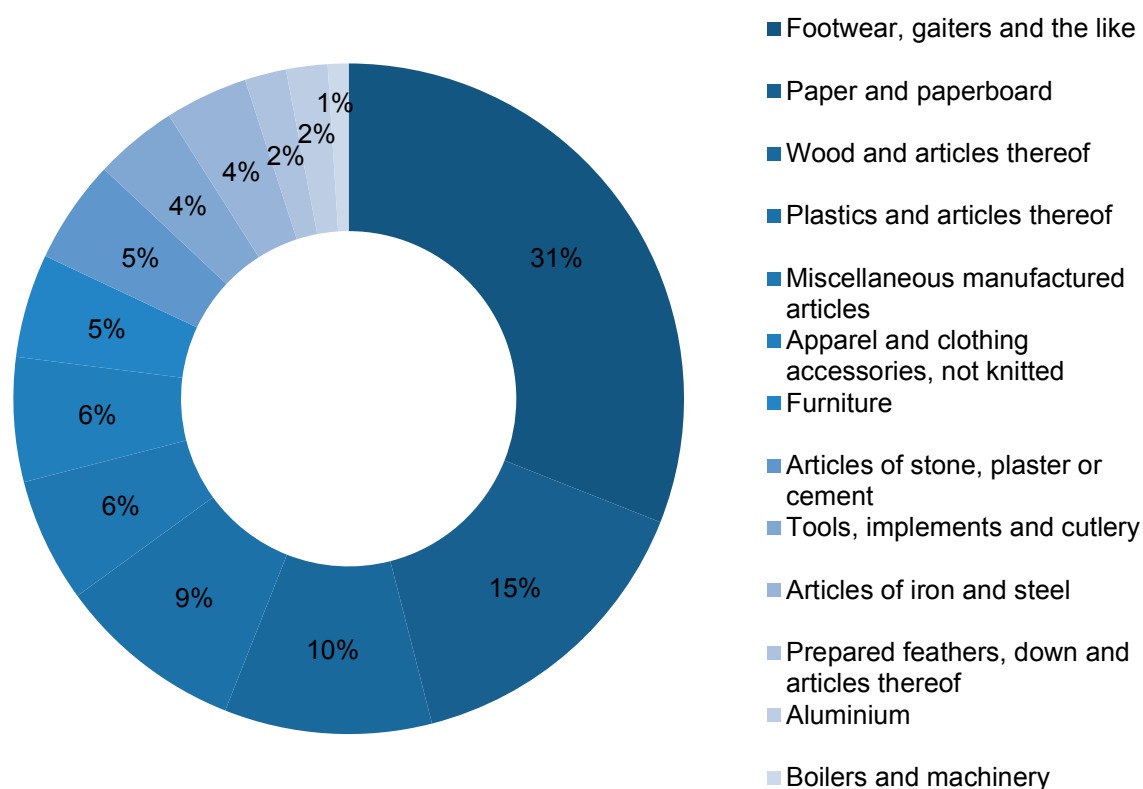
Figure 7: Distribution of Agro-food Products – 2015 (%)



## c. Industrial Exports

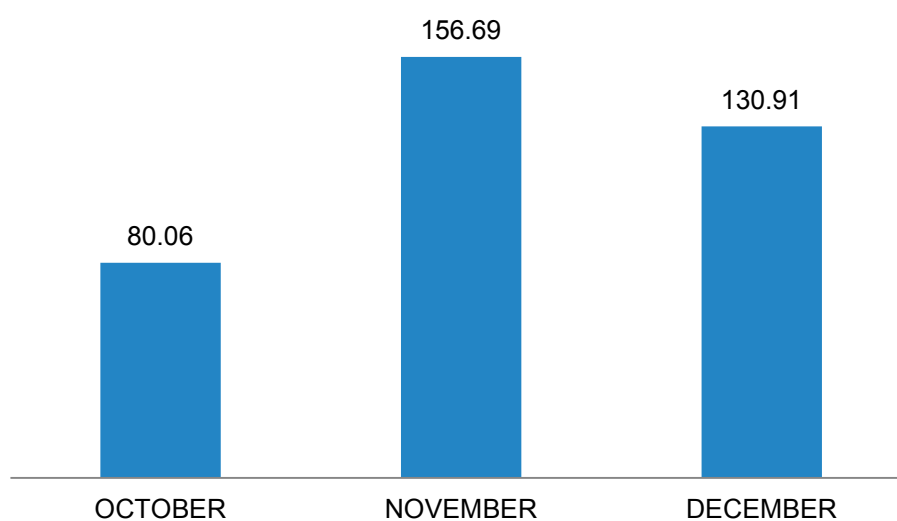
As for the industrial exports, these accounted for 2% of the total volume of exports through the M.LEB program, or the equivalent of 368 tons during the first quarter (Table 1).

Figure 8: Distribution of Industrial Products – 2015 (%)



The value of industrial products exported through the program represented 1.9% of the total value of industrial products exported between October and December, and estimated at 3.5 million dollars. The export of “footwear” grasped the highest share with 31.1% of the total, followed by the export of “paper and paperboard” with 15.2% of the total value of the exported industrial products.

Figure 9: Monthly Industrial Exported Quantities – (October-December 2015) (tons)



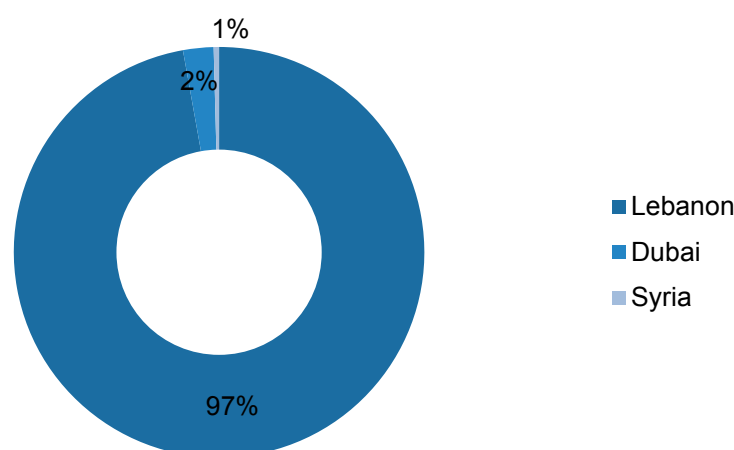
## IV. Transportation

The overall transportation traffic associated with the shipment of Lebanese products through the program totaled 715 shipments spread over vehicles of different nationalities. The Lebanese trucks' share was the largest, constituting 97% of the overall shipped trucks (Table 2).

Table 2: Exported Trucks' Nationalities from September till December 2015

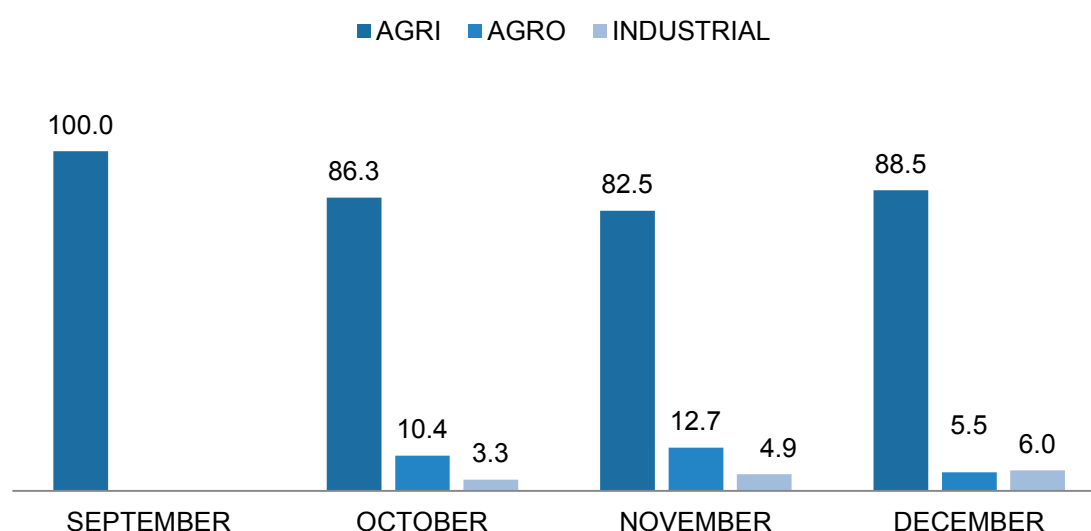
	Lebanon	Dubai	Syria	KSA	Kuwait	Qatar	Total
#Trucks	689	17	3	3	2	1	715

Figure 10: Trucks' Nationalities - 2015



As for the exporting trucks, 86% of subsidized trucks were loaded with agricultural products, while 9% with agro-food products and 5% with industrial products (Figure 11).

Figure 11: Exported Trucks' Share by Product (%) (September-December 2015)



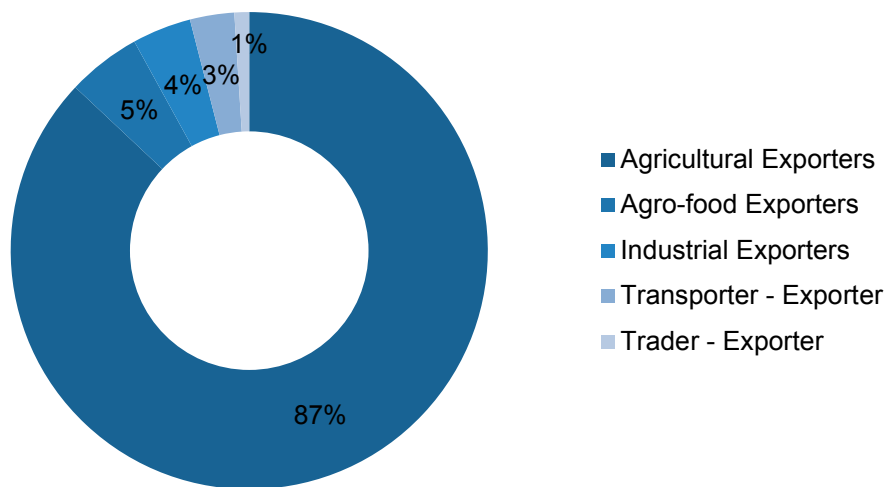
## V. Registered Exporters

The number of exporters enrolled to the M.LEB program over the last quarter of 2015 amounted to 26, while the number of agricultural exporters enrolled to the Agri Plus program in 2015 reached 171. Nevertheless, the number of active exporters enrolled to the M.LEB program did not exceed 20.8% of the total number of exporters. This is due to the fact that a large number of exporters resorted to refrigerated containers given their low cost as compared to that of the maritime vessels (Table 3 and Figure 12).

Table 3: Number of exporters enrolled to the Program from September till December 2015

	Enrolled Exporters	Active Exporters
<b>Agricultural Exporters</b>	171	32
<b>Industrial Exporters</b>	9	1
<b>Agro-food Exporters</b>	8	6
<b>Transporter - Exporter</b>	6	1
<b>Trader - Exporter</b>	3	1
<b>Total</b>	<b>197</b>	<b>41</b>

Figure 12: Enrolled Exporters Categories Share (%) - 2015



## VI. Conclusion

The decline in the quantities of Lebanese products exported reflected a temporary situation resulting from the prevailing regional conditions, particularly the closure of the land borders, crippling the land transportation fleet that was adopted by Lebanese exporters as the primary means to export their products to traditional Arab markets. With that in mind, the Maritime Lebanese Exports Bridge (M.LEB) program aims to address, although temporarily, this situation by finding alternative means to land transportation.

The results achieved over the period extending from October to December 2015, while important, did not meet the target expectations, especially that the program was designed to achieve twice these results during the same period. This outcome could be attributed to the continuous increase in shipment and export costs. Nevertheless, the program did meet at least one of its main objectives, namely activating the operation of the land transport fleet which was nearly paralyzed, and to ensure the outflow of part of the national products that do not have alternative means of exports.

The maritime vessel transportation results in higher costs for exporters, increasing in turn the cost of production of Lebanese products and thus making the products less competitive in foreign markets. For this reason, the M.LEB program was designed to absorb/subsidize part of the price increment resulting from the closure of Nassib crossing point in Jordan and which prevented the Lebanese exporters from reaching their traditional Arab markets through land transportation of their merchandises. However, the increase in maritime transport cost rendered the subsidy value insufficient. Should this trend continue, a number of exporting companies would go out of business and/or declare bankruptcy, leading to production regression and negatively impacting the overall Lebanese economy. Consequently, IDAL has striven to increase the incentives and the subsidy value for trucks loaded with Lebanese products within the M.LEB program.

It is worth noting that a number of exporters resorted to exporting through refrigerated containers at a lower cost than refrigerators carried on maritime vessels. However, other exporters, in view of the nature of their goods, could not pack them in containers and were either obliged to use trucks carried on maritime vessels despite their high cost, or to refrain from exporting. The M.LEB program therefore faces the main challenge of attracting a greater number of shipping companies to increase competition and, thus, lead to a decline in prices. Nevertheless, such results will be difficult to achieve unless the program timeframe is extended, or a daily minimum number of trucks using these vessels is guaranteed, hence reducing the cost for shipping companies and accordingly the transport prices.

