

IDAL

INVEST IN LEBANON

AGRI PLUS PROGRAM 2015 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 support** 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. 2015 Results and Achievements

The closure of the Nassib cross-point at the Syrian – Jordanian borders, considered to be the Lebanese products' main gate to the Gulf markets significantly impacted the export of agricultural goods. Lebanese exports in general and agriculture exports in particular witnessed a marked drop down. This led the Lebanese government to find alternative means of support to counter this decrease and assigned the Investment Development Authority of Lebanon to implement the “Maritime Lebanese Exports Bridge” (M.LEB) program to support exporters in shipping their goods via a substitution sea-line and compensate the decrease of exports.

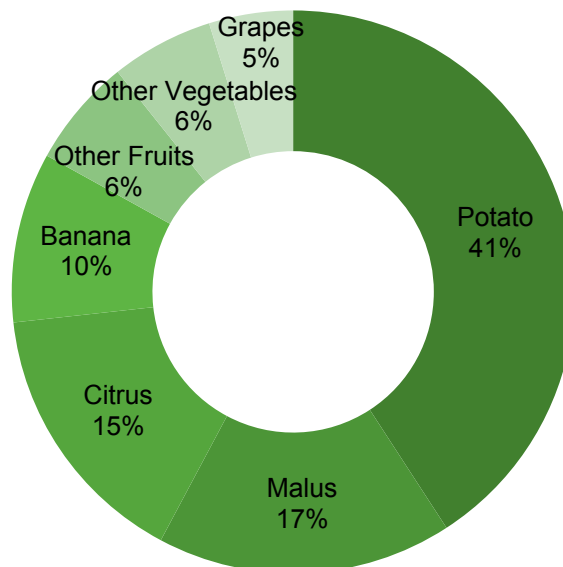
Despite the support provided by IDAL, exports vessels came out subdued due to the closure of the Nassib borders between the Syrian and Jordanian borders:

- Total exports decreased by 33% from 2014;
- Total quantities of exported fruit and vegetables reached 353,000 tons;
- Total eggs exports recorded reached 72,666 boxes compared to 1,374 boxes in 2014;
- Honey exports recorded a modest transaction of 22,41 tons;
- Olive oil exports recorded 4,341 tons, a 38% increase from 2014.

a. Fruits and Vegetables Overview

Potato exports grasped the highest share of exports, reaching 144,138 tons and accounting for 41% overall agricultural exports in 2015. They were followed by Malus which reached 59,902 tons and accounted for 17% of total exports, followed by citrus. The following graph illustrates the distribution of the exports according to the products categories.

Figure 1: Distribution of Main Agriculture Products (2015)

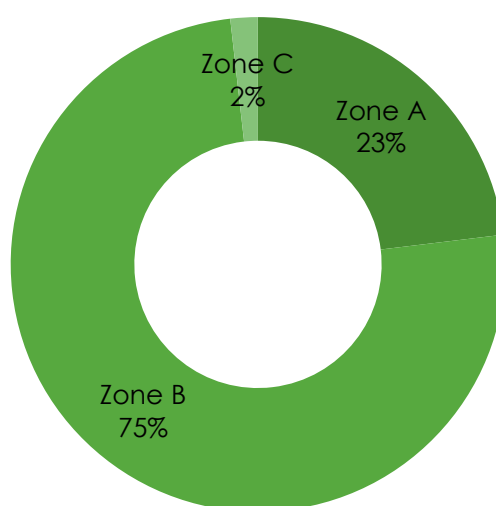


The majority of exported goods were shipped to zone “b” (75% of the exports). Lebanon’s main export partners remained the Middle East and the North African regions, namely zones “a” and “b”, while zone “d” registered only 18 tons. The following table illustrates the exports to each zone.

Table 1: Distribution of Agricultural exports by category from January to December 2015

	Zone “a”	Zone “b”	Zone “c”	Zone “d”
Quantity (tons)	81,491	265,243	6,312	18

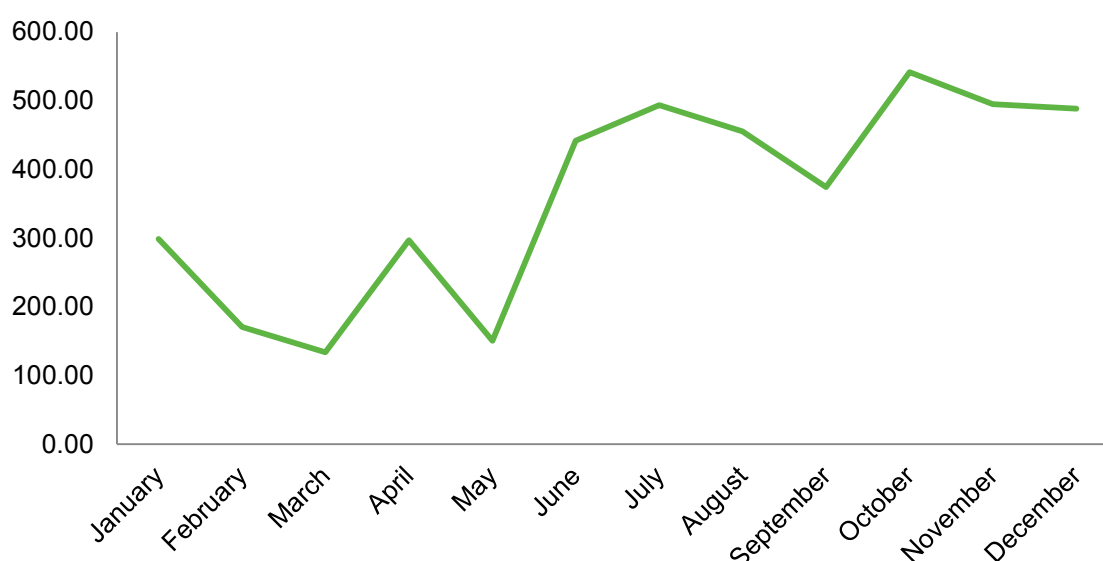
Figure 2: Share of Products Exports by Zone (2015)



b. Olive Oil Exports

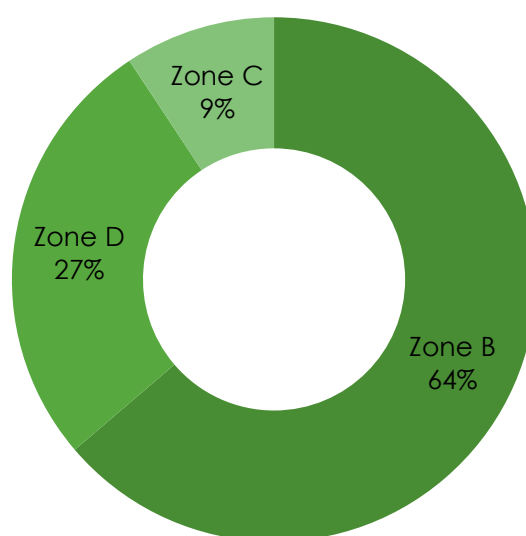
In 2015 the monthly average olive oil export through the “Agri Plus” program reached 361 tons registering higher results in comparison with 2014 exports. The monthly fluctuations of olive oil exports are closely linked to the season, noting that the highest exported quantities were in the last quarter of the year as the season actually begins. Figure 3 illustrates the fluctuation of the olive oil monthly exports.

Figure 3: Olive Oil Monthly Exports (2015)



The bulk of Olive Oil exports were shipped to zone “b” (Gulf Countries), with 2,767 tons, representing around 64% of total exports. The second destination was zone “d” (North and South America and Australia), exported quantity reached 1,170 tons. Lebanese olive oil has a very promising export market, providing for various business opportunities. Figure 4 illustrates the share of olive oil exports by zone.

Figure 4: Olive Oil Monthly Exports (2015)



c. Other Products Exports

The exports of eggs reached 72,666 boxes; Qatar and Iraq being the two main importing markets. Honey exports registered 22.4 tons, primarily shipped to the United Arab Emirates and Jordan, Saudi Arabia and the United States of America.

III. Comparison of 2014-2015 results

a. Fruits and Vegetables

Over the 2014-2015 periods, nearly all agriculture product exports declined sharply with a net decrease of 33% as a result of the closure of the Syrian-Jordanian land borders (Nassib Border).

This decline has hit all exported products except Malus, which increased by 6% giving the fact that most of Malus export are to Egypt that was not affected by the Nassib Border closure. The other products were dramatically affected with export dropping, Potatoes by 40%, Citrus by 37%, Grapes by 26%, and Bananas by 7%. Table 2 displays the exported quantities in 2014 and 2015 by category, and the corresponding increase or decrease.

Table 2: Total Size of Agricultural Exports, January to December, 2014 and 2015

	Malus	Bananas	Grapes	Citrus	Other Fruits	Potatoes	Other Vegetables	Total
2013	56,579	37,292	22,937	86,568	25,416	238,532	59,457	526,782
2014	59,902	34,514	17,053	54,625	22,043	144,138	20,789	353,063
Ratio (%)	6	-7	-26	-37	-13	-40	-65	-33

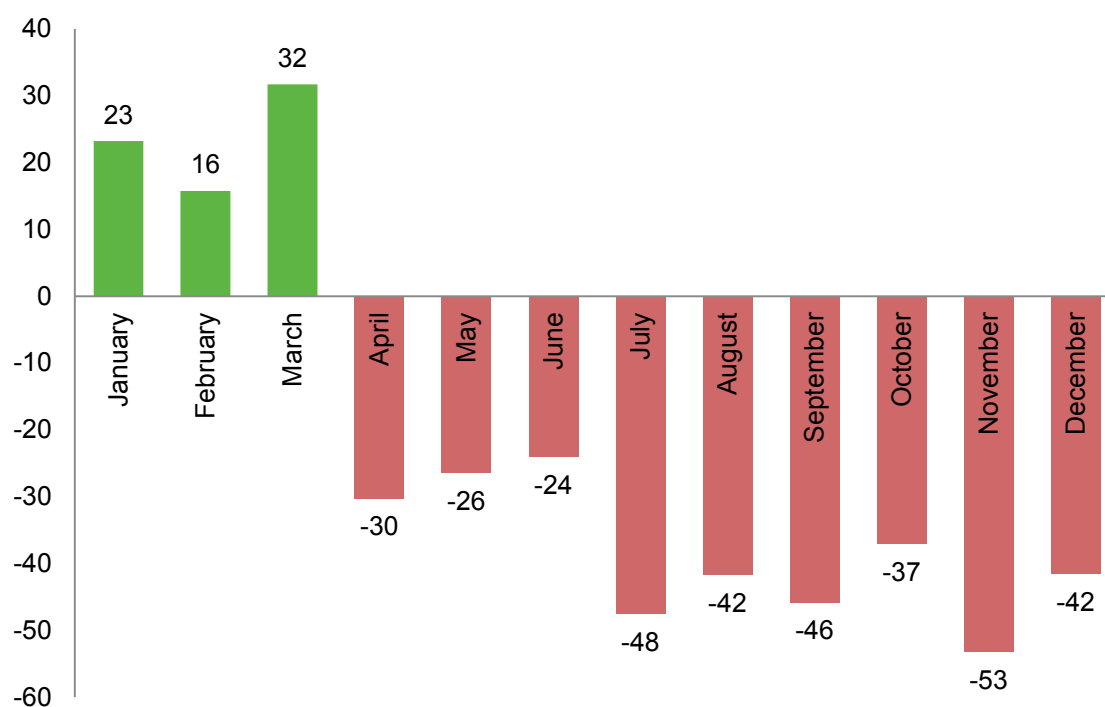
The decline of the most exported products is mainly due to the closure of the land borders. Some exported products witnessed relatively a bigger decline than others, depending on the exporters' capacity to familiarize with shipping by sea and the possibility of consigning these products by sea.

Table 3: The monthly exported quantities through the program during 2014 – 2015

	2014	2015	Ratio (%)
January	28,164	34,697	23
February	19,732	22,836	16
March	18,189	23,953	32
April	15,512	10,819	-30
May	30,071	22,123	-26
June	35,654	27,092	-24
July	49,401	25,914	-48
August	67,129	39,137	-42
September	84,537	45,811	-46
October	66,749	42,021	-37
November	56,779	26,551	-53
December	55,010	32,142	-42
Total	526,926	353,096	-33

The period from July till September saw the most dramatic decline in figures due to exports regression to Syria. The closure of Nassib crossing point at the Jordanian-Syrian borders totally prohibited the land exports to Jordan and the Gulf. On the other hand, exports which continued to penetrate to Syria, also stopped during some periods as a result of the unsecure situation, which explains the varying amounts of decline in the monthly exported quantities. The following chart reveals the relative change in exported quantities during 2015 compared with 2014.

Figure 5: Monthly Exports Changes 2014-2015 (%)



As for the change related to exporting countries and zones classified according to the “Agri Plus” program, the zone “d” witnessed the bigger decline (44%), while exports to zones “b” and “c” fell by 30% and 18% respectively. Similarly, exports to Zone “a” regressed by 42%, noting that exports to this zone constitute an important share of the total exported quantities reaching 23%, contrary to the quantities exported to zone “d” that represent a small share of the total fruits and vegetables exports.

Table 4 illustrates the exports fluctuation rates that occurred between January and December of 2014 and 2015 by importing zone and category.

Table 4: Distribution of the Exported Quantities by Zone 2014-2015

	Zone “a”	Zone “b”	Zone “c”	Zone “d”	Total
2014	141,158	377,892	7,700	32	526,782
2015	81,491	265,243	6,312	18	353,063
Ratio (%)	-42	-30	-18	-44	-33

b. Olive Oil

The exported quantities during 2015 of olive oil rose significantly compared to the amounts that were exported during the same period of 2014, registering an increase of 38.1%. The total quantity exported in 2015 amounted to 4,341 tons compared to 3,142 tons in 2014.

Figure 6: Olive Oil Monthly Exports Changes 2014-2015 (%)

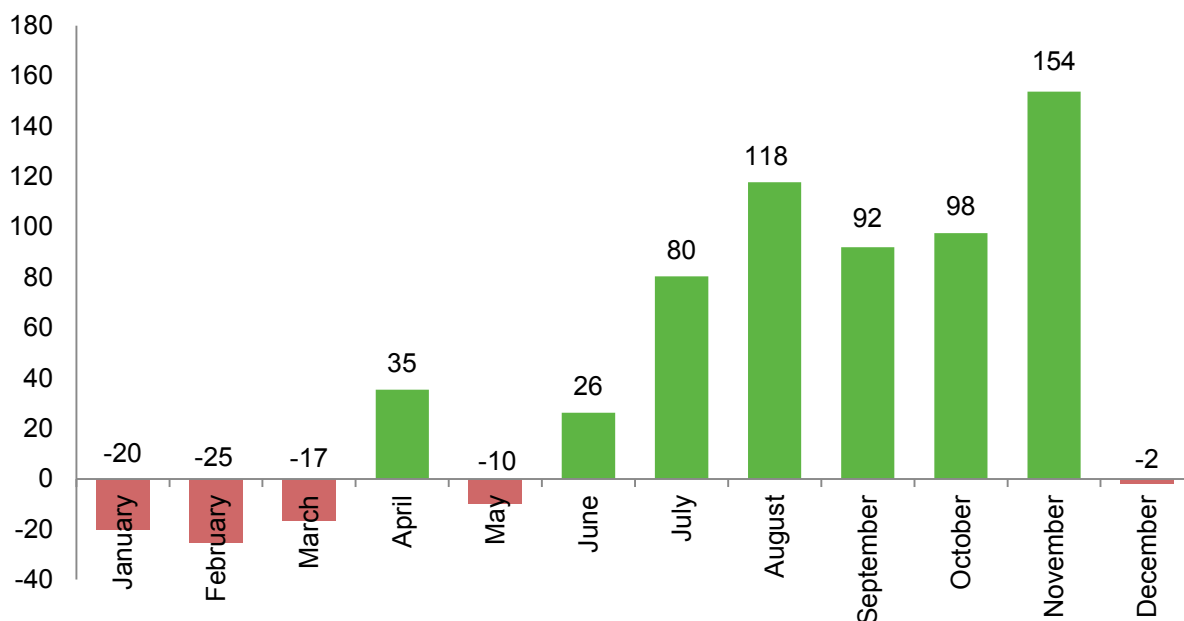
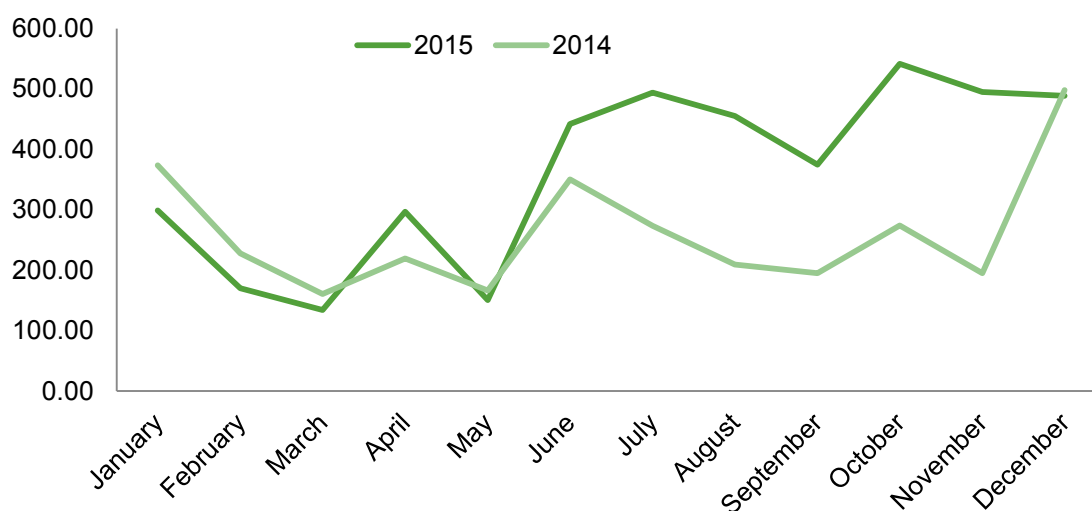
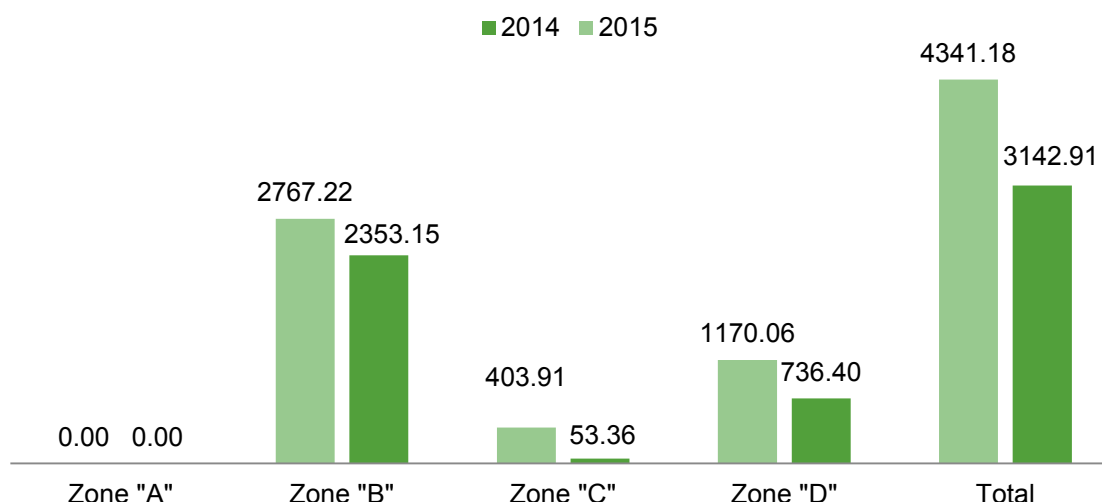


Figure 7: Olive Oil Monthly Exports 2014-2015



It is worth mentioning that the surge spread over all zones, with exported quantities increasing to zone “b” by 17%, to zone “d” by 54% and to zone “c” from 53 tons during 2014 to 404 tons during 2015, registering a 656% rise.

Figure 8: Olive Oil Exports Changes by Zone 2014-2015



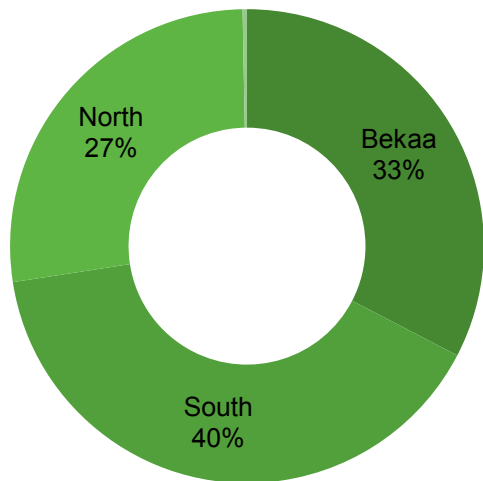
c. Other Products Exports

Eggs' exports rose dramatically during the year 2015. 72,666 boxes were shipped to Qatar and Iraq, compared to 1,374 boxes during 2014 expedited to Qatar. On the other hand, honey exports fell by 5% as a result of the exported quantities' decline to Jordan and partially to UAE market. However, the positive prong of the last year was the penetration of the Lebanese honey to the US market (2 tons) and to the Saudi Arabian market (8 tons).

IV. Shipping and Transportation

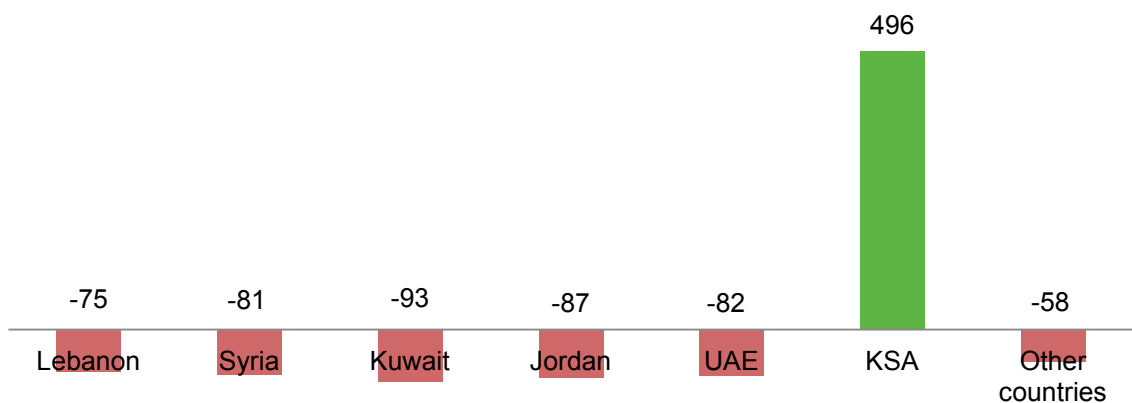
Overall, during 2015, 4,331 trucks were used for transporting Lebanese agricultural products to neighboring countries. The Lebanese share was the highest and represented 66% of all the trucks origins, with an increase of 6% compared to the previous year. Figure 9 illustrates the percentage of trucks used in 2015 and their distribution by region.

Figure 9: Trucks by Region (2015)



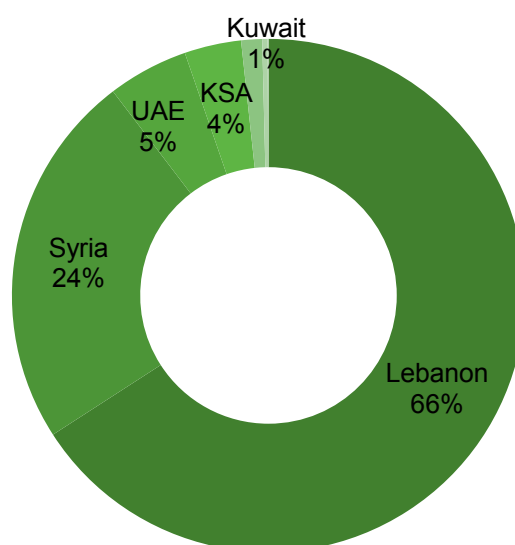
It is clear that the decline of exported quantities and the closure of the land borders have impacted negatively the land transportation sector and the number of trucks used to export. These trucks counted 4,331 during 2015, while they recorded 18,883 trucks in 2014 as such a drop of 77%. This can be explained by some exporters' adoption of maritime shipping means due to security conditions in Syria, which have led to the closure of the land borders.

Figure 10: Trucks Origins Variation between 2014 and 2015



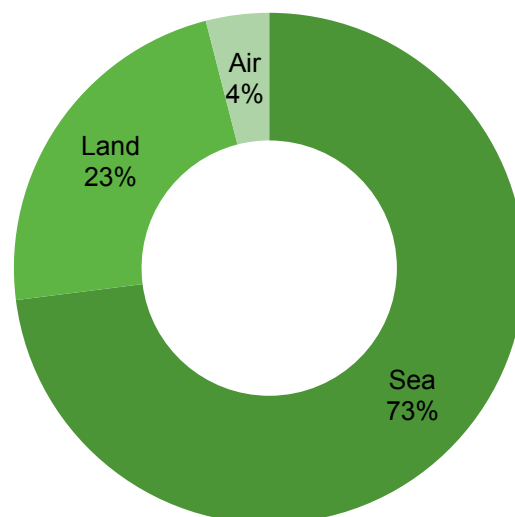
As for the number of trucks and their distribution by nationality, they were spread over five nationalities, most of which were Lebanese and Syrian.

Figure 11: Trucks Origins (2015)



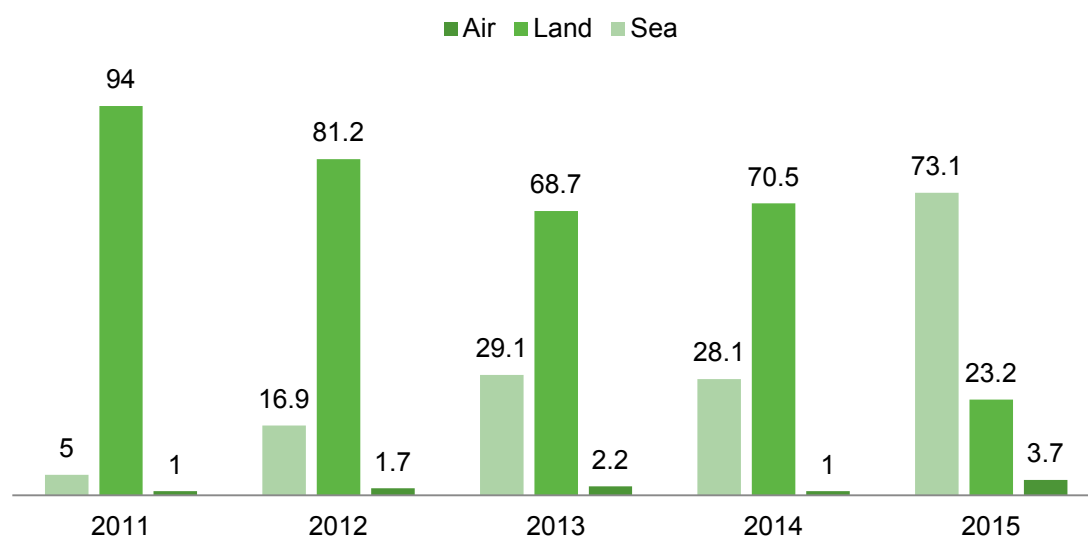
With the land borders and crossing points' closure between Syria and Jordan, the greater part of the exports were shipped by sea (73%), 23% transported by land and 4% by air.

Figure 12: Fruits and Vegetables Exports by Means of Transportation (2015)



It is worth mentioning that the use of maritime transport has increased significantly during the year 2015. The following chart displays the evolution of the transportation means for agricultural exports during the past five years.

Figure 13: Variation of the Use of Different Means of Transportation between 2011 and 2015 (%)



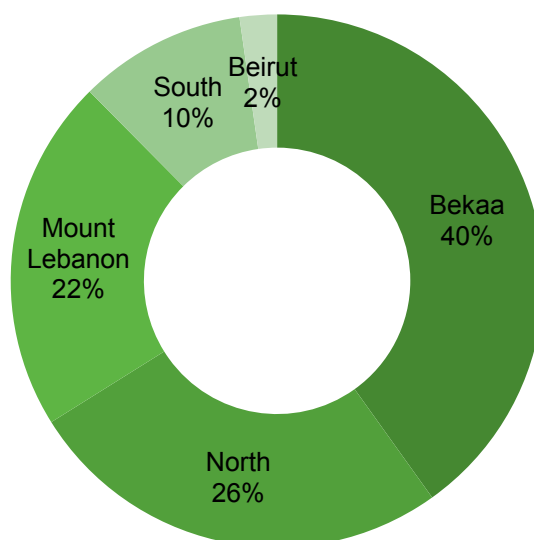
V. Agri Plus Registered Exporters

The “Agri Plus” program registered 171 exporters during 2015, 5 more than in 2014. 11 of this year’s exporters are specialized in the export of olive oil while 7 are specialized in the export of eggs and only one is specialized in the export of Lebanese honey. Table 5 and Figure 14 show the distribution of adherents to the program by province. The registered exporters from the Bekaa region were the most prominent.

Table 5: AgriPlus registered exporters for 2015

	Exporters	Packaging Centers	Certified Packaging Centers
Bekaa	88	80	15
Beirut	5	4	0
Mount Lebanon	30	38	0
North	32	46	1
South	16	20	4
Total	171	190	20

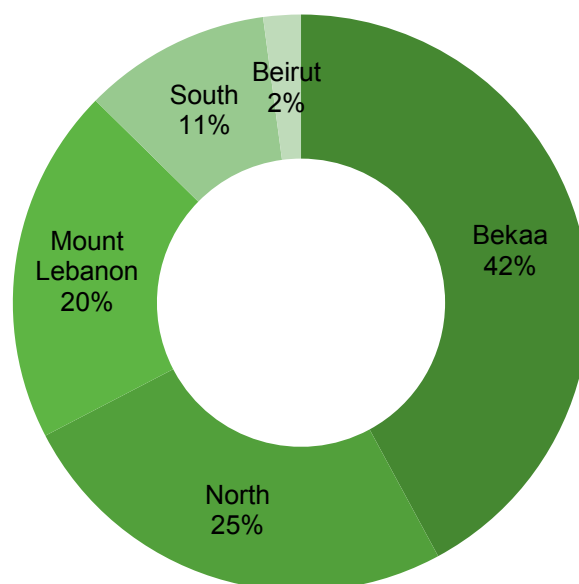
Figure 14: Distribution of the Agri Plus Registered Exporters (2015)



With its plan to encourage exporters to improve the quality of their products in terms of produces, 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.

190 packaging centers fit IDAL's criteria and conditions and were registered in the program in 2015, almost 7.3% increase compared to the 166 registered packinghouses in 2014. Figure 15 shows the distribution of packinghouses by province.

Figure 15: Distribution of the Packaging Centers (2015)

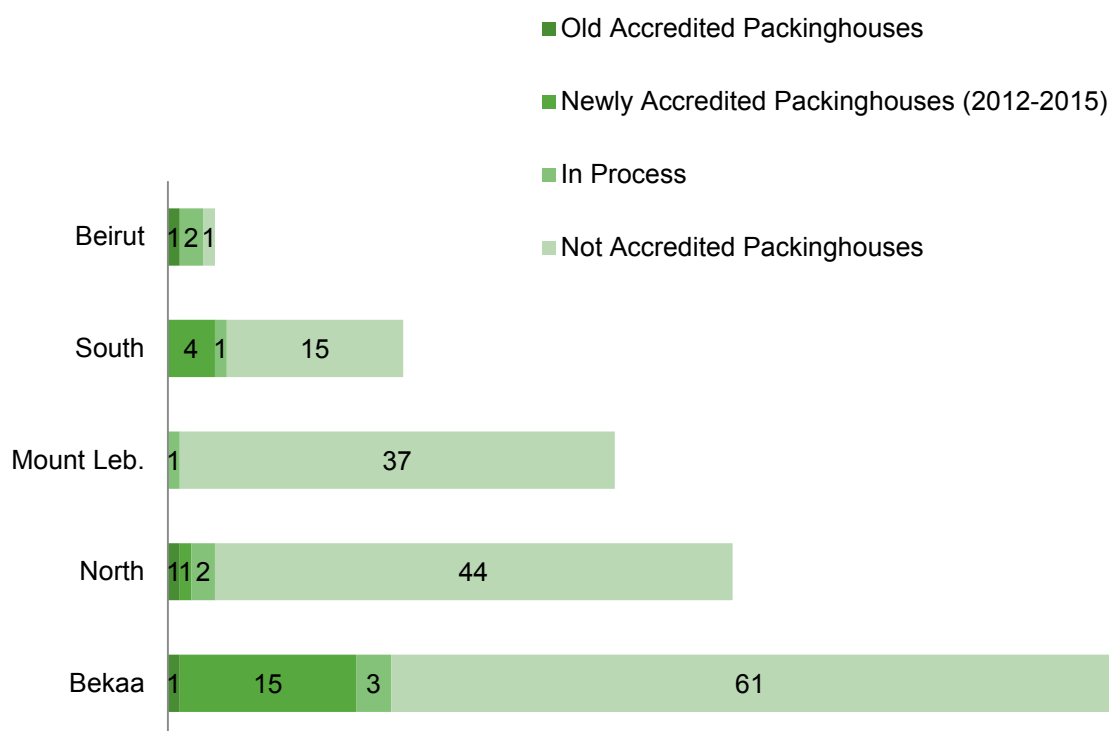


Consequently, the program demonstrated positive results four years after launching its operations, in terms of:

- Quality of Products: 16 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 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 2012-2015. Another 8 of the active packinghouses are also in the process of acquiring certificates bringing the number of accredited packinghouses to 31, which represent 16% of the total active packinghouses.

Figure 16 presents the operating Lebanese packaging centers (177 centers), their distribution and the number of certified packinghouses.

Figure 16: Distribution of the Packaging Centers Certifications (2015)



VI. Other Activities of the Program

In addition to exporting agricultural products, IDAL undertook various activities in 2015, 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.
- Developing of requirements and specifications for packing centers wishing to register to the program.
- 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.

VII. Conclusion

The sharp decline of the agricultural exported quantities through the “Agri Plus” program during the year 2015, resulting mainly from the closure of the land borders between Lebanon and Syria, in particular the closure of Nassib crossing point in April, constituted a dramatic strike to the agriculture sector. However, the reason related to the closure of the borders, which prompted the Lebanese government to take effective measures through the launch of the Maritime Lebanese Exports Bridge program (M.LEB program), shall not deter us from looking at the other reasons that contributed to the decline of exports, due in part of it to matters related to domestic production and its quality.

The evolution of the packing quality, the enhancement of the packing centers, the increasing number of farmers awarded the "Global Gap" certification and others packaging related international certifications such as HACCP & ISO certificates, are yet further indications of the confident achievements of the program in its fourth year. The farmers and exporters' reaction towards the strategy developed in the program to improve and develop the quality of production, packaging and improve packing centers may reflect an increase in the volume of exports. However, and in order to re-reach the exported quantities achieved during the past two years, an additional effort to improve the quality of production, upgrade the categories and introduce new varieties according to the demands of international markets is to be deployed, which contributes to the opening of new markets, in addition to come out with a radical solution for exporting without being affected by the closure of land borders through establishing a regular maritime line at a low cost, allowing the Lebanese exports to re-reach their previous usual levels. Many challenges are yet to be faced in the coming years, most notably the opening of new markets and farmers and exporters help to obtain quality certificates in the phases of production and packing, moving the action in this sector to a more professional level.

