IDAL

INVEST IN LEBANON

INVESTMENT DEVELOPMENT AUTHORITY OF LEBANON

Presidency of the Council of Ministers

AGRI PLUS PROGRAM

ANNUAL REPORT 2013

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INTRODUCTION

In 2013, the "Agri Plus" program replaced the Export Plus program in place since 2001, which was put in place to support the export of agriculture produces. The "Agri Plus" Program was approved by Council of Ministers decision no. 33 has and includes the following pillars **Enhancing product quality:** which includes improving the quality of existing products as well as producing new products in line with the trends in international markets, in addition to promoting sound agricultural practices through the attainment of quality certifications.

- **Improving packaging:** through encouraging the modernization of packing houses, as well as cool storage rooms, both at the technical level, as well as at managerial level, and to ensure compliance with international safety standards.
- **Promotion and marketing:** through setting a marketing strategy to promote agricultural products through a mix of promotional activities (participation in trade shows, advertising campaigns,…)

The "Agri plus" program thus aims to increase the volume of agricultural exports to traditional markets through increasing the confidence of the consumer in Lebanese agricultural produce and support in opening up new especially in promising markets such as Europe and countries with significant diaspora presence.

Program Components

The program announced on September 14, 2011 is composed of six components:

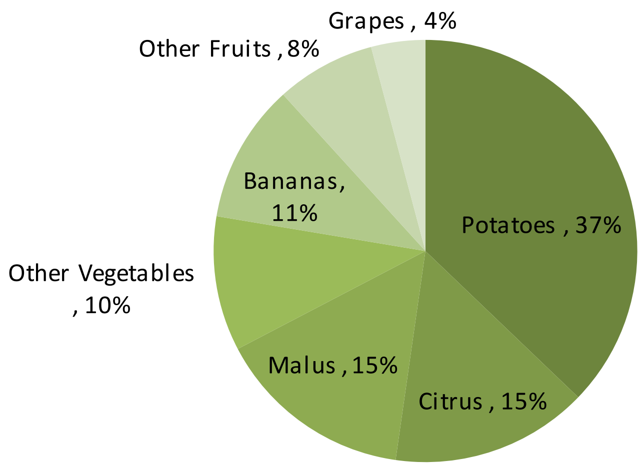
1. **Financial incentives** to the farmers and exporters and agricultural cooperative and traders who contribute to increasing the volume of exports through improving product quality and packaging standards. The value of the financial support will depend on: the type of product, its destination, its quality of packaging, its shipping modality, and its conformity with quality standards. The incentives are based on a variable scheme set by IDAL.
2. **Local and international trade fairs** through the financing of Lebanese pavilions and the necessary promotional activities during the events.
3. **Modernization** of packaging and storage houses.
4. **Training programs**, to offer quality certifications to packaging houses.
5. **Market studies** aimed at identifying potential export markets.
6. **Promotional and marketing activities.**

2013 PROGRAM ACHIEVEMENTS

The “Agri Plus” program registered positive results over the course of 2013 despite the impact of the Syrian crisis on the Lebanese economy (keeping in mind that most of Lebanon’s agricultural and industrial exports are transported through Syrian territory and only a fraction of these products being shipped by sea and by air). Export volumes reached a total of 522,538 Tons by the end of 2013, a 15% increase from 2012 levels

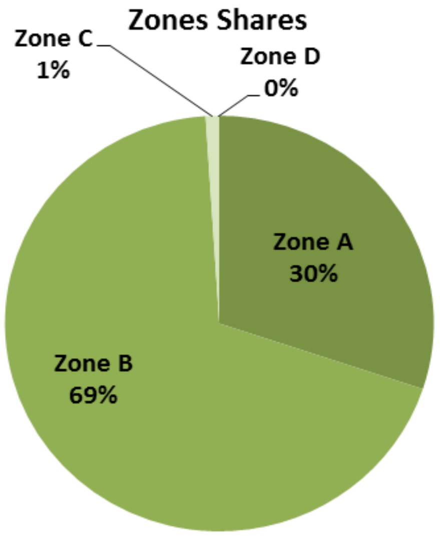
Potato accounted for the bulk of exported agricultural produces, accounting for 37% of total exports, followed by Citrus (15%) and Malus (15%). (Figure 1)

Figure 1: Exports by Product Type (Tons) (2013)



Moreover, Lebanon’s main export partners remained the Middle East - North African region, mainly zones A and B. Syria, Saudi Arabia, Kuwait, Egypt, the United Arab Emirates, and Jordan received around 99% of all agricultural exports, as shown in the graph below. (Figure 2)

Figure 2: Distribution of Agriculture Produces by Zones (%) (2013)

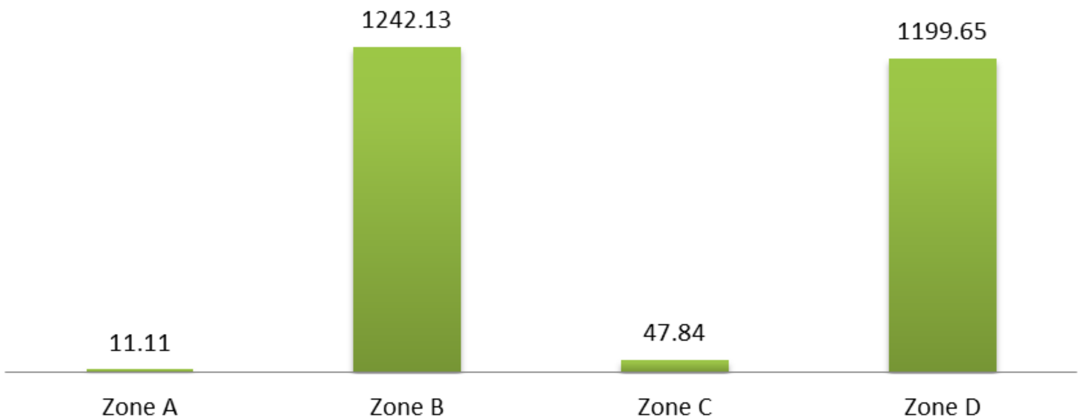


Zone A: Syria and Jordan
Zone B: Gulf Countries and African Arab countries
Zone C: Europe & Africa
Zone D: North & South America, Australia

Olive Oil Overview

Once again, Gulf countries (Zone B) were the major export partners of Lebanese olive oil, with 50% of the total exported quantity. Moreover Zones C & D, which include here the United States, Canada, & France, garnered a combined share of 50 % (C for 2 % and D for 48 %) (Figure 3). Lebanese olive oil has a very promising export market, leaving room for various business opportunities.

Figure 3: Olive Oil Exports (Tons) (2013)

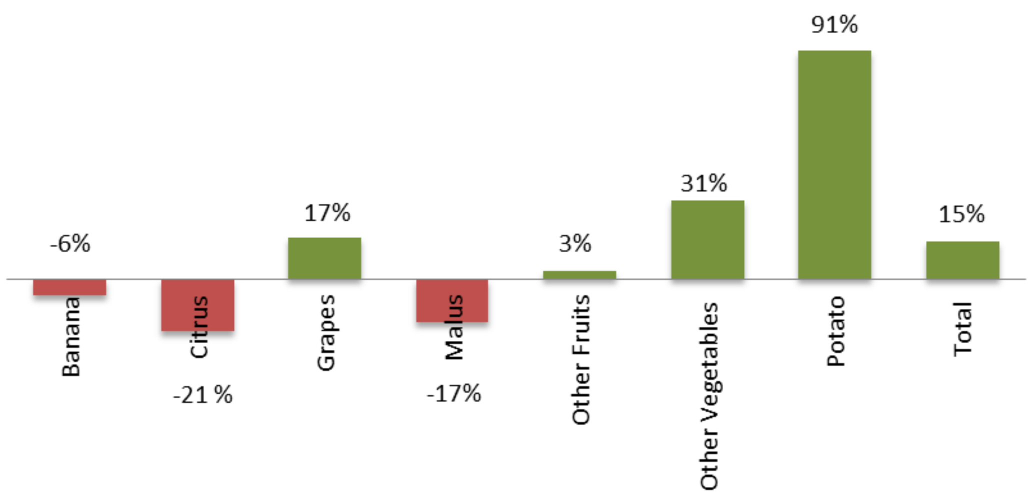


COMPARING 2013 PERFORMANCE TO 2012

1. Products Overview

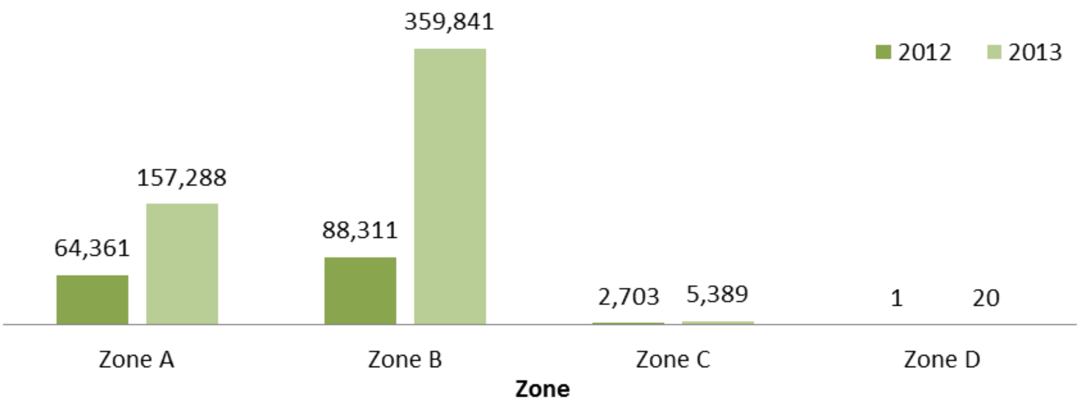
Over the 2012-2013 period, nearly all agriculture products have seen their exports rise. Particularly, Potato and other vegetables exports have seen their export volume increase by 91% and 31% respectively. The only products whose exports fell were Citrus, Malus and Banana (-21%, -17% and -6% respectively) (Figure 4).

Figure 4: Changes in Agricultural Exports by Product Type (%) (2012-2103)



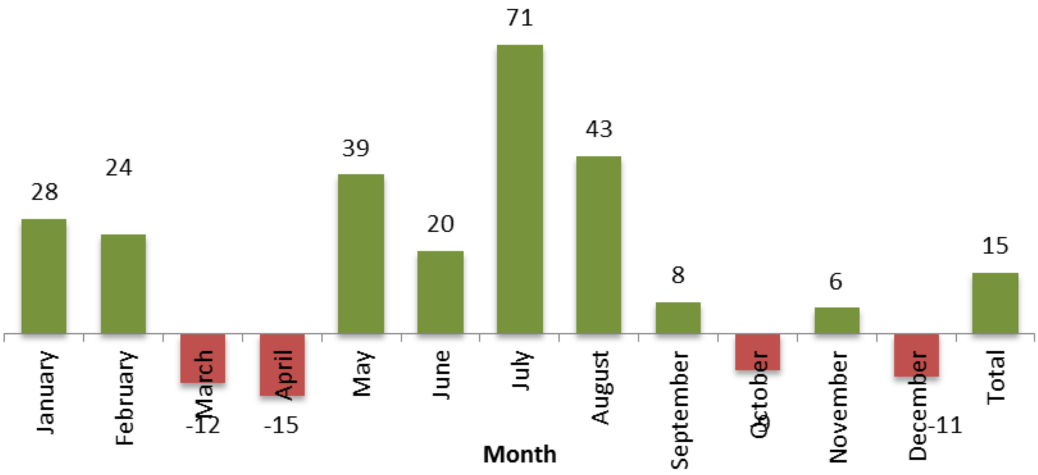
Similarly, agriculture exports have increased in all export zones with the exception of Zone C (Europe & Africa). An encouraging figure is that of Zone D (North & South America and Australia) where Lebanese agricultural products are finally starting to penetrate (Figure 5).

Figure 5: Change in Agricultural Exports by Zone (Tons) (2012-2103)



In terms of monthly changes in exports over the 2012-2013 period, the most difficult months turned out to be March, April, and December, where negative growth was observed. The remaining months have witnessed an increase in total agriculture exports, notably July with a 71% rise (Figure 6).

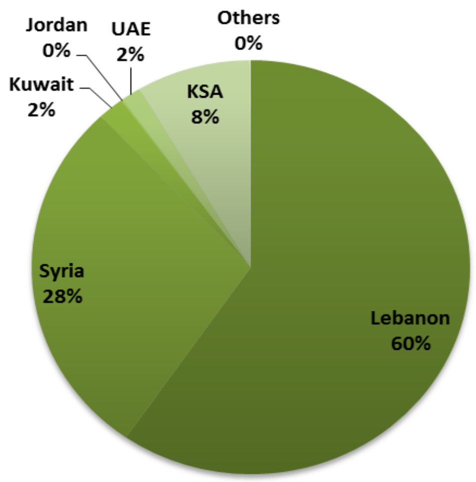
Figure 6: Monthly Export Volume Changes (%) (2012-2103)



2. Transportation

Overall, during the year 2013, 19,897 trucks were used for transporting Lebanese agricultural products to neighbouring countries. The great majority of these trucks had a Lebanese registration plate (60%), followed by Syrian trucks (28%) and KSA trucks (8 %). Figure 7 gives a more detailed perspective.

Figure 7: Distribution of Trucks by Nationality (%) (2013)

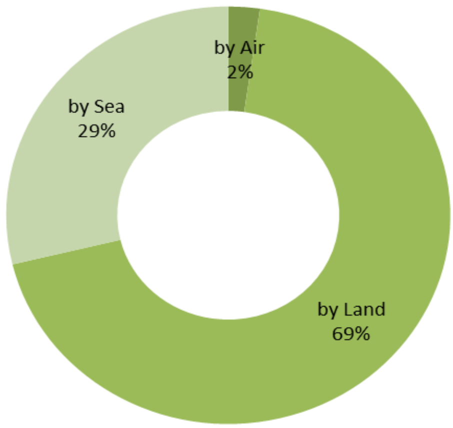


Despite the increase in the exports volume by 15%, the usage of Lebanese trucks saw its share of the total trucks used within the program drop by 3% compared with their share of 2012 (64.3%). It is worthy to note that the decision issued by the Ministry of Public Works and Transport to prevent the entry of empty trucks from some countries did not increase the usage of the Lebanese trucks. On another hand, if we compare the number of Lebanese trucks used over the period 2012-2013, it is noted that the number of trucks has increased in 2013 by only 5%, due to the increase in the amount of exports.

Country	Lebanon	Syria	Kuwait	Jordan	UAE	KSA	Others	Total
Number of Trucks	11870	5641	379	24	292	1670	21	19897

This result can be explained by the increasing usage of the maritime transportation means as a result of Syria's conflicts, which has led at times to the closure of the land borders. The biggest decline was in the use of Jordanian trucks, with -91%, while the Syrian trucks achieved the higher increase reaching 85% as a result of the inability of many other nationalities to pass through the Syrian territory for security reasons.

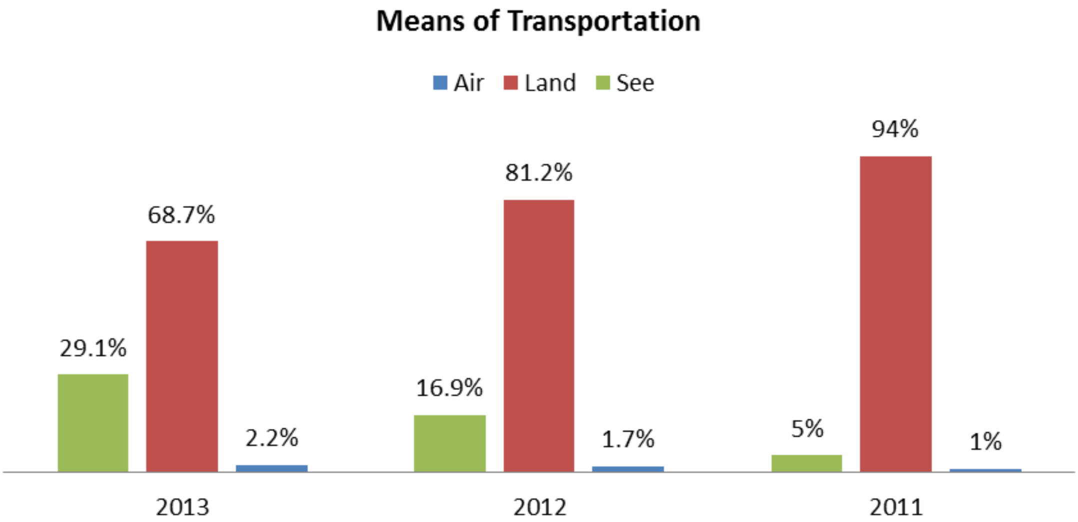
Figure 8: Distribution of Agricultural Produces by Transport Means (%) (2013)



More specifically, 64 % of olive oil exports were completed this year by sea, while 36% were exported by land. It is worthy to note here that the use of maritime tools have seen a big jump during 2013, as a result of a number of workshops organized by IDAL in order to establish a better cooperation between the two parties (exporters and shipping companies) and provide this services with a reduced cost, which helps to find alternative means to export, taking into consideration the closure of the land borders several times.

These efforts have resulted in the opening of new transmission lines and making exporters accustomed to the use of associated shipping methods and procedures. The following table illustrates the evolution of the three transportation means usage for agricultural exports in the past three years (Figure 9).

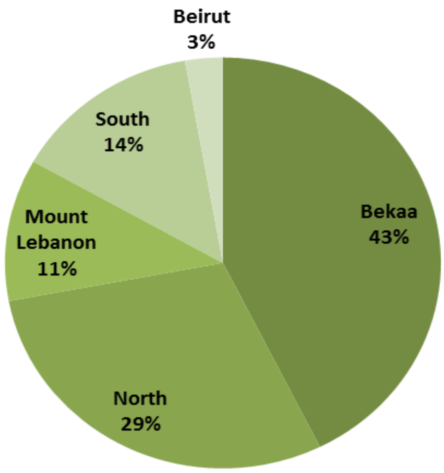
Figure 9: Evolution of Transport Means Usage in % (2011-2013)



3. Agri Plus Adherents

The number of adherents to the Agri Plus Program during the 2013 was 143. The graph below (Figure 10) shows the distribution of adherents by province. Naturally, the adherents from the Bekaa region were the most prominent.

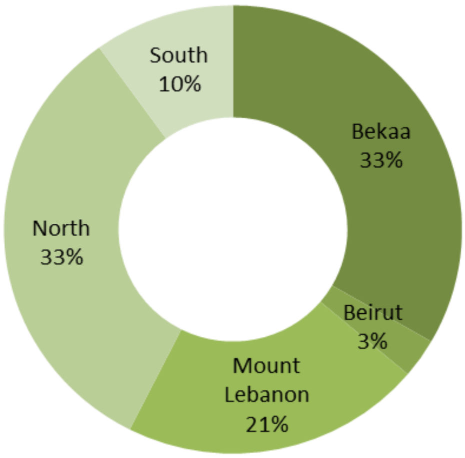
Figure 10: Distribution of "Agri Plus" Adherents by Province (%) (2013)



4. Packinghouses

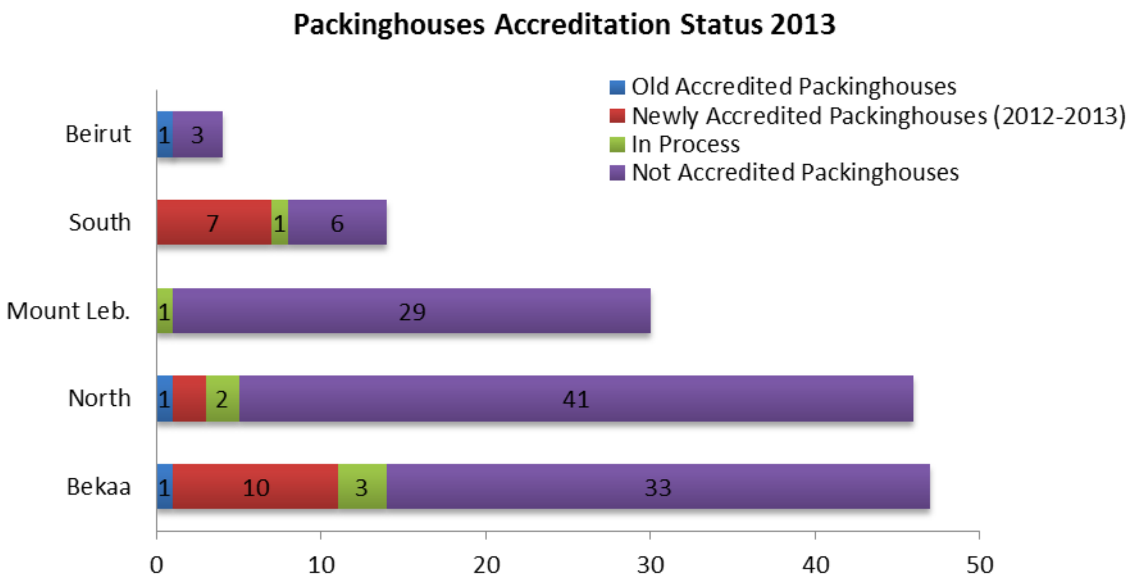
With its plan to encourage exporters to improve the quality of their products in terms of produce and packaging, IDAL granted 20% additional subsidies to any exporter who obtains a certificate of quality for his product along with a certificate for the packinghouse where the product is being packed. Both growing and packaging procedures must adhere to the highest international standards to obtain certificates from internationally approved sources. This year, 141 packinghouses fit IDAL's criteria and conditions and were registered in the program. The graph below (Figure 11) shows the distribution of packinghouses by province.

Figure 11: Distribution of Packing Houses by Province (%)(2013)



Consequently, positive results have begun to show after 2 years of operation:

- In terms of Quality of Products, **17 exporters presented certificates** for one or several lands who have obtained a GAP certificate (an internationally recognized set of farm standards dedicated to Good Agricultural Practices (GAP))
- In terms of Packinghouses, only 3 of the packinghouses had international certificates in the beginning of year 2012. But as a result of IDAL's encouragement through additional incentives, **19 additional packinghouses acquired approved certificates during 2012-2013**. Another 7 of the active packinghouses are also in the process of obtaining certificates bringing the number of accredited packinghouses to 29 which represents 21% of the total active packinghouses.



CONCLUSION

The 15% increase in total export volume achieved in year 2013 reflects the success of the Agri Plus program which was launched at the beginning of 2012 in stimulating exports of agricultural goods. In addition, the evolution of the quality of packaging and the achieved improvements of packinghouses is another indication of the positive achievements made by the program in its second year.

However, maintaining this level of exported quantities which achieved a high record this year requires an additional effort to improve the quality of production of the items with lower shares this year to return to their normal positions in the market. Many challenges persist for the program in the coming years, therefore, the most important aim is to open new markets and help farmers and exporters obtain quality certificates in both production and packaging stages.