

Analysis of Lebanon's Food Market

(2009-2013)

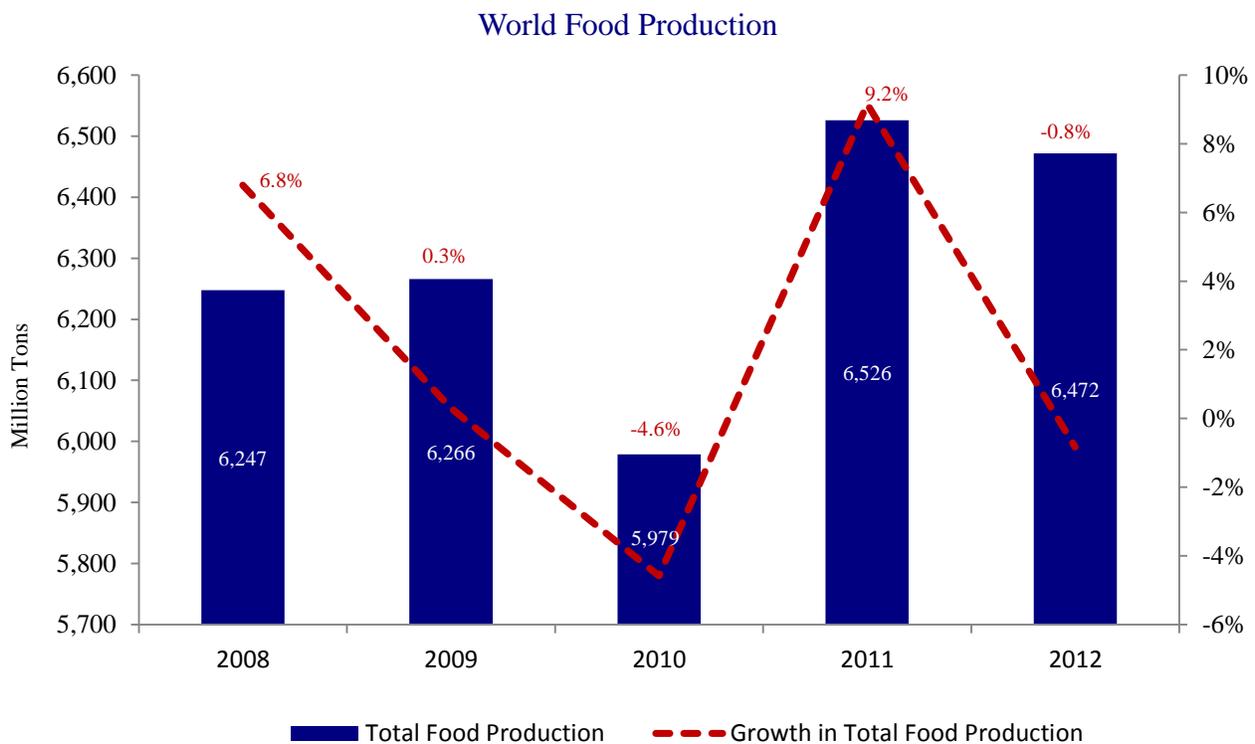
Table of Contents:

World Food Market:	2
Lebanon's Food Production:	7
Food Imports and Exports:	9
Evolution of Food Imports:	9
Value of Food Imports by Type:	11
Value of Food Imports by Country:	14
Evolution of Food Exports:	17
Value of Food Exports by Type:	18
Value of Food Exports by Country:	21
Determinants of Domestic Food Demand:	25
Appendix 1:	26
Ordinary Least Squares Estimation:	26

World Food Market:

Over the past decades, the food industry has developed from a modest agricultural and farming business into an advanced and profitable business, affected by and affecting the global economy. With the advancement in technology, the food industry's efficiency has improved, hence, driving up production and increasing profit margins. However, the increased mechanization has transformed the food industry into a capital-intensive industry, thus, reducing employment in the agricultural and farming sector due to reduced manpower needs.

Prior to the global financial crisis, the world food industry has been one of the fastest growing industries, achieving 6.8% growth in food production in 2008. However, the crisis weighed heavily on the food industry, resulting in reduced food production. In fact, by 2010, food production dropped by an unprecedented 4.6%. However, as developing markets continue to constitute a rising share of global food demand, food production recovered in 2011, reaching 6,526 million tons, thus, exceeding pre-crisis level. The mounting food production raised doubts about the sustainability of high growth rates given that further improvement in yields is unlikely due to adverse weather conditions in producing countries. This concern has been translated into a modest 0.8% drop in global food production which reached 6,472 million tons in 2012.



Source: FAO Database

Specifically, global cereal supply has tightened in 2012 as production of wheat and maize fell leading to 2% (44 million tons) contraction in cereal production. Likewise, coarse grain production has dropped in the past year, affected by devastating summer droughts in the US and reduced supply by CIS (Commonwealth Independent States) countries. Wheat production has witnessed the sharpest decline in 2012 falling by 6% to reach 659 million tons. This drop reflects the impact of severe droughts in eastern Europe, which resulted in falling production in the three largest wheat producing countries: Kazakhstan, Russia, and Ukraine.

Meanwhile, as international prices of dairy products strengthened in late 2012, supply has reacted increasing by 3% to 767 million tons during that year. Likewise, rice production has been on the rise, with India being the major contributor to the 3% growth in production, where the country's advantageous heavy rain in 2012 boosted rice supply. Sugar production saw a 6% increase in 2012, driven by beneficially high sugar price coupled with favorable weather conditions. Lastly, meat production in 2012 has continued the modest 2% increase witnessed over the past few years. This modest growth reflects high feed prices and stagnant demand.

in million tons	2008	2009	2010	2011	2012
Cereals	2,286	2,263	2,241	2,354	2,310
<i>% Change</i>		-1%	-1%	5%	-2%
Coarse Grain	1,142	1,125	1,123	1,168	1,161
<i>% Change</i>		-2%	0%	4%	-1%
Dairy Products	694	699	714	746	767
<i>% Change</i>		1%	2%	4%	3%
Wheat	685	683	652	702	659
<i>% Change</i>		0%	-5%	8%	-6%
Rice	458	456	467	469	485
<i>% Change</i>		-1%	2%	1%	3%
Oilseeds	410	455	179	469	454
<i>% Change</i>		11%	-61%	163%	-3%
Meat Products	279	284	291	298	304
<i>% Change</i>		2%	2%	2%	2%
Sugar	151	157	166	166	175
<i>% Change</i>		4%	6%	0%	6%
Fishery Products	142	145	147	156	157
<i>% Change</i>		2%	1%	6%	0%

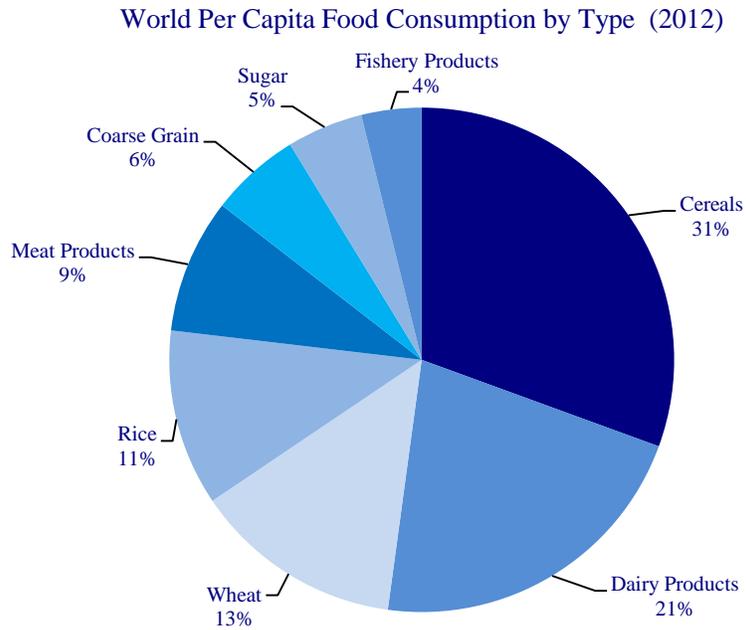
Source: FAO Food Outlook Report

In terms of production by commodity, sugar cane is the world's largest crop with production reaching 1,774 million tons produced in more than 90 countries including India, China, Thailand, Pakistan, Mexico, and Egypt. It was followed by maize, where production reached 875 million tons, mostly grown in the Americas. Rice paddy (rice before removing husk) production ranked third with 718 million tons produced during 2012, mainly in China, India and Indonesia. Even though wheat production has been on the decline, a total of 675 million tons was produced in 2012, with China's share of global wheat production at almost one-sixth. Wheat production is followed by production of potatoes (368 million tons), sugar beet (269 million tons), and cassava (257 million tons).

Commodity	2012	
	Rank	Production (million tons)
Sugar cane	1	1774
Maize	2	875
Rice paddy	3	718
Wheat	4	659
Potatoes	5	368
Sugar beet	6	269
Cassava	7	257
Soybeans	8	253
Barley	9	132
Sweet Potatoes	10	104

Source: FAO Database

Global per capita food consumption was estimated at 498.8 kilograms in 2012. Consumption of cereals constituted the highest 31% share with a volume of 152.5 kilograms per year. It is followed by per capita consumption on dairy products which reached 107.6 kilograms in 2012. Wheat comes third in per capita consumption with a share of 13%. It is followed by yearly per capita consumption of rice (56.4 kilograms), meat products (43.0 kilograms), and coarse grain (28.9 kilograms). Finally, per capita consumption of fishery products comes last with a total of 19.2 kilograms consumed per year.



Source: FAO Food Outlook Report

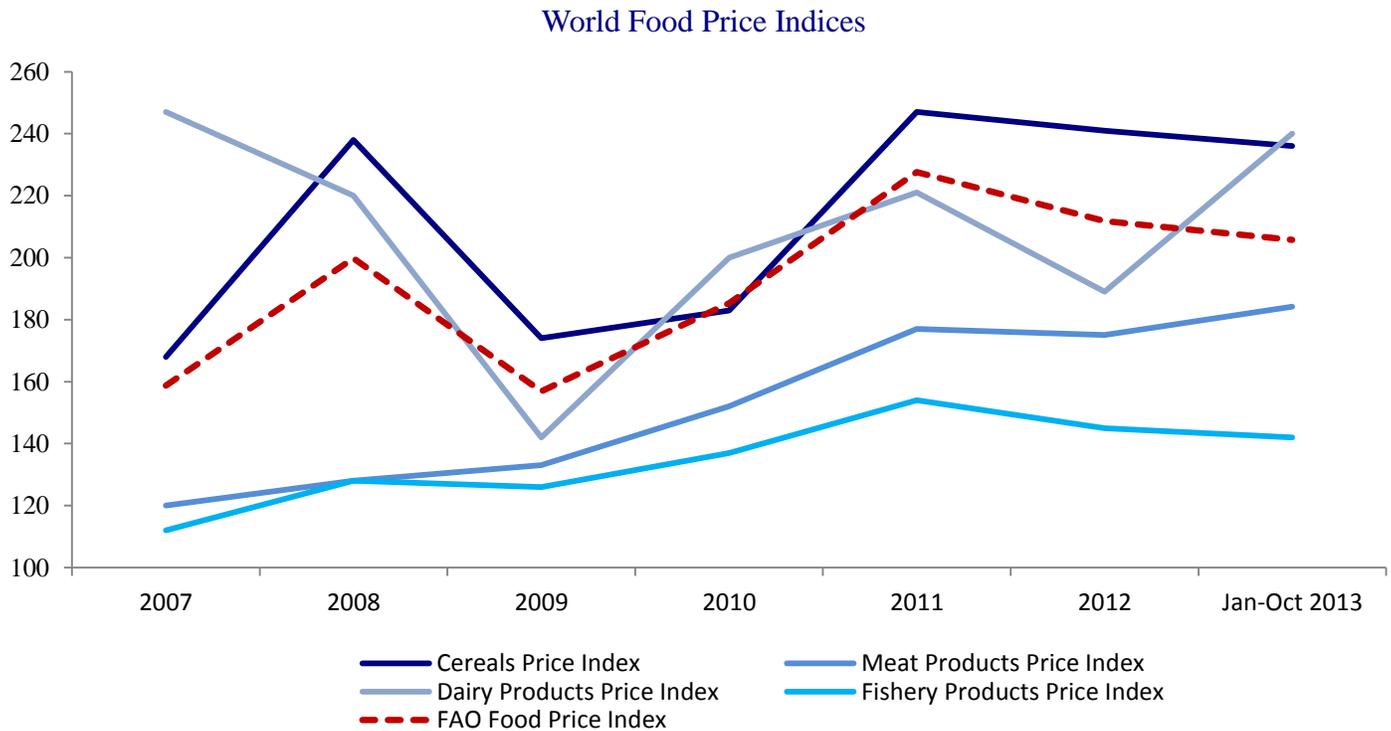
The United Nation's Food and Agriculture Organization (FAO) Food Price Index averaged 212 points in 2012, declining by 7% from 2011, hence reducing fears of a new food crisis. The drop was mainly attributed to declines in prices of dairy products (14.5%), fishery products (5.8%), cereals (3.2%), and meat products (1.1%).

Despite tightening supply of cereals, which pressured cereal prices upward, weaker demand for feed has resulted in a decline of the cereal price index, which averaged 241 points in 2012, dropping down from 247 in 2011.

Likewise, dairy products price index declined sharply from 221 points in 2011 to 189 points in 2012. The price slide of dairy products reflected a rise in export availability and the depreciation of the Euro against the US dollar. However, despite the declining trend, dairy product prices remain high compared to historical averages given the absence of significant growth in dairy products output that could reduce prices significantly.

International prices of fishery products have been under downward pressure in 2012. The price dip was a consequence of falling consumer demand in key markets. This was reflected in the fish price index, which dropped to 145 points in 2012 compared to 154 points in 2011.

Prices of meat products has witnessed a modest drop, with the meat price index falling by two points only to reach 177 points in 2012. Although prices of meat products have fell in the first half of the year, mounting feed prices and decelerating meat production have raised international meat prices in late 2012. The period January-October 2013 witnessed deceleration in the prices cereals, rice, oilseeds, and fishery products, which resulted in a 5.6% drop in FAO food price index.

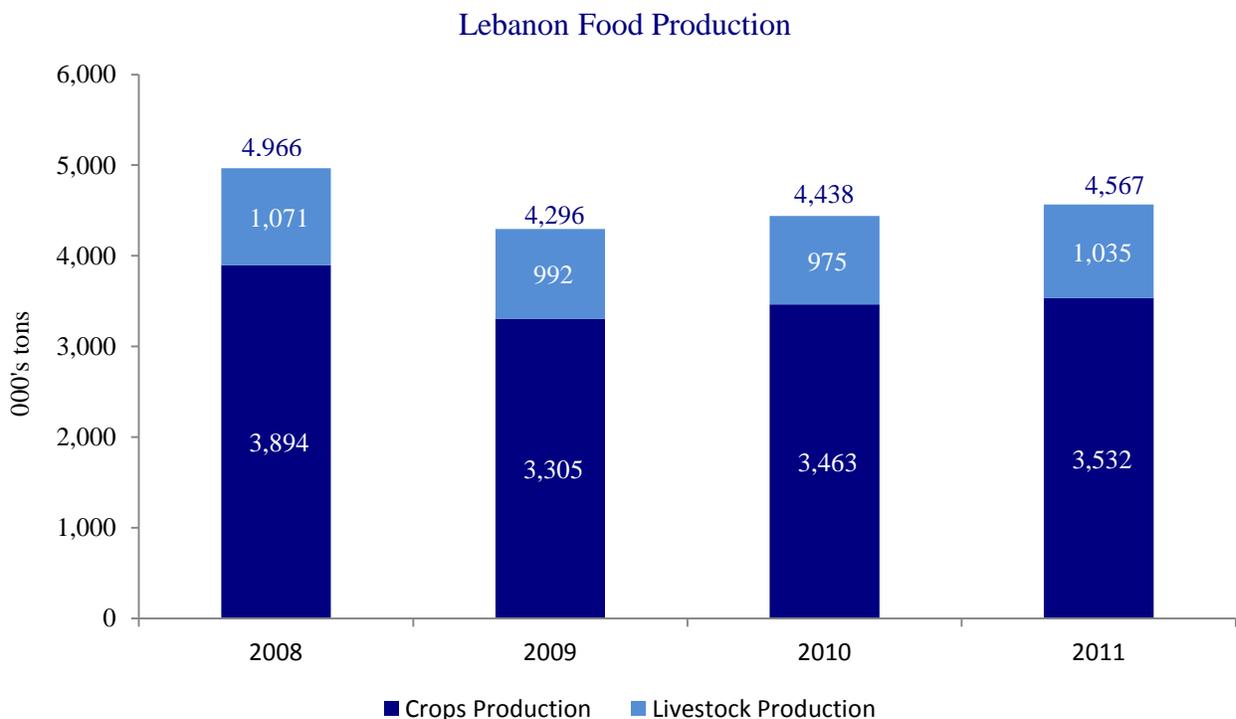


Source: FAO Food Outlook Report

Lebanon's Food Production:

Lebanon is one of the region's most productive countries in agriculture with arable land reaching 16% of total available land. According to the World Bank, Lebanon's agricultural and farming sector contributes up to 6% of GDP. The sector also employs around 15% of the active population. Due to its diverse climate conditions, Lebanon produces varying agricultural and farming products including: citruses, potatoes, olives, wheat, tomatoes, oats, tobacco, as well as sheep and goats.

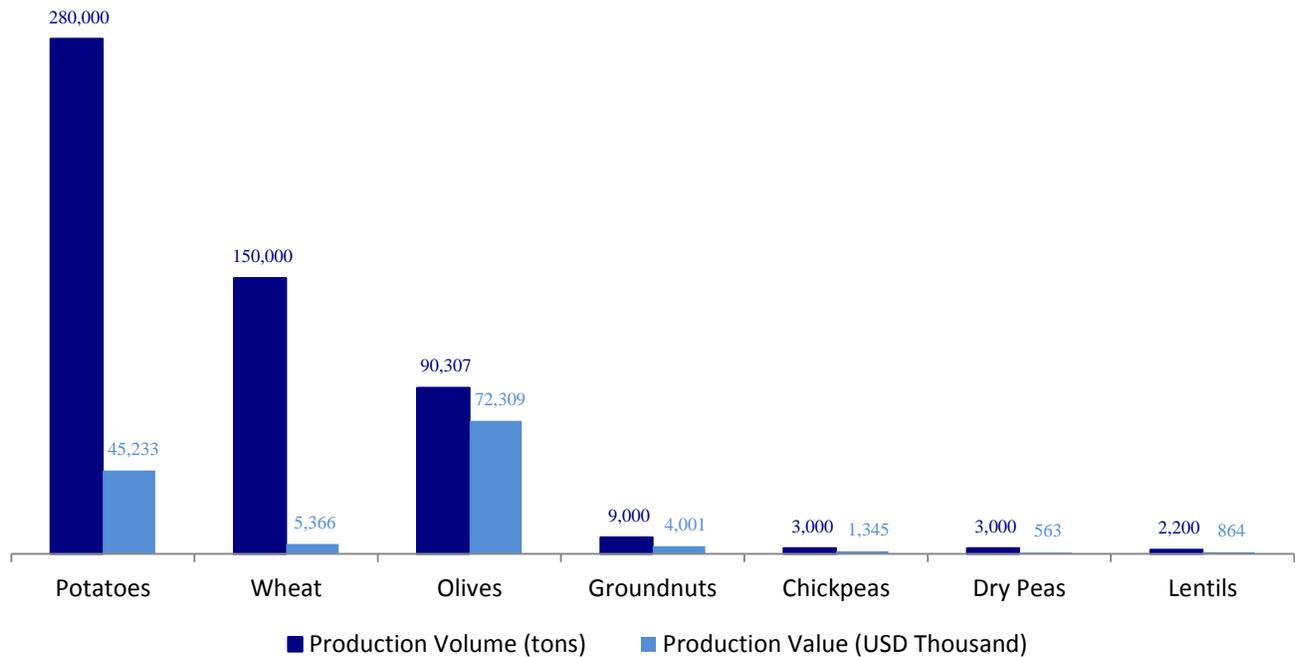
Lebanon's food production has increased over in the past three years after witnessing a sharp 13% drop in 2009. This drop is mainly attributed to a remarkable 15% decline in crops production due to falling output of olives resulting from the annual crop rotation nature of olive harvesting. However, by 2011, total food production reached 4,567,000 tons witnessing an annual 2% rise. Specifically, crops production increased by 2% to reach 3,532,000 tons in 2011. Likewise, livestock production rose by 6% reaching 1,035,000 tons in the same year. Thus, crops constituted 77% of total food production in Lebanon while livestock constituted the remaining 33% share in 2011. However, local food production in 2011 did not recover 2008 production level where high international food prices during that year rendered Lebanon's local produce more competitive, hence boosting supply.



Source: FAO Database

Lebanon produces crops in five major categories: cereals, fruits, vegetables, olives, and industrial crops (sugar beet and tobacco). Potato production topped the list of commodity production by volume in Lebanon with a total of 280,000 tons produced in 2012. It was followed by wheat production, which reached a total volume on 150,000 tons in 2012. Third came olives with a total production volume of 90,307 tons in the same year. Meanwhile, the value of olives produced was estimated to be the highest among all commodities at USD 90.3 million. It was followed by the value of potato production which recorded USD 45.2 million 2012. Third came the value of produced wheat which amounted for USD 5.36 million in the same year.

Top Commodities Produced in Lebanon (2012)

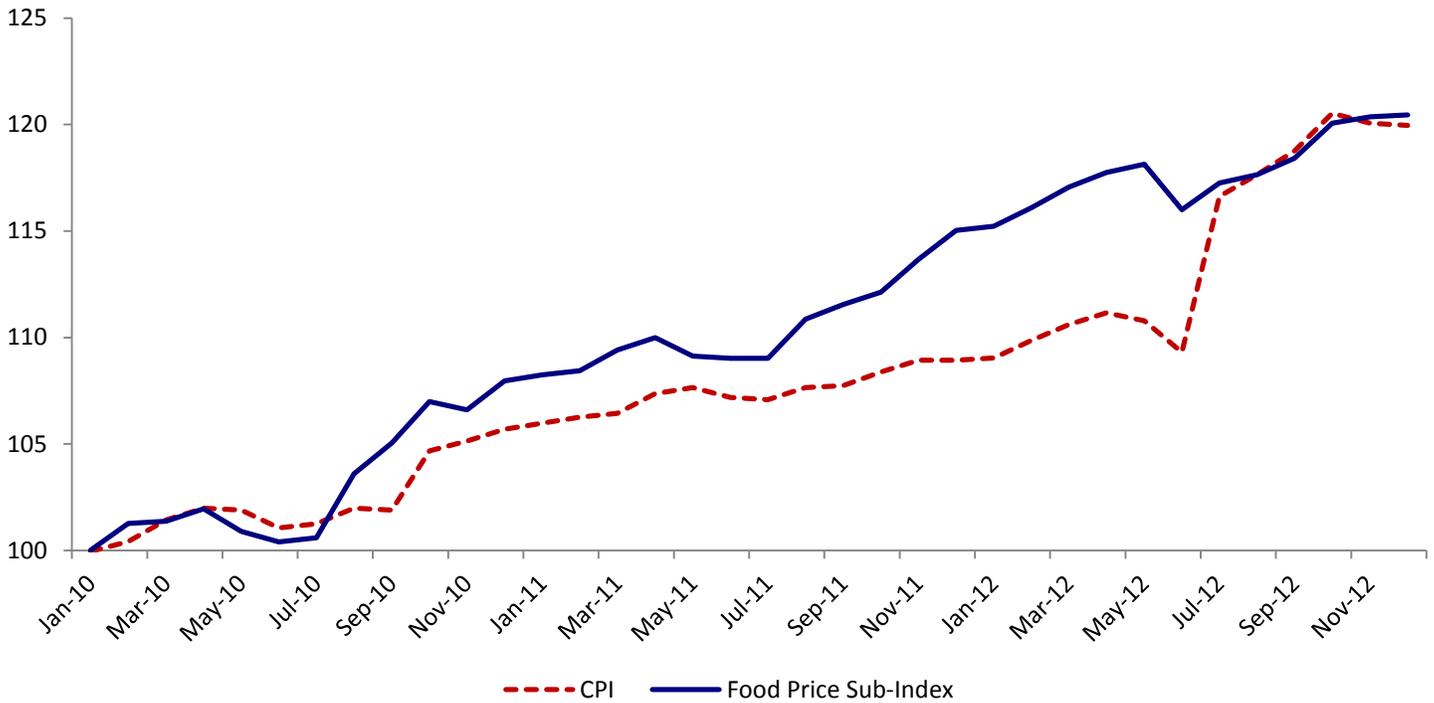


Source: FAO Database

Food constitutes a major component of Lebanon's consumer price index, with a weight of 22% in the index computation. The food price index in Lebanon has been increasing faster than the consumer price index indicating mounting food prices. In fact, food prices have increased by an average annual rate of 6% during the period 2010-2012. This comes in line with trends in international food prices which also increased by an average annual rate of 6% during the same

period. In fact, a major cause behind this increase is Lebanon's exposure to international food price fluctuations, due to the fact that the country imports most of its food demand.

Lebanon's Food Prices



Source: Central Administration of Statistics, Re-indexed with base month January 2010

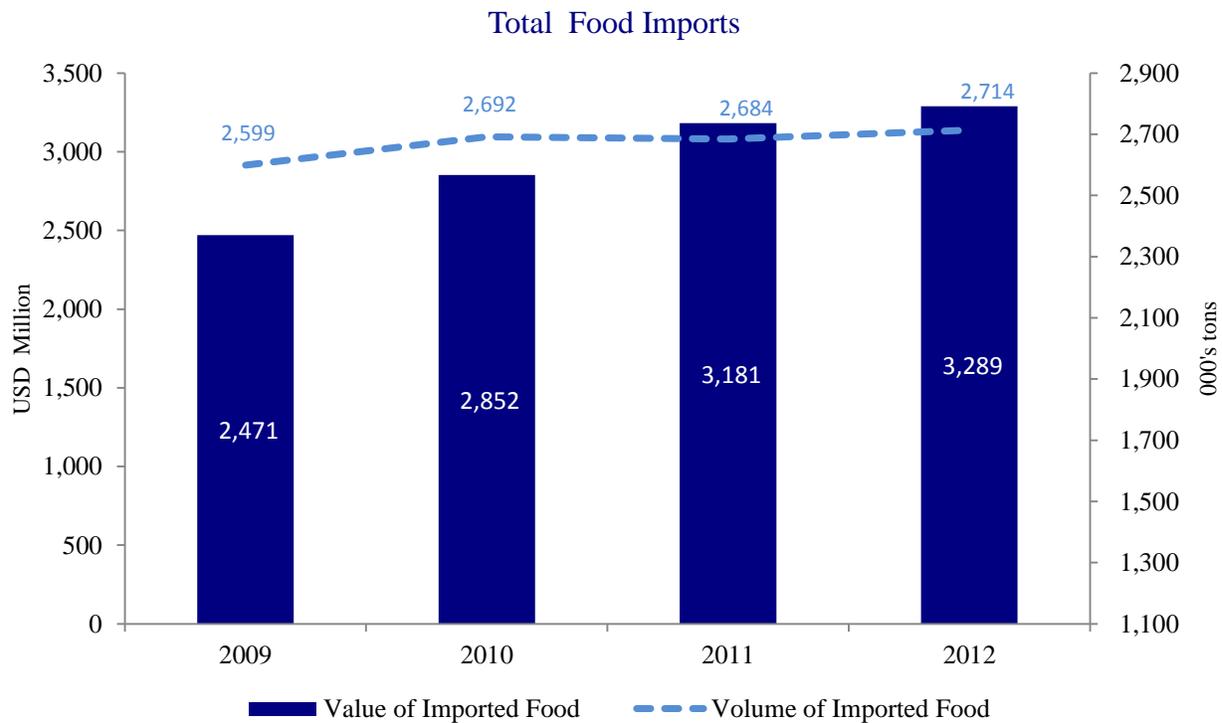
Food Imports and Exports:

Evolution of Food Imports:

The Period 2009-2012:

The dynamism witnessed in Lebanon's food production has also characterized the country's food imports. The value of food imports has increased consistently over the period 2009-2012, growing at an average annual rate of 10% to reach USD 3,289 million in 2012, hence, representing 16% of Lebanon's total imports. However, the fact that the increase in imports is mainly due to mounting food prices is explained by the fact that the volume of food

imports has increased by 1% only over the abovementioned period reaching 2,714,000 tons imported in 2012. As such, the cost per ton of food imports rose from USD 950 in 2009 to USD 1,211 in 2012, reflecting the fact that rising international food prices have been transmitted to the local economy through the rise in cost of food imports.



Source: Lebanese Customs

The Period January-August 2013:

The trend that characterized the food sector during the period 2009-2012, continued through 2013, as rising food prices during the first eight months of 2013 resulted in nominal growth in food imports exceeding the growth in food import volume. In fact, during the period January-August 2013, the volume of imported food totaled 1,860,400 tons witnessing a 3.6% rise compared with the same period last year. Similarly, the value of imported food increased by 4.7% y-o-y to USD 2,288.0 million as of end-August 2013. As a result, the cost per ton of imported food increased by 1.1%, to reach USD 1,229.9 as of August 2013.

	Jan - Aug 2012	Jan - Aug 2013	Y-o-Y Change
Volume of Imported Food (000's tons)	1,796.4	1,860.4	3.6%
Value of Imported Food (USD Million)	2,184.8	2,288.0	4.7%
Cost per Ton of Imported Food (USD)	1,216.2	1,229.9	1.1%

Source: Lebanese Customs

Value of Food Imports by Type:

The Period 2009-2012:

Lebanon's food imports is led by imported prepared foodstuffs, which have increased by an average annual rate of 15.7% over the period 2009-2010, reaching total value of USD 1,258.3 million in 2012. Specifically, imported tobacco and tobacco substitutes constituted a share of 27% of imported prepared foodstuffs. It is followed by preparations of cereals, flour, and starch with a share of 17%, as well as sugars and confectionery sugar with a 12.9% share of total imported foodstuffs.

Likewise, imported fruit and vegetable products have been on the rise during the period 2009-2012, increasing by an average annual rate of 11.7% to reach USD 867.6 million in 2012. Cereals constituted the highest 40% share of these imports with a value of USD 350.9 million imported in 2012. Second came edible vegetables and eatable fruits and nuts with a 15% share each. Furthermore, imported coffee and tea reached a total value of USD 110.1 million.

Imported animal products reached a total of USD 824.3 million in 2012, indicating a 5% year-on-year decrease. This drop may be attributed to improved local livestock production during the past two years, hence, reducing the need for imported animal products. Imported dairy products and eggs lead animal products imports with a 36% share. It is followed by imports of live animals and meat imports with 35% share and 19% share, respectively.

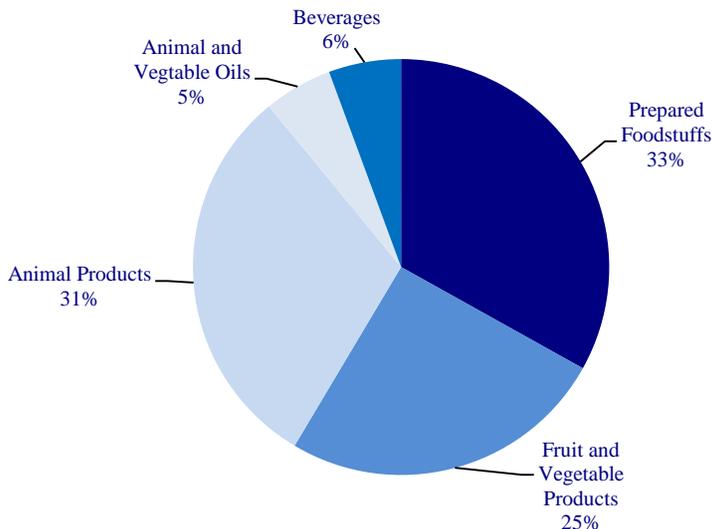
Lebanon's imports of beverages have steadily increased over the period 2009-2011, but sharply declined by 22% in 2012, totaling USD 144.4 million. This significant drop is a result of a decrease in the country's mineral water import by almost half. Imports of alcoholic beverages led total beverage imports with a 46% share. It was followed by mineral water, which despite the severe drop, has constituted a 34% share of imported beverages.

USD Million	2009	2010	2011	2012
Prepared Foodstuffs	817.8	971.7	1,106.2	1,258.3
% Change		19%	14%	14%
Fruit and Vegetable Products	628.9	715.6	849.6	867.6
% Change		14%	19%	2%
Animal Products	753.8	866.1	867.1	824.3
% Change		15%	0%	-5%
Animal and Vegetable Oils	131.6	128.3	173.5	194.6
% Change		-2%	35%	12%
Beverages	138.9	170.1	184.9	144.4
% Change		22%	9%	-22%

Source: Lebanese Customs

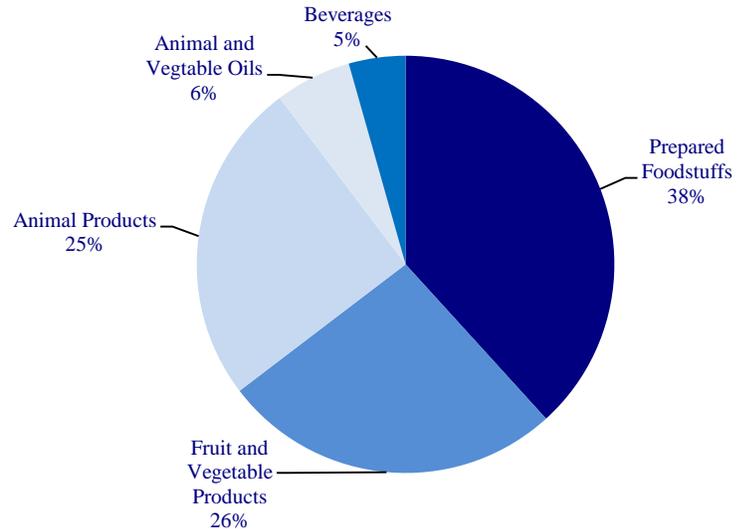
Hence, as a share of total value of imported food, the value of imported prepared foodstuffs increased from a share of 33% in 2009 to reach 38% in 2012. This comes as a consequence of the increased demand for prepared foodstuffs, which is unmet locally due to limited industrial food production. On the other hand, as Lebanon's local livestock production increased, the share of imported animal products out of total food imports fell during the period 2009-2012 to reach 25% in 2012. Meanwhile, imported fruit and vegetable products maintained an almost stable 26% share of total food imports.

Value of Food Imports by Type (2009)



Source: Lebanese Customs

Value of Food Imports by Type (2012)



Source: Lebanese Customs

The Period January-August 2013:

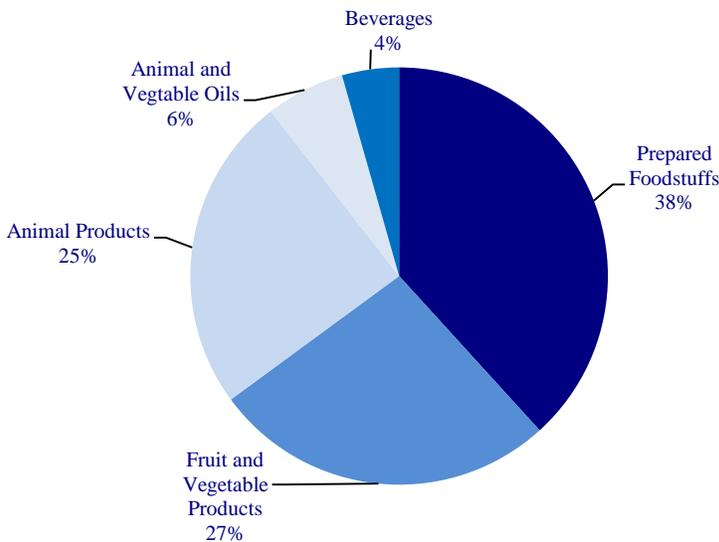
After having declined in 2012, imports of animal products recovered in the first 8 months of 2013 increasing by 11.5% year-on-year to reach USD 598.4 million. This rise is a consequence of increase in imported dairy products, fish products, and live animals which offset the drop in meat imports. Similarly, imported fruit and vegetable products increased by 8.6% in the first 8 months of 2012 as imports of edible vegetables and starches rose. On the other hand, imports of beverages continued with the declining trend witnessed since the previous year also due to falling imported mineral water, along with a slight drop in imports of alcoholic beverages.

USD Million	Jan - Aug 2012	Jan - Aug 2013	Y-o-Y Change
Prepared Foodstuffs	835.6	843.7	1.0%
Fruit and Vegetable Product:	582.6	632.5	8.6%
Animal Products	536.5	598.4	11.5%
Animal and Vegetable Oils	133.7	134.8	0.9%
Beverages	96.4	78.6	-18.5%

Source: Lebanese Customs

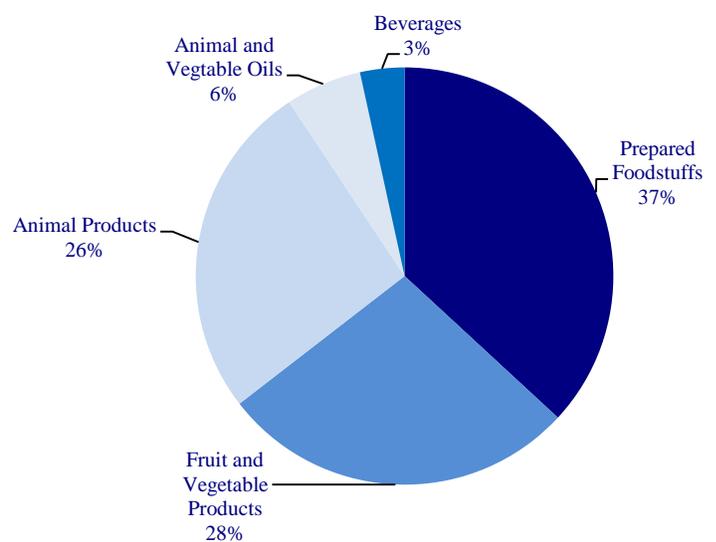
Hence, as a share of total imported food, the value of imported animal products increased by one percentage point to reach 26% in January-August 2013. On the other hand, the value of imported beverages out of total food imports dropped during the first eight months of 2013 to reach 3%.

Value of Food Imports by Type (January - August 2012)



Source: Lebanese Customs

Value of Food Imports by Type (January - August 2013)



Source: Lebanese Customs

Value of Food Imports by Country:

The Period 2009-2012:

Brazil has long been the main country of origin for Lebanon's food imports. In 2012, food imports from Brazil totaled USD 280.7 million. Specifically, live bovine animals and bovine meat constituted a 25% share each of total food imports from Brazil. They were followed by imports of Brazilian coffee, which accounted for 24% of food imports.

Increasingly, Ukraine has become a major source of Lebanon's carbohydrate-rich food imports. Over the period 2009-2012, Lebanon's food imports from Ukraine have increased by an average annual rate of 47% to reach USD 196.0 million in 2012. Maize contributes to a 36% share of total food imports from Ukraine followed by sunflower seeds and wheat with respective shares of 29% and 27%.

Turkey became a major trading partner with Lebanon in various sectors, and the food sector is no exception. In fact, Lebanon's food imports from Turkey have increased by 46% in 2012, reaching USD 185.1 million. These imports are diversified with cigars constituting the highest 26% share, followed by sunflower seeds, bread and pastries with shares of 12% and 11%, respectively.

Germany and France are approximately equal in terms of their food exports to Lebanon with the value reaching USD 180.6 million and USD 176.1 million, respectively. However, the commodities exported by each of these countries differ. While Germany mainly exports cigars to Lebanon (53% share), France exports food preparations of flour (14% share) and live bovine animals (10% share).

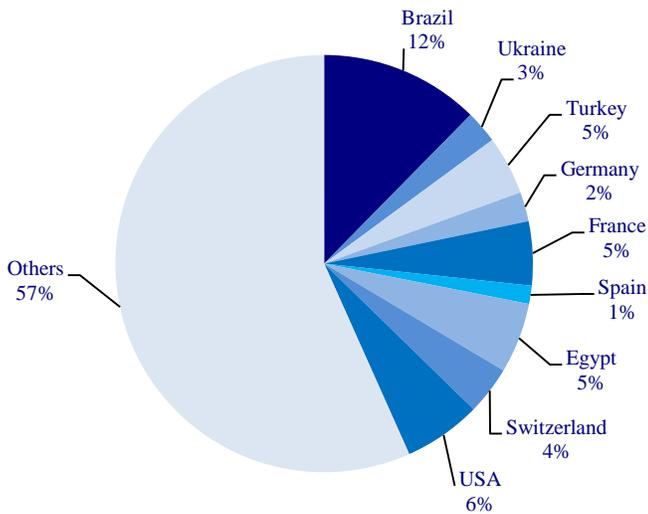
Food exports of each of Egypt and Switzerland to Lebanon have declined in 2012. This is due to the fact that Lebanon has found substitutes for Egyptian potatoes in Netherlands and Saudi Arabia. Moreover, Lebanese cigar importers have shifted their demand for cigars from Switzerland (where cigar constitutes 88% of Lebanon's food imports) to Germany and Turkey.

USD Million	2009	2010	2011	2012
Brazil	305.5	239.0	282.0	280.7
% Change		-22%	18%	0%
Ukraine	62.6	86.7	110.9	196.0
% Change		38%	28%	77%
Turkey	112.5	110.1	126.9	185.1
% Change		-2%	15%	46%
Germany	56.4	81.4	104.7	180.6
% Change		44%	29%	72%
France	122.5	216.8	232.6	176.1
% Change		77%	7%	-24%
Spain	34.7	80.0	101.5	165.4
% Change		131%	27%	63%
Egypt	134.9	122.2	157.2	143.2
% Change		-9%	29%	-9%
Switzerland	92.6	117.1	175.8	133.9
% Change		27%	50%	-24%
USA	148.6	161.6	168.7	123.3
% Change		9%	4%	-27%
Others	1,400.5	1,636.8	1,721.0	1,705.0
% Change		17%	5%	-1%

Source: Lebanese Customs

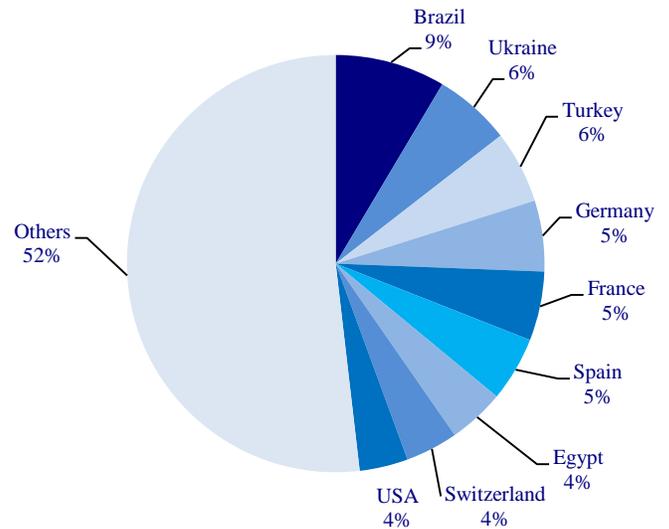
Over the period 2009-2012, the value of imported food from Brazil as a share of total food imports dropped from 12% in 2009 to 9% in 2012, but Brazil has maintained its position as the major exporter of food to Lebanon. Concurrently, the share of Ukraine out of total food imports rose by three percentage points to reach 6% in 2012. Similarly, Germany's share of the total value of food imports rose from 2% in 2009 to 5% in 2012. On the other hand, the share of Egypt and USA out of total food imports to Lebanon decreased to reach 5% and 4%, respectively.

Value of Food Imports by Country (2009)



Source: Lebanese Customs

Value of Food Imports by Country (2012)



Source: Lebanese Customs

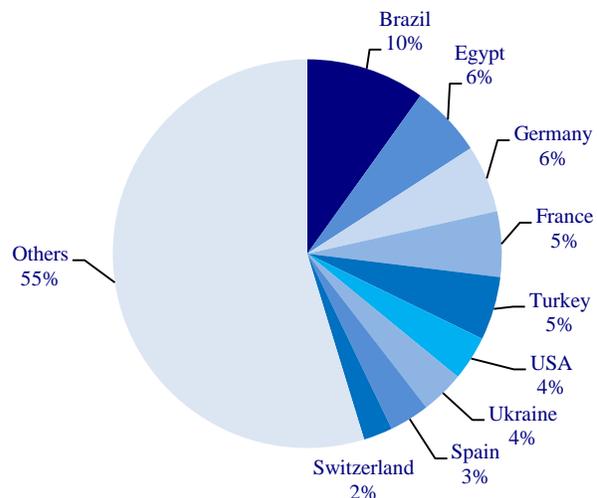
The Period January-August 2013:

In terms of value of imported food by country, food imported from Brazil recorded the highest value, totaling USD 226.2 million and constituting a 10% share of total imported food during the first eight months of 2013. The value of food imported from Egypt recovered from the drop in 2012 and came second, with a total value of USD 136.9 million equivalent to 6% of total value of food imports. Germany surpassed Turkey to become the third major food exporter to Lebanon with the value totaling USD 128.5 million in January-August 2013, hence, constituting a share of 6% out of total food imports.

Value of Food Imports by Country (January - August 2013)

USD Million	Jan-Aug 2013
Brazil	226.2
Egypt	136.9
Germany	128.5
France	124.6
Turkey	120.9
USA	84.8
Ukraine	82.3
Spain	76.4
Switzerland	55.3
Others	1,252

Source: Lebanese Customs

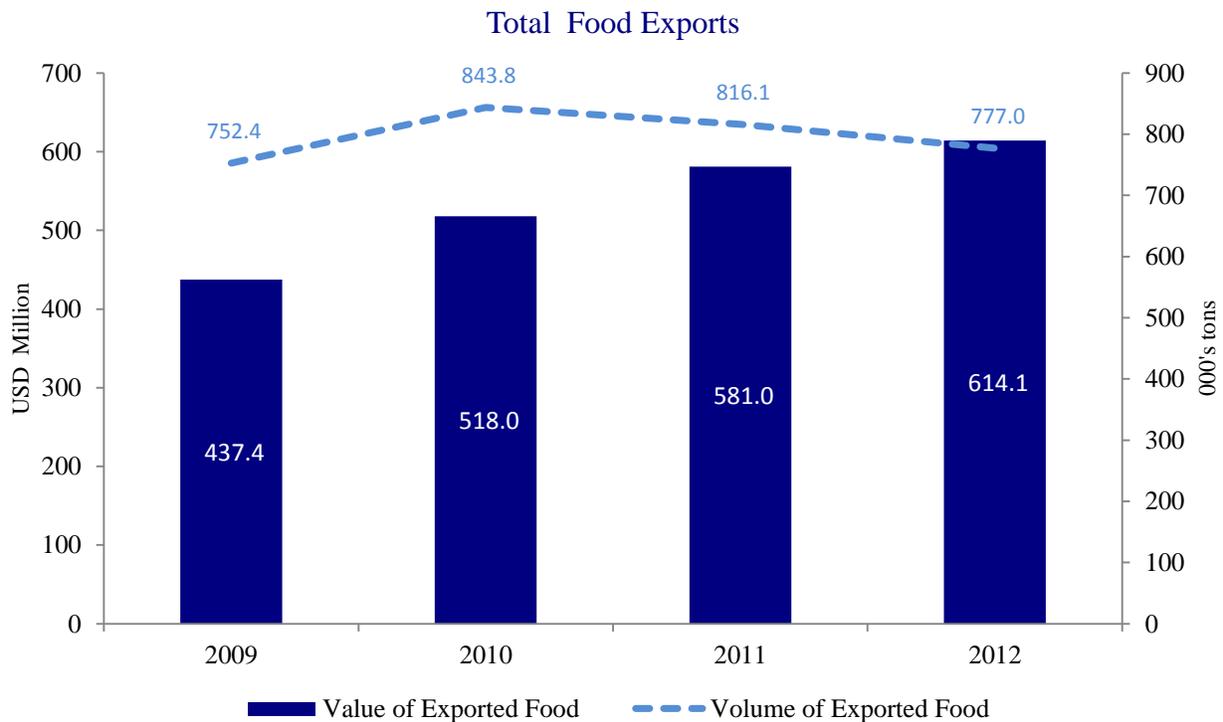


Source: Lebanese Customs

Evolution of Food Exports:

The Period 2009-2012:

Lebanon's value of food exports have followed an increasing trend over the period 2009-2012, growing at an average annual rate of 12% to reach USD 614.1 million in 2012, hence, representing 14% of Lebanon's total exports. However, the volume of food exports has witnessed 3.2% and 4.7% declines in 2012 and 2011, respectively. As such, the cost per ton of food exports rose from USD 581 in 2009 to USD 790 in 2012, reflecting that the country's food exports have followed the rising trend in international food. It is important to note that Lebanon's food trade deficit has been on the rise in the past few years, as the country's food import growth exceeded growth in food exports despite the efforts to enhance food export strategies.



Source: Lebanese Customs

The Period January-August 2013:

During the first eight months of 2013 growth in volume of food exports has exceeded the nominal growth. In fact, during the period January-August 2013, the volume of exported food

totalled 627,900 tons, witnessing a 24.8% rise from the same period last year. Similarly, the value of exported food increased by 21% y-o-y to USD 466.2 million as of end-August 2013. As a result, the cost per ton of exported food dropped by 3.0% to reach USD 742.5 as of August 2013.

	Jan - Aug 2012	Jan - Aug 2013	Y-o-Y Change
Volume of Exported Food (000's tons)	503.0	627.9	24.8%
Value of Exported Food (USD Million)	385.2	466.2	21.0%
Cost per Ton of Exported Food (USD)	765.8	742.5	-3.0%

Source: Lebanese Customs

Value of Food Exports by Type:

The Period 2009-2012:

Lebanon mainly exports prepared foodstuffs, which have increased by an average annual rate of 10.3% over the period 2009-2012, reaching total value of USD 312.2 million in 2012. Specifically, exported preparations of fruits and vegetables constituted a share of 35% of exported prepared foodstuffs. It is followed by preparations of cereals, flour, and starch as well as cocoa preparations with a 13% share of total imported foodstuffs each. This reflects a growing food processing industry in Lebanon.

Exported fruit and vegetable products reached USD 171.1 million in 2012 increasing by an average annual rate of 13%. Edible fruits and nuts constituted the bulk of these exports with a value of USD 39.8 million exported in 2012. Particularly, Lebanon exports apples and pears, which attribute to 26% of exported edible fruits and nuts, citrus fruits (23% share), and bananas (21% share). Second comes edible vegetables with a 23% share of total exported fruit and vegetable products. Potatoes contribute to the largest 39% share of edible vegetables exports, followed by exports of lettuce and chicory (28% share).

Even though growth in Lebanon's exports of beverages has slowed down in 2012, the country's beverage industry has advanced during the years 2009-2011, growing by an average annual rate of 25%. This comes as a direct result of the country's growing wine industry, which

is increasingly entering foreign markets through exports. Exports of mineral water led total beverage exports with a 58% share. It was followed by wine exports, which constituted an 18% share of imported beverages.

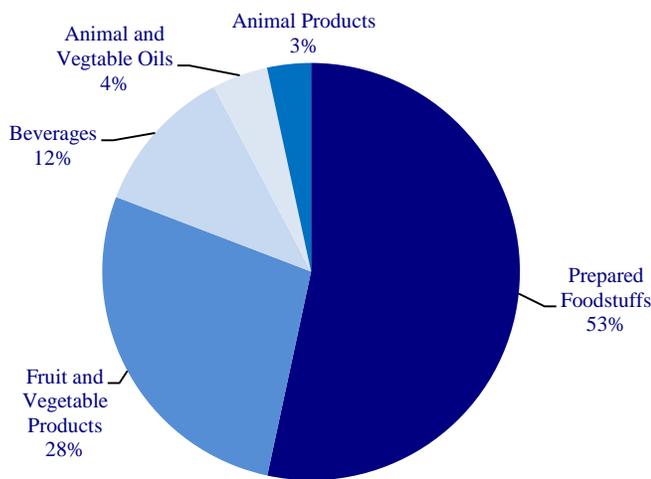
Exported animal and vegetable oils totaled USD 30.8 million in 2012, rising by a significant 44% year-on-year. This rise is attributed to increased olive oil production during that year, where improved olive production reversed deterioration in olive crop witnessed in 2011. In fact, exported olive oil lead exported animal and vegetable oils with a 49% share. It is followed by exports of sunflower seeds oil with 37% share.

USD Million	2009	2010	2011	2012
Prepared Foodstuffs	233.4	263.1	302.0	312.2
% Change		13%	15%	3%
Fruit and Vegetable Products	120.1	154.1	160.6	171.2
% Change		28%	4%	7%
Beverages	50.2	61.1	77.8	80.0
% Change		22%	27%	3%
Animal and Vegetable Oils	18.9	22.7	21.5	30.8
% Change		20%	-6%	44%
Animal Products	14.8	17.0	19.1	19.8
% Change		14%	13%	4%

Source: Lebanese Customs

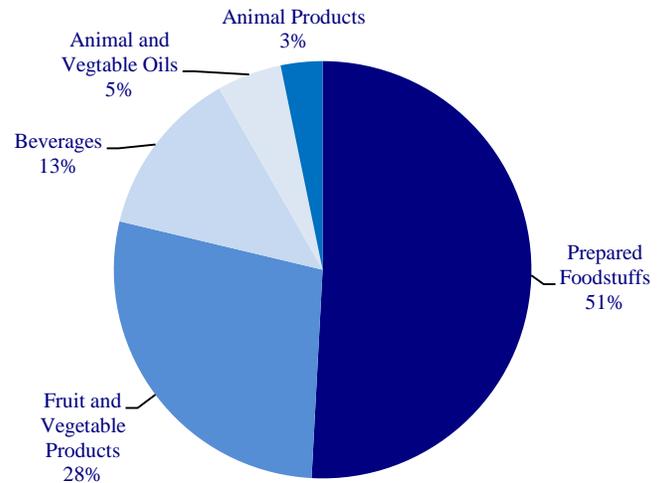
Hence, as a share of total value of exported food, the value of exported prepared foodstuffs dropped from a share of 53% in 2009 to reach 51% in 2012. On the other hand, as Lebanon's beverages production expanded, the value of exported beverages out of total food exports rose during the period 2009-2012 to reach 13% in 2012. Likewise, exported animal and vegetable oils rose to a 5% share of total food exports.

Value of Food Exports by Type (2009)



Source: Lebanese Customs

Value of Food Exports by Type (2012)



Source: Lebanese Customs

The Period January-August 2013:

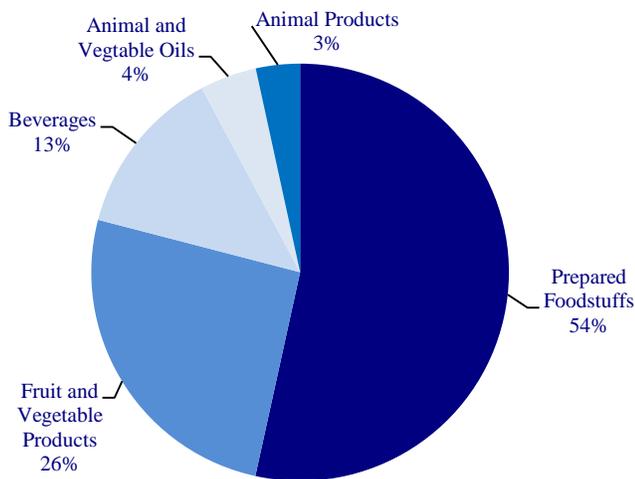
The various categories of food exports have expanded in the first eight months of 2013. Specifically, the value of exported fruit and vegetable products increased by a significant 43% year-on-year to reach USD 141.1 million by August 2013. This rise is a consequence of a remarkable 186% increase in Lebanon's export of potatoes. Likewise, exports of animal and vegetable oils continued to increase in the first eight months of 2013, recording USD 23.7 million in January-August 2013. This increase reflects rising olive oil exports, which increased by 34% year-on-year in the aforementioned period. Similarly, exported beverages increased by 21.8% in the first eight months of 2013; this is mainly due to the rising export of alcoholic beverages which offset decline in wine and mineral water exports.

USD Million	Jan - Aug 2012	Jan - Aug 2013	Y-o-Y Change
Prepared Foodstuffs	205.8	224.0	8.8%
Fruit and Vegetable Product:	98.6	141.1	43.0%
Beverages	50.6	61.7	21.8%
Animal and Vegetable Oils	16.9	23.7	40.0%
Animal Products	13.1	15.7	19.4%

Source: Lebanese Customs

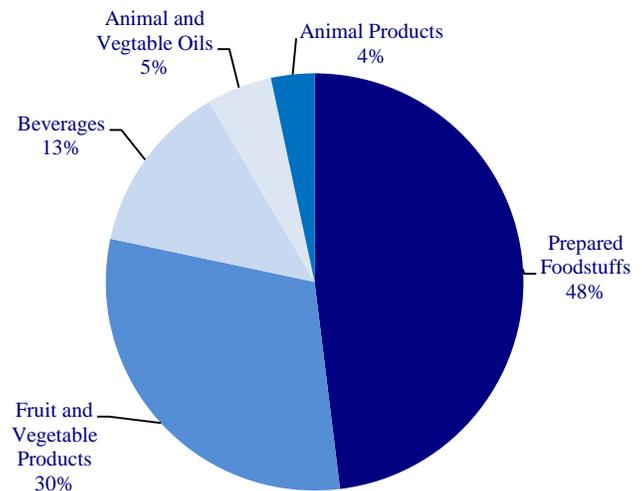
Hence, as a share of total exported food, the value of exported fruit and vegetable products increased by four percentage point to reach 30% in January-August 2013. On the other hand, the value of exported prepared food-stuff out of total food exports dropped during the first eight months of 2013 to reach 48% even though these exports increased in nominal value.

Value of Food Exports by Type (January - August 2012)



Source: Lebanese Customs

Value of Food Exports by Type (January - August 2013)



Source: Lebanese Customs

Value of Food Exports by Country:

The Period 2009-2012:

Saudi Arabia is a main country of destination for Lebanon's food exports. In 2012, food exports to Saudi Arabia totaled USD 93.8 million, registering a 14% increase compared to the previous year. Specifically, citrus fruits constituted 7% share total food exports to Saudi Arabia. They were followed by exports of pasta which accounted for 5% of the total.

Although food exports to Syria have dropped by 3% in 2012 to reach USD 93.6 million, Syria is still a major destination for Lebanon's food exports. Sunflower seed oil contributes to an 11% share of total food exports to Syria followed by chocolate and preserved vegetables with respective shares of 10% and 9%.

Jordan became a major destination for Lebanese food exports. In fact, Lebanon's food exports to Jordan have increased by an average annual rate of 22% during 2009-2012 to reach USD 49.0 million in 2012. These exports are diversified with preserved meat constituting the highest 15% share followed by bananas with a 13% share.

Despite the slight decline in 2011, food exports to UAE have been generally on the rise reaching USD 37.0 million in 2012. Lebanon mainly exports potatoes (12%), mineral water (7% share), and lettuce (7% share) to UAE.

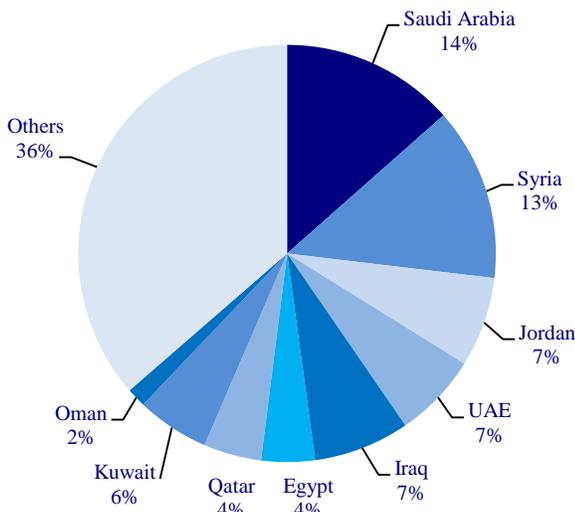
Lebanon's food exports of each of Egypt and Iraq have declined in 2011 but recovered in 2012 reaching USD 31.0 million and USD 29.5 million respectively. Lebanon mainly exports apples and pears to Egypt (44% share) while the country exports fruits and nuts (19% share) and mineral water (15% share) to Iraq.

USD Million	2009	2010	2011	2012
Saudi Arabia	58.9	73.4	82.4	93.8
% Change		25%	12%	14%
Syria	58.7	83.2	95.3	93.6
% Change		42%	14%	-2%
Jordan	30.5	30.8	45.8	49.0
% Change		1%	48%	7%
UAE	28.7	33.2	32.6	37.0
% Change		16%	-2%	14%
Iraq	32.5	37.4	28.6	31.0
% Change		15%	-24%	8%
Egypt	18.1	24.5	21.4	29.5
% Change		35%	-13%	38%
Qatar	19.6	22.0	29.8	29.0
% Change		12%	36%	-3%
Kuwait	24.7	25.2	28.2	28.3
% Change		2%	12%	0%
Oman	6.6	6.5	7.3	7.9
% Change		-2%	13%	8%
Others	159.2	181.8	209.7	215.0
% Change		14%	15%	3%

Source: Lebanese Customs

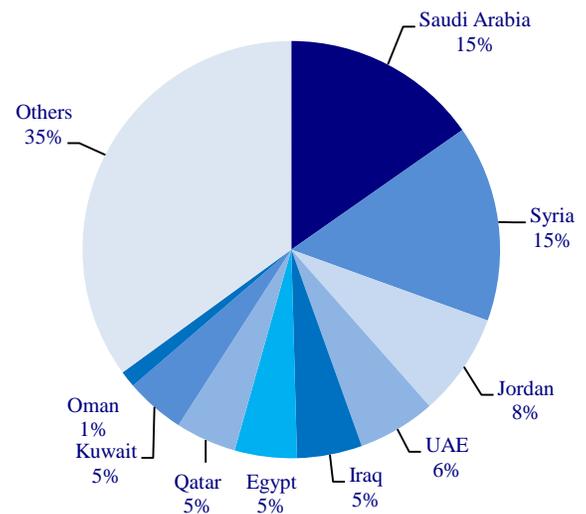
Over the period 2009-2012, the value of exported food to Saudi Arabia as a share of total food exports rose by one percentage point to 15% in 2012. Concurrently, the share of Syria out of total food exports rose by two percentage points to reach an equivalent 15% share in 2012. Similarly, Jordan's share of the total value of food exports rose from 7% in 2009 to 8% in 2012. On the other hand, the share of Iraq and Oman out of total food exports from Lebanon decreased to reach 5% and 1%, respectively.

Value of Food Exports by Country (2009)



Source: Lebanese Customs

Value of Food Exports by Country (2012)



Source: Lebanese Customs

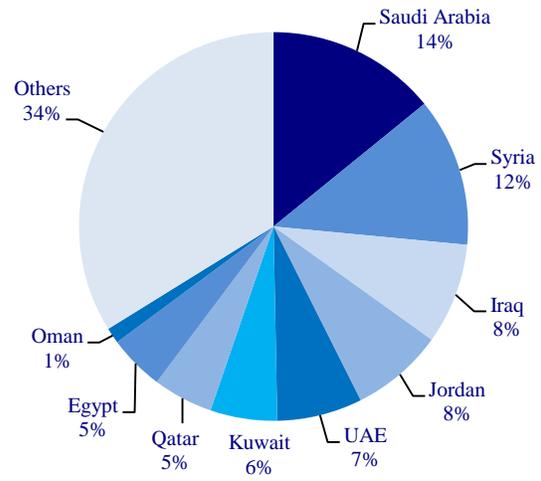
The Period January-August 2013:

In terms of value of exported food by country, food exported to Saudi Arabia recorded the highest value, totaling USD 65.9 million and constituting a 14% share of total exported food during the first eight months of 2013. The value of food exported to Syria came second with a total value of USD 57.7 million equivalent to 12% of total value of food exports. Iraq surpassed Jordan and UAE to become the third major food importer from Lebanon with a value totaling USD 39.1 million in January-August 2013, hence, constituting a share of 8% out of total food exports.

Value of Food Exports by Country (January - August 2013)

USD Million	Jan-Aug 2013
Saudi Arabia	65.9
Syria	57.7
Iraq	39.1
Jordan	36.0
UAE	33.0
Kuwait	25.9
Qatar	23.2
Egypt	21.5
Oman	6.1
Others	157.7

Source: Lebanese Customs



Source: Lebanese Customs

Determinants of Domestic Food Demand:

Food prices are a major determinant of consumption trends, and high food prices may have significant negative effects. Likewise, economic activity plays an important role in determining food demand. This study attempts to understand the impact of food prices and economic growth on food demand in Lebanon. Specifically, the following hypotheses are tested:

- Higher food prices discourage demand for food, yet food demand is inelastic to prices.
- Higher economic growth is associated with increased purchasing power, thus, contributing to growth in food demand.

To test these hypotheses, Ordinary Least Squares estimation was conducted and a food demand equation was constructed to establish quantitatively the relationship between food consumption and food prices and economic growth.¹ This study considers data on Lebanon's food consumption over the period 1998-2010. Food and non-alcoholic beverages component of Lebanon's CPI is used as a proxy for food prices. Furthermore, national income growth is used as a proxy for economic activity.

The procedure followed is to regress Lebanon's log food consumption on log food prices and national income growth. The estimated equation explains 47% of the adjusted variation in Lebanon's food consumption, thus, making the estimation quite reliable. The analysis showed that there exists a negative relation between food demand and food prices indicating that the first hypothesis is accepted. Furthermore, the regression reveals that Lebanon's elasticity of food demand is estimated at -0.44, hence signaling inelastic demand. Thus, a 1% increase in food prices contributes to a drop in food demand by 0.44%. In addition, the analysis verifies the second hypothesis stating the positive impact of economic growth on food demand. In fact, 1% increase in economic growth contributes to an increase in food demand by 0.77%.

¹ Technical details on the test performed can be found in Appendix 1.

Appendix 1:

Ordinary Least Squares Estimation:

Dependent Variable: FOOD				
Method: Least Squares				
Sample: 1998 2010				
Included observations: 13				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.002235	0.011315	-0.197496	0.8474
PRICE	-0.443884	0.137531	-3.227521	0.0091
GROWTH	0.774061	0.249469	3.102835	0.0112
R-squared	0.563329	Mean dependent var		0.016615
Adjusted R-squared	0.475994	S.D. dependent var		0.033965
S.E. of regression	0.024586	Akaike info criterion		-4.374078
Sum squared resid	0.006045	Schwarz criterion		-4.243705
Log likelihood	31.43151	Hannan-Quinn criter.		-4.400876
F-statistic	6.450257	Durbin-Watson stat		1.944366
Prob(F-statistic)	0.015877			

Disclaimer

This material has been prepared by BankMed, sal based on publicly available information and personal analysis. It is provided for information purposes only. It is not intended to be used as a research tool nor as a basis or reference for any decision. The information contained herein including any opinion, news and analysis, is based on various publicly available sources believed to be reliable but its accuracy cannot be guaranteed and may be subject to change without notice. BankMed, sal does not guarantee the accuracy, timeliness, continued availability or completeness of such information. All data contained herein are indicative. Neither the information provided nor any opinion expressed therein, constitutes a solicitation, offer, personal recommendation or advice. BankMed, sal does not assume any liability for direct, indirect, incidental or consequential damages resulting from any use of the information contained herein.