



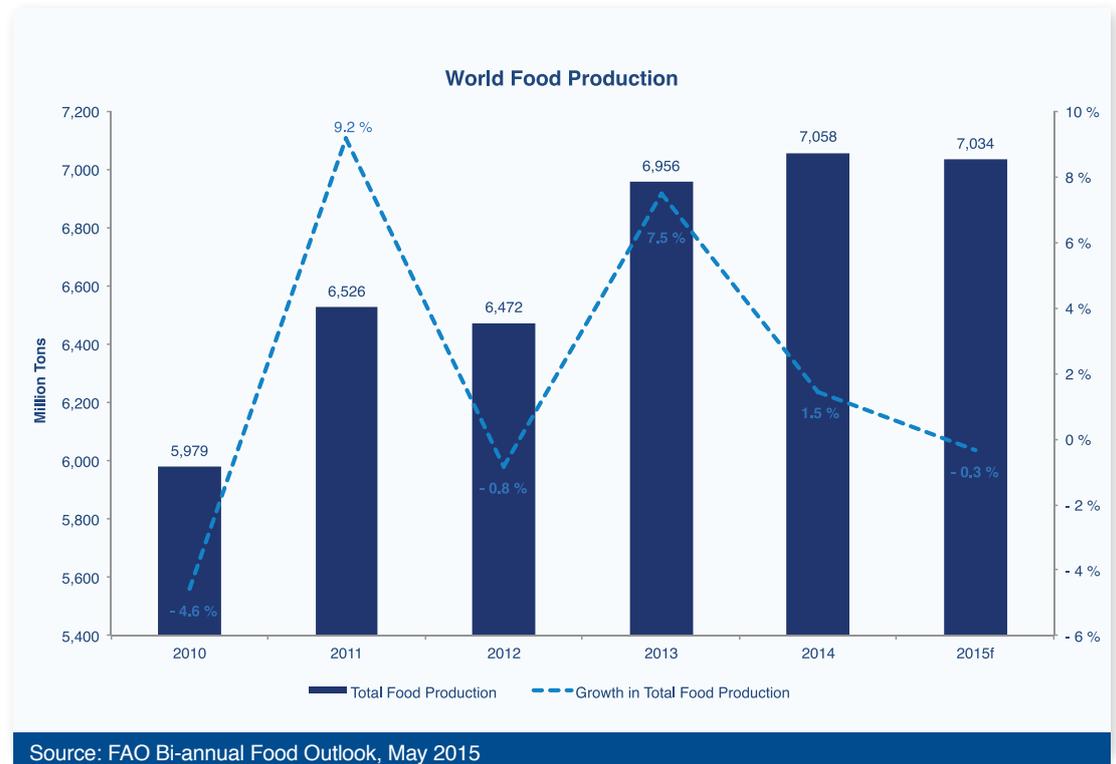
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Analysis of Lebanon's Food Market - January 2016

WORLD FOOD MARKET

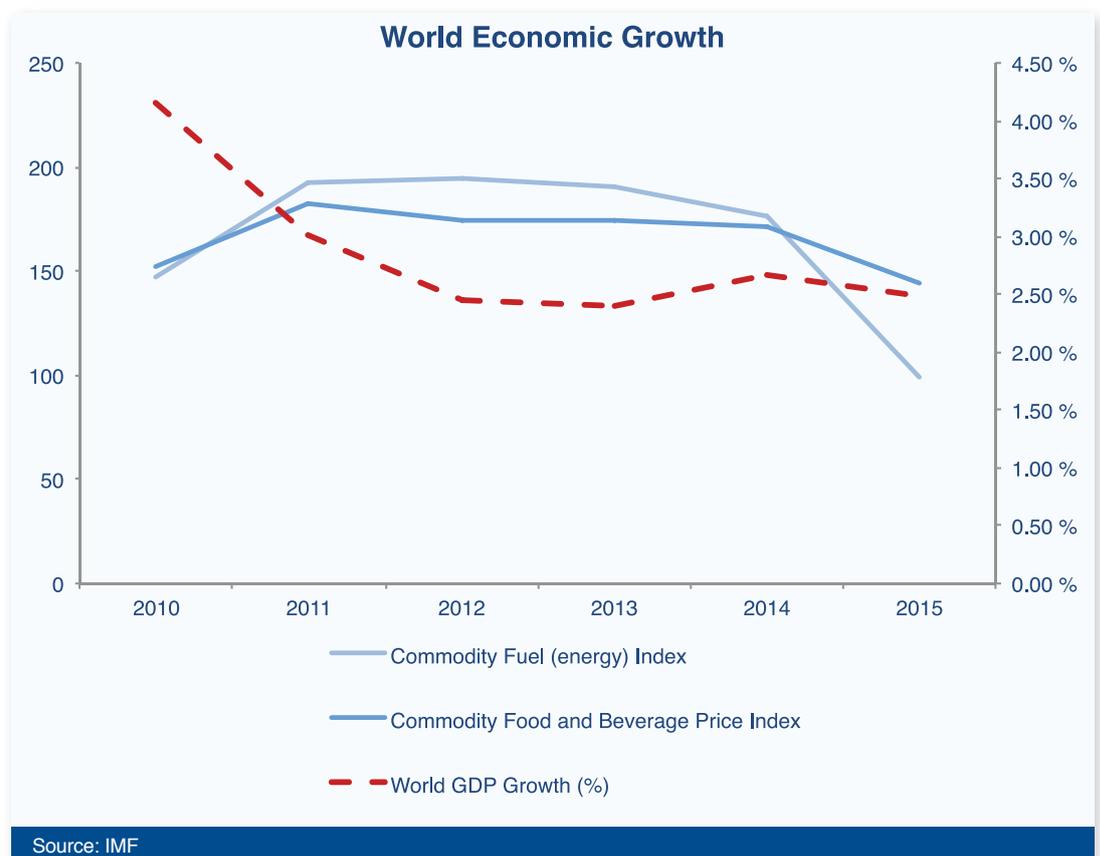
Global food production and consumption patterns have evolved over the past decades. This development is largely attributed to higher income, urbanization, as well as improved consumer perception over food quality and safety, especially within emerging economies and developing countries.



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WORLD FOOD MARKET

As developing markets continued to constitute a rising share of global food demand, food production has significantly grown by 9.2% in 2011. In 2012, world food production slightly slowed down to rise again by 7.5% in 2013. However, in face of limited expansion of agricultural land, rising production costs, and increased scarcity of resources, coupled with a slowdown in global economic growth, world food production growth has decelerated by 1.5% in 2014. According to the Food & Agriculture Organization of the United Nations, it is forecasted to further decline by 0.3% in 2015.



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WORLD FOOD MARKET

For the period between 2012-2015, world GDP growth stood at an average rate of 2.5%. However, with declining oil prices since mid-2014, commodity fuel index has dropped by 48% over the same period. As such, commodity food and beverage price index has also declined by 17.5%.

In fact, after two consecutive years of high production levels, the overabundance of wheat and coarse grains supply has caused production of the underlying staple products to decline in 2015 by 3% and 1%, respectively. Wheat and coarse grains' inventories continue to stand at sufficiently high levels and are expected to meet world consumption demand in 2015-16. Similarly, rice production is expected to modestly rise by 1% in 2015 as prolonged periods of low international rice prices have hindered rice exporting countries to increase rice production on one hand, while weakened local currencies in rice importing countries such as Nigeria, Western Africa, and Brazil have impeded their purchasing ability, on the other hand.

World Food Production by Type						
In Million Tons	2010	2011	2012	2013	2014	2015
Cereals	2,241	2,354	2,310	2,526	2,548	2,509
<i>% Change</i>	- 1 %	5 %	- 2 %	9 %	1 %	- 2 %
Coarse Grain	1,123	1,168	1,161	1,312	1,324	1,290
<i>% Change</i>	0 %	4 %	- 1 %	13 %	1 %	- 3 %
Dairy Products	714	746	767	765	789	805
<i>% Change</i>	2 %	4 %	3 %	0 %	3 %	2 %
Wheat	652	702	659	717	730	719
<i>% Change</i>	- 5 %	8 %	- 6 %	9 %	2 %	- 1 %
Rice	467	469	485	497	494	500
<i>% Change</i>	2 %	1 %	3 %	2 %	0 %	1 %
Oilseeds	179	469	454	483	513	542
<i>% Change</i>	- 61 %	163 %	- 3 %	6 %	6 %	6 %
Meat Products	291	298	304	311	315	319
<i>% Change</i>	2 %	2 %	2 %	2 %	1 %	1 %
Sugar	166	166	175	182	181	181
<i>% Change</i>	6 %	0 %	6 %	4 %	- 1 %	0 %
Fishery Products	147	156	157	163	164	169
<i>% Change</i>	0 %	6 %	0 %	4 %	1 %	3 %

Source: FAO Bi-annual Food Outlook, May 2015

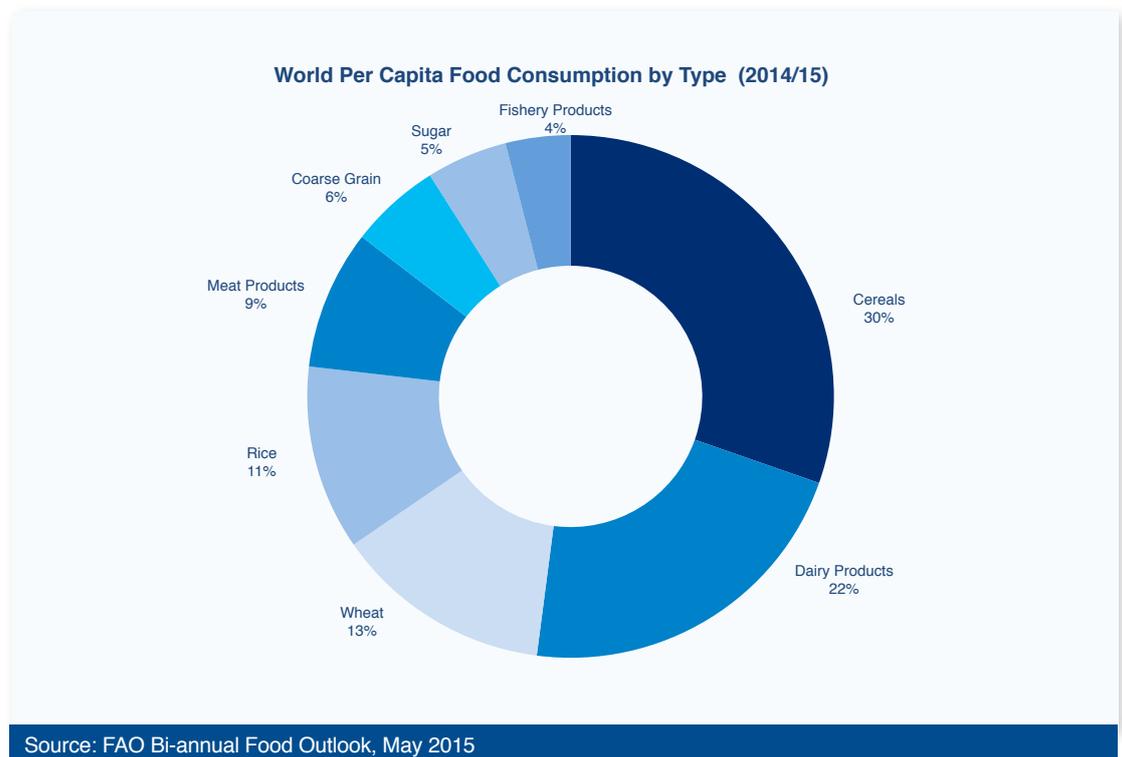
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WORLD FOOD MARKET

Meanwhile, oilseeds maintained their 6% yearly growth which is attributed to an 11% increase in the production of soybeans. Larger production areas and higher yields in United States, Canada, Ukraine, Russia, and China have contributed to oilseeds' output growth.

Steady growth in consumer demand over meat and fishery products, as well as dairy products has contributed to slight increases in their production for the year 2015.

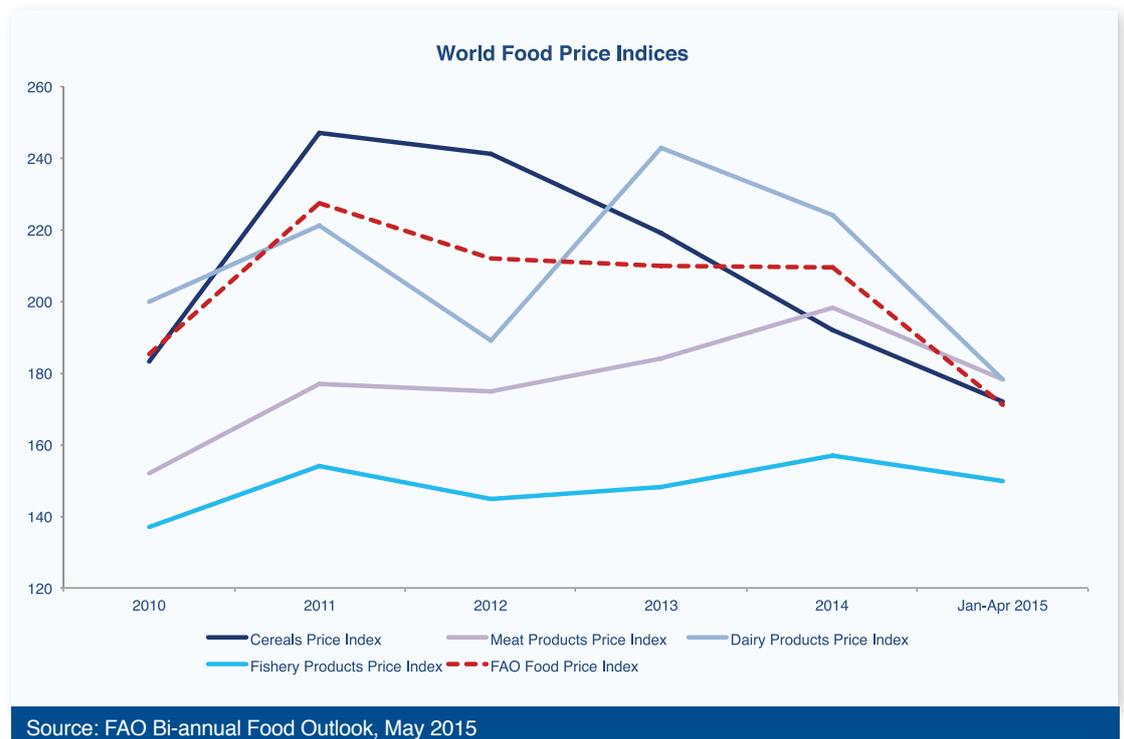
Global per capita food consumption was estimated at 502.4 kilograms in 2014. Consumption of cereals constituted the highest 30% share with a volume of 152.0 kilograms per year. It is followed by per capita consumption of dairy products, which reached 108.9 kilograms in 2014. Wheat comes third in per capita consumption with a share of 13%, followed by rice, meat products, coarse grain, and sugar. Per capita consumption of fishery products came last with a 4% share.



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WORLD FOOD MARKET

The United Nation's Food and Agriculture Organization (FAO) Food Price Index averaged 171 points in April 2015 declining by 19.2% from April 2014 figures. The drop was mainly attributed to a sharp decline in dairy prices (-20.5%), where milk butter and powder were the most affected commodities, in face of the abolition of the milk quota system in the European Union. In addition, a fall in cereal (-10.4%) and meat prices (-10.1%) contributed to the overall decline in the world food prices.



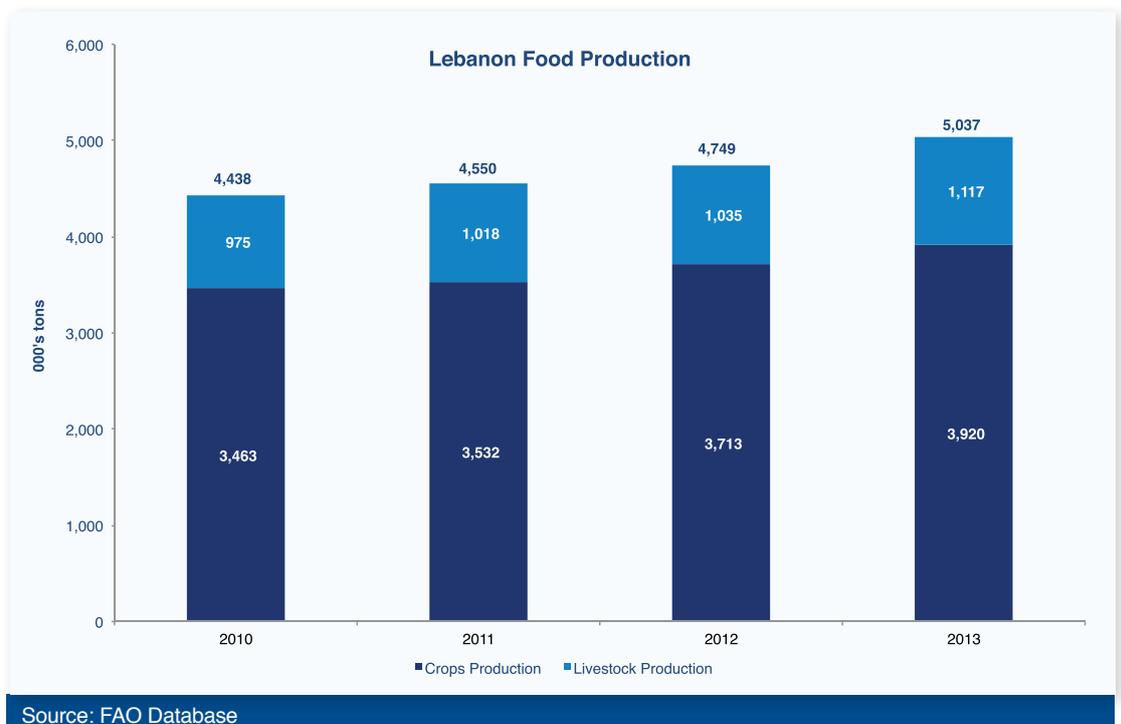
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LEBANON'S FOOD PRODUCTION

Lebanon's geographical location on the eastern shores of the Mediterranean Sea, its water resources, geomorphology, climate diversity as well as the country's exposure to sunlight – experiencing a significant number of sunny days throughout the year – have enabled the development of Lebanon's Food and Agriculture sector.

Lebanon's arable land constitutes 19% of total area of 10,452 Km², an aspect that has placed Lebanon in a significant position among other productive countries within the region. According the United Nations Economic and Social Commission for Western Asia, Lebanon's Food and Agriculture sector contributes to 6% of the country's GDP and employs 22% of the labor force. Lebanon's main agricultural areas are the coastal strip, Akkar plain with upper mount Lebanon, Bekaa valley, western slope of Anti-Lebanon range, and the southern hills. Its various agricultural and farming products include: citruses, potatoes, olives, wheat, tomatoes, oats, bananas, tobacco, as well as sheep and goats. However, growth opportunities within the Lebanese Food and Agriculture sector remain subdued due to a number of challenges including water mismanagement and the absence of adequate agricultural strategies that are aimed toward increasing investments in the sector and infrastructure development in rural areas.

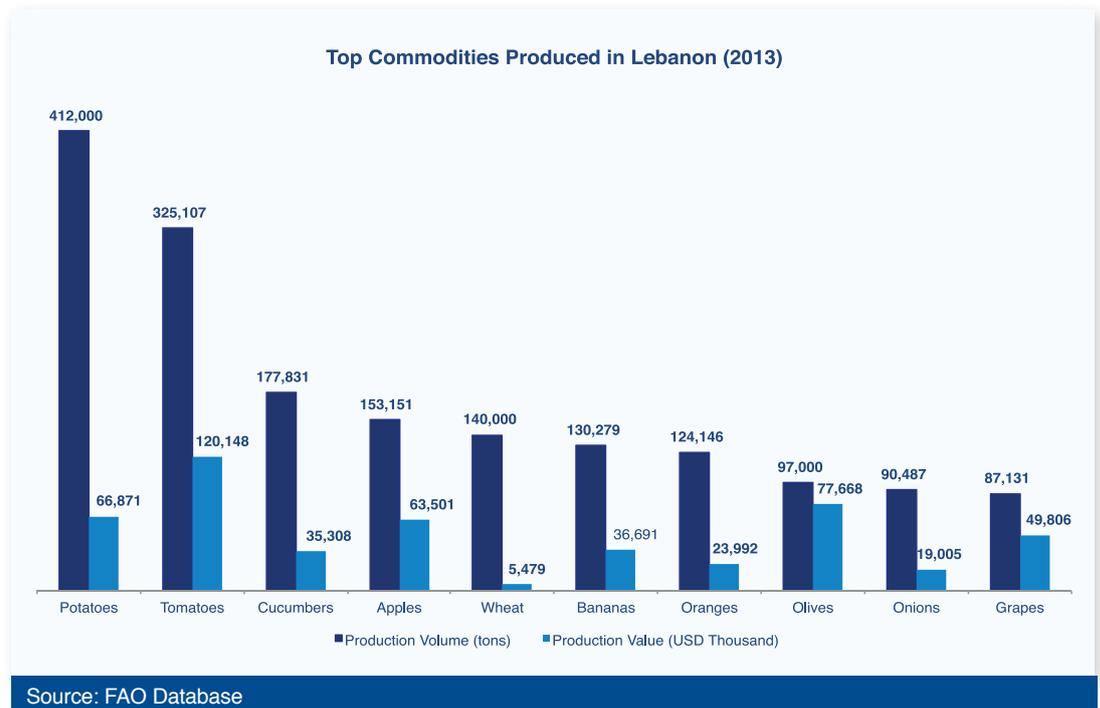
Lebanon's total food production reached 5,037,000 tons in 2013 rising at a rate of 6% per annum where crops and livestock production rose by 6% and 8%, respectively. In 2013, total crops production's share was more than 78% of total food production in Lebanon, while livestock production constituted the remaining 22%.



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LEBANON'S FOOD PRODUCTION

Lebanon's top five major produced food categories are cereals, fruits, vegetables, olives, and industrial crops (sugar and tobacco). With a total production of 412,000 tons, potato ranked first in the top ten commodities produced in Lebanon in 2013. Tomato production ranked second with a volume of 325,107 tons in 2013 followed by cucumbers, apples, wheat, bananas, oranges, olives, onions, and grapes. Based on production value of commodities, tomatoes ranked first with USD 120,148 thousands.

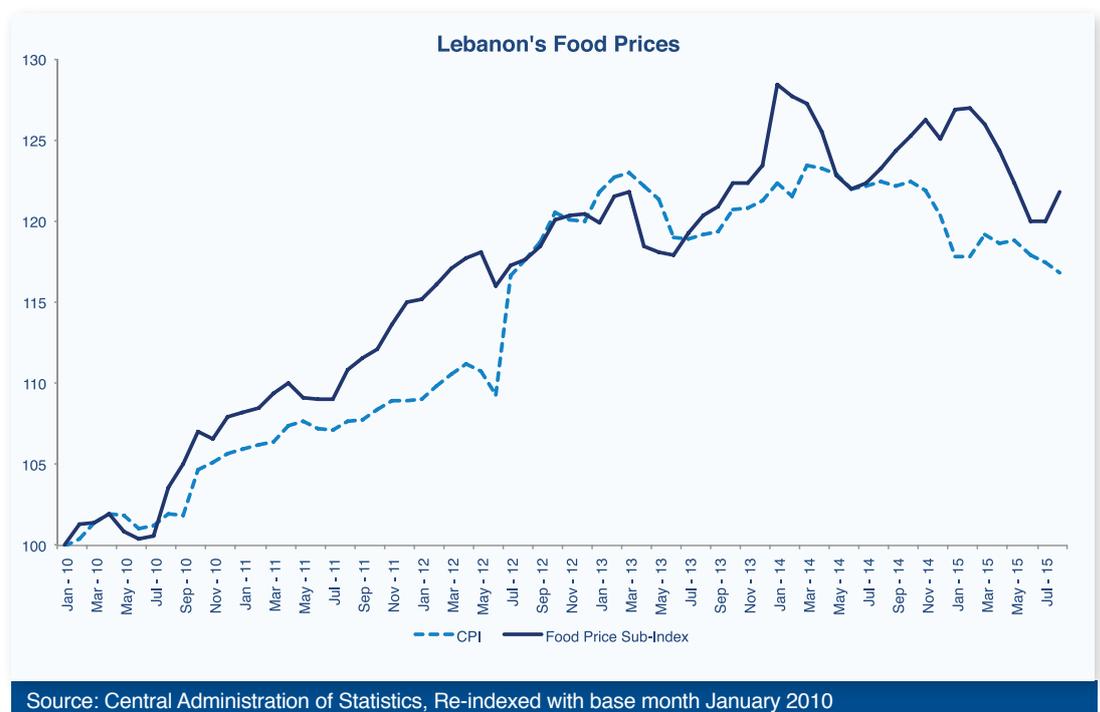


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LEBANON'S FOOD PRODUCTION

One of the major components of Lebanon's consumer price index is food, with a weight of 20% in the index computation. Over the period 2010-2014, the food price index in Lebanon has increased faster than the consumer price index by an average annual rate of 4.9%, following the trend of international food prices, which also increased by 3.6% during the same period. This is due to the fact that Lebanon imports most of its food demand, which makes it more susceptible to international food price fluctuations.

However, in the first half of 2015, Lebanon's food prices have followed the international food prices' falling trend, thus leading to a 1.1% drop in the food price sub-index since December 2014.



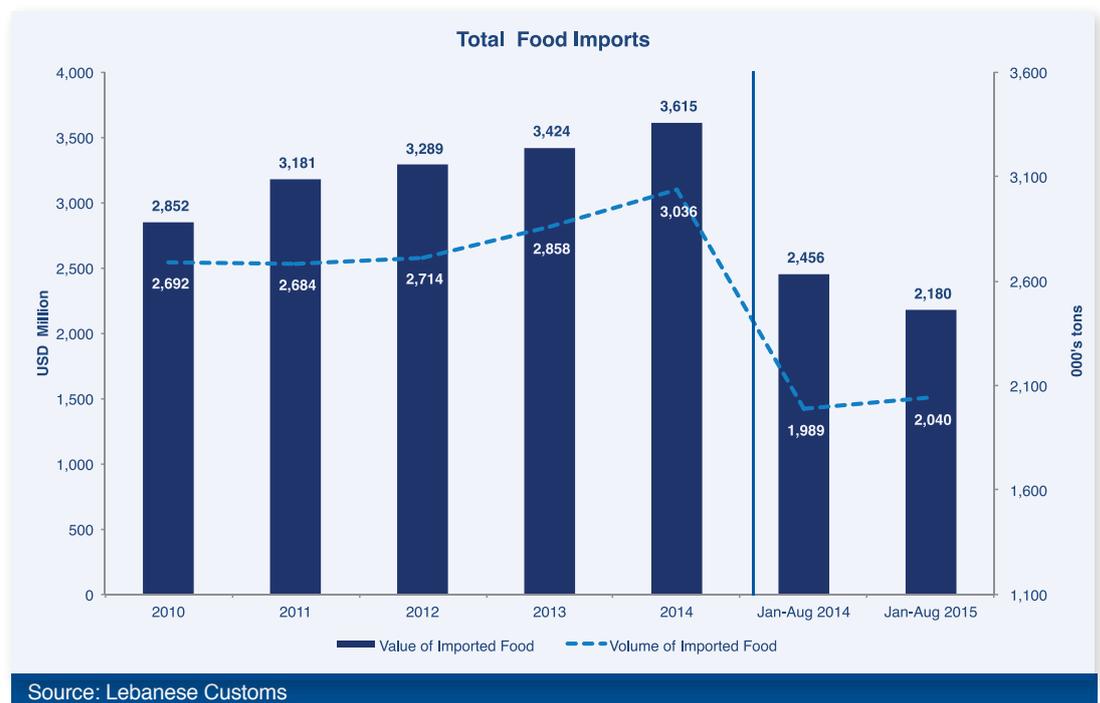
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LEBANON'S FOOD IMPORTS AND EXPORTS

Evolution of Food Imports

Over the years, Lebanon's total food imports value has increased at an average annual rate of 8% reaching USD 3,615 million in 2014, representing about 17.6% of Lebanon's total imports. However, the increase in imports value is mainly attributed to rising international food prices, while the volume of food imports has only increased by a compounded annual growth rate of 2.4% over the period 2010-2014, reaching 3,036,000 tons imported in 2014. As such, the cost per ton of food imports rose from USD 1,060 in 2010 to USD 1,190 in 2014, reflecting the fact that rising international food prices during that period have been transmitted to the local economy through the rise in cost of food imports.

As international food prices started to decline as of mid-2014, the total value of imports has decreased by 11% in the period between January-August 2014 and January-August 2015. As such, the volume of imported food increased by 3% y-o-y to 2,040,000 tons as at August 2015. For this reason, the cost per ton of imported food decreased from USD 1,235 in August 2014 to USD 1,069 in August 2015, thereby declining by 13.4%.



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LEBANON'S FOOD IMPORTS AND EXPORTS

Food Imports by Type

Over the period 2010-2014, Lebanon's food imports had been led by imported prepared foodstuffs, which increased by an average annual rate of 10% reaching total value of USD 1,280 million in 2014. Imported tobacco and tobacco substitutes constituted a share of 17.6% of imported prepared foodstuffs. It was followed by preparations of cereals, flour, and starch with a share of 19.1%, as well as sugars and confectionery sugar with a 12.9% share of total imported foodstuffs.

Lebanon's Food Imports by Type							
USD Million	2010	2011	2012	2013	2014	Jan-Aug 2014	Jan-Aug 2015
Prepared Foodstuffs	971.7	1,106.2	1,258.3	1,285.8	1,280.0	854.0	810
<i>% Change</i>	19 %	14 %	14 %	2 %	0 %		- 5 %
Fruit and Vegetable Products	715.6	849.6	867.6	922.8	966.0	675.2	614
<i>% Change</i>	14 %	19 %	2 %	6 %	5 %		- 9 %
Animal Products	866.1	867.1	824.3	891.6	1,050.0	717.0	569
<i>% Change</i>	15 %	0 %	- 5 %	8 %	18 %		- 21 %
Animal and Vegetable Oils	128.3	173.5	194.6	199.5	187.0	130.3	112
<i>% Change</i>	- 2 %	35 %	12 %	2 %	- 6 %		- 14 %
Beverages	170.1	184.9	144.4	124.2	132.0	76.8	75
<i>% Change</i>	22 %	9 %	- 22 %	- 14 %	6 %		- 2 %

Source: Lebanese Customs

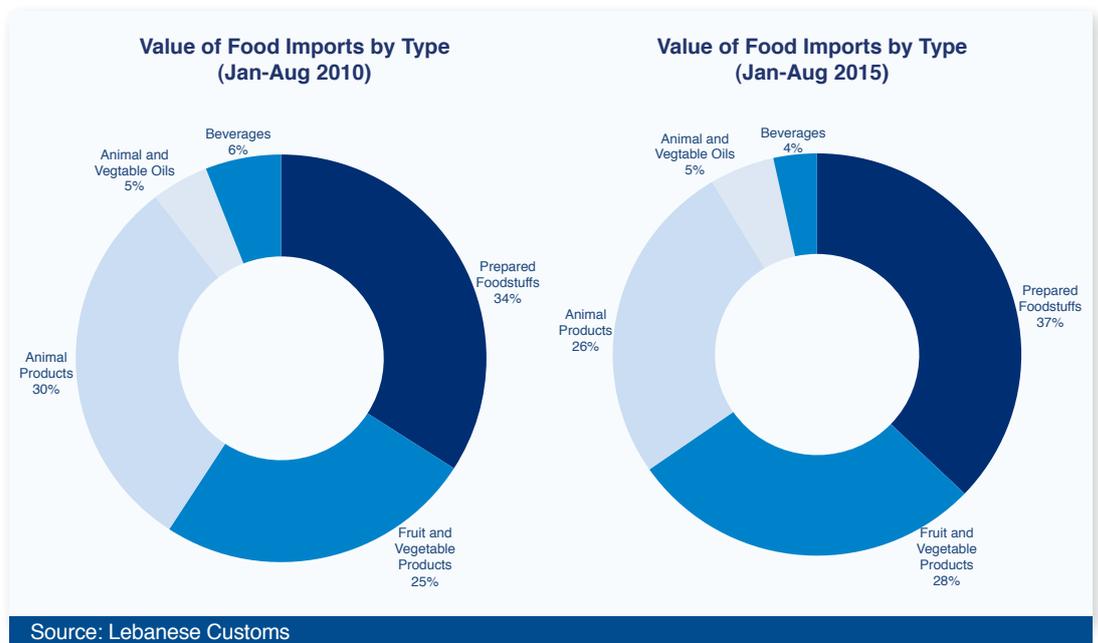
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LEBANON'S FOOD IMPORTS AND EXPORTS

During the period January-August 2015, imported prepared foodstuffs maintained their lead in Lebanon's food imports, yet declined by 5% from the previous year. The major decline in food imports came from animal products which dropped by a y-o-y 21% as at end-August 2015.

As a result of increased demand for prepared foodstuffs and limited industrial food production, the share of prepared foodstuffs of total value of imported food increased from 34% in January-August 2010 to 37% in January-August 2015.

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 2010-2015 to 26% in January-August 2015.



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LEBANON'S FOOD IMPORTS AND EXPORTS

Food Imports by Country

Though Brazil has long been the main country of origin for Lebanon's food imports, total food imports from Brazil declined in the first eight months of 2015 by 40% from the same previous period. Similarly, Lebanon's food imports from Turkey, Egypt, Germany, France, and Switzerland have also decreased between January-August 2014 and January-August 2015.

It is remarkable to note that total imports from Spain increased by 55% in the first eight months of 2015. This is mainly attributed to a substantial increase in imported live animals and animal products of 17.5% as of August 2015 when compared to December 2014 figures. Spain also exports to Lebanon vegetable products as well as prepared foodstuffs, beverages, and tobacco.

Lebanon's Food Imports by Country							
USD Million	2010	2011	2012	2013	2014	Jan-Aug 2014	Jan-Aug 2015
Brazil	239.0	282.0	280.7	345.6	365.0	251.2	149.5
<i>% Change</i>	- 22 %	18 %	0 %	23 %	6 %		- 40 %
Turkey	110.1	126.9	185.1	191.9	208.0	136.6	122.1
<i>% Change</i>	- 2 %	15 %	46 %	4 %	8 %		- 11 %
Egypt	122.2	157.2	143.2	192.2	183.0	132.9	106.4
<i>% Change</i>	- 9 %	29 %	- 9 %	34 %	- 5 %		- 20 %
Germany	81.4	104.7	180.6	188.8	154.0	98.2	70.9
<i>% Change</i>	44 %	29 %	72 %	5 %	- 18 %		- 28 %
France	216.8	232.6	176.1	182.5	176.0	119.2	107.6
<i>% Change</i>	77 %	7 %	- 24 %	4 %	- 4 %		- 10 %
Ukraine	86.7	110.9	196.0	130.9	141.0	94.4	96.9
<i>% Change</i>	38 %	28 %	77 %	- 33 %	8 %		3 %
USA	161.6	168.7	123.3	126.9	140.0	108.1	82.2
<i>% Change</i>	9 %	4 %	- 27 %	3 %	10 %		- 24 %
Spain	80.0	101.5	165.4	100.4	109.0	59.2	92.0
<i>% Change</i>	131 %	27 %	63 %	- 39 %	9 %		55 %
Switzerland	117.1	175.8	133.9	83.6	65.0	41.5	38.0
<i>% Change</i>	27 %	50 %	- 24 %	- 38 %	- 22 %		- 8 %
Others	1,636.8	1,721.0	1,705.0	1,880.9	2,075.0	1,412.1	1,314.4
<i>% Change</i>	17 %	5 %	- 1 %	10 %	10 %		- 7 %

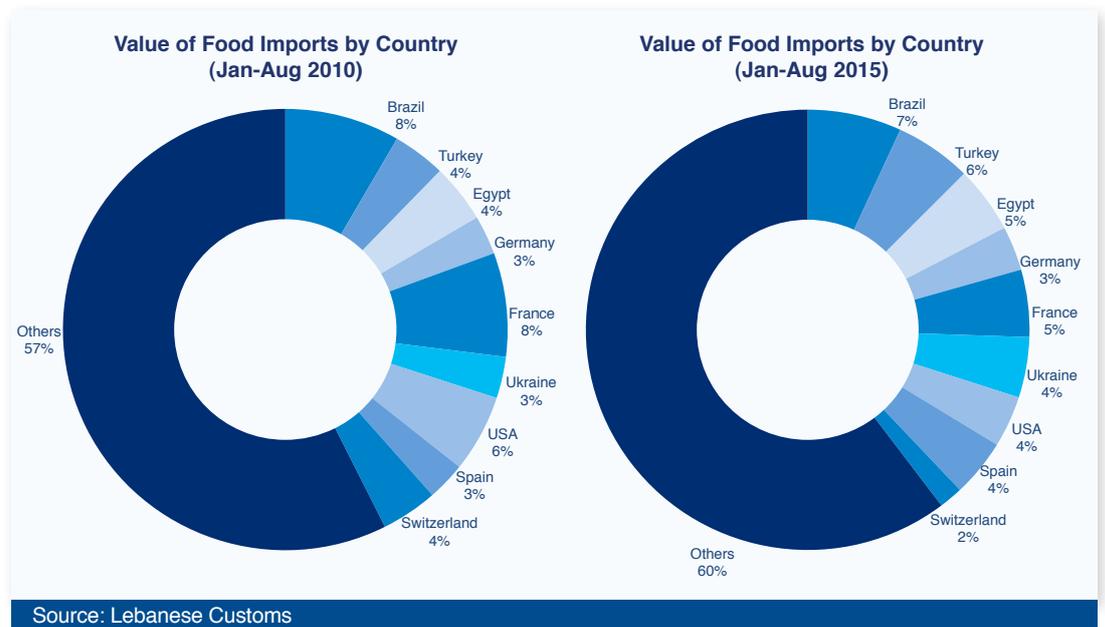
Source: Lebanese Customs

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LEBANON'S FOOD IMPORTS AND EXPORTS

Over the period 2010-2015, the value of imported food from Brazil as a share of total food imports has slightly dropped to 7% but Brazil has maintained its position as the major exporter of food to Lebanon. Likewise, food imports from France, USA, and Switzerland declined.

On the other hand, the shares of food imports from Turkey, Egypt, Ukraine, and Spain have slightly increased over the same abovementioned period.



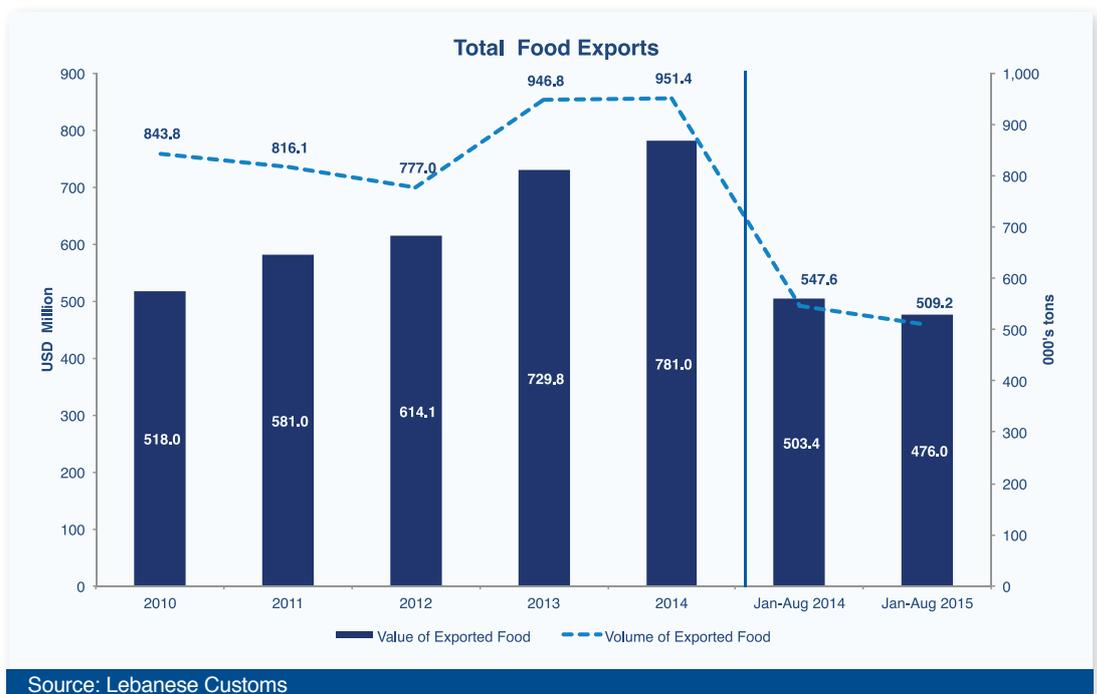
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LEBANON'S FOOD IMPORTS AND EXPORTS

Evolution of Food Exports

Over the past five years, Lebanon's value of food exports has increased at an average annual rate of 10.9% reaching USD 781 million in 2014 and representing 24% of Lebanon's total exports. The volume of exports has also increased over time as well but only at slower rate than the increase in value of exports, as it grew by 3.5%, reaching 9,514 tons by 2014. As for the cost per ton of food exports, it rose from USD 614 in 2010 to USD 821 in 2014.

Nevertheless, as international food prices plunged since mid-2014, the value of exports has decreased by a y-o-y 5.4% as at August 2015. It is worth noting that, over the years, Lebanon has witnessed consecutive trade deficits. However, as at August 2015, total trade deficit has declined by 17% annually.



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LEBANON'S FOOD IMPORTS AND EXPORTS

Food Exports by Type

Lebanon mainly exports prepared foodstuffs, which have increased by an average annual rate of 14% over the period 2010-2014, reaching total value of USD 437 million in 2014. Exported preparations of fruits and vegetables constituted a share of 29.2% of exported prepared foodstuffs. It was followed by preparations of cereals, flour, and starch as well as cocoa preparations with a 10.7% share of total exported foodstuffs. This change reflects a growing food processing industry in Lebanon.

As shown in the table below, increased production in animal products contributed to a 17% y-o-y increase in its exports as of August 2015

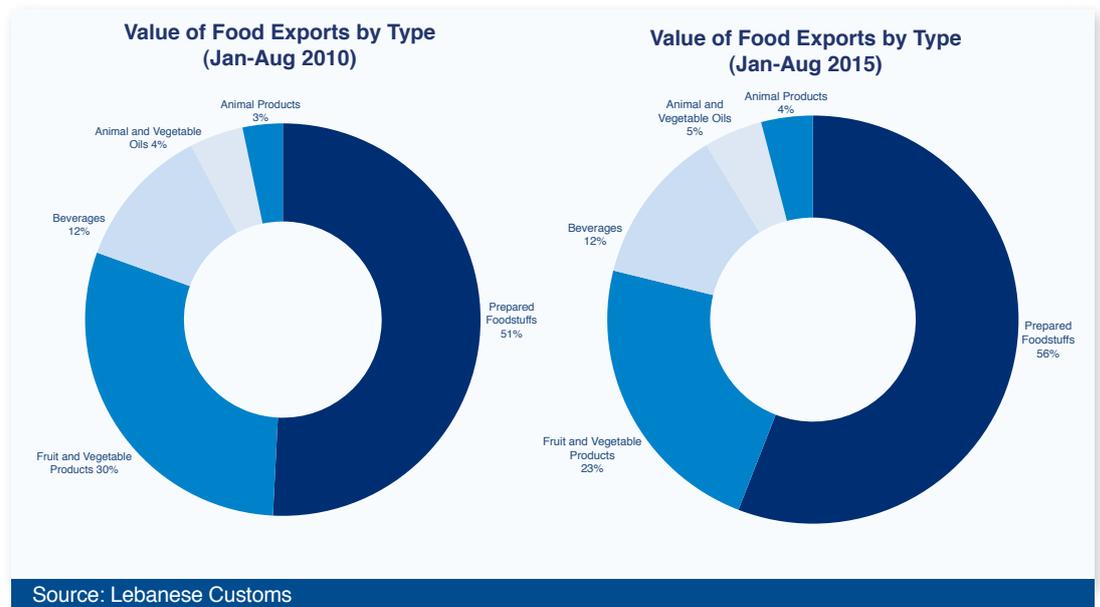
USD Million	Lebanon's Food Exports by Type					Jan-Aug 2014	Jan-Aug 2015
	2010	2011	2012	2013	2014		
Prepared Foodstuffs	263.1	302.0	312.2	352.6	437.0	273.8	265.8
<i>% Change</i>	13 %	15 %	3 %	13 %	24 %		- 3 %
Fruit and Vegetable Products	154.1	160.6	171.2	215.7	207.0	122.7	109.2
<i>% Change</i>	28 %	4 %	7 %	26 %	- 4 %		- 11 %
Beverages	61.1	77.8	80.0	100.0	78.0	68.0	59.3
<i>% Change</i>	22 %	27 %	3 %	25 %	- 22 %		- 13 %
Animal and Vegetable Oils	22.7	21.5	30.8	36.5	33.0	22.5	21.9
<i>% Change</i>	20 %	- 6 %	44 %	19 %	- 10 %		- 2 %
Animal Products	17.0	19.1	19.8	24.9	26.0	16.5	19.3
<i>% Change</i>	14 %	13 %	4 %	26 %	4 %		17 %

Source: Lebanese Customs

Analysis of Lebanon's Food Market - January 2016

LEBANON'S FOOD IMPORTS AND EXPORTS

As a share of total value of exported food, the largest expansion was attributed to prepared foodstuffs which rose from 51% in January-August 2010 to 56% in January-August 2015. Exports of animal products and vegetable oils share of total exports have slightly increased by 1%. However, the share of fruit and vegetable products significantly declined from 30% in 2010 to 23% in 2015.



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LEBANON'S FOOD IMPORTS AND EXPORTS

Food Exports by Country

Saudi Arabia ranks the top of the list of Lebanon's export destinations. In 2014, food exports to Saudi Arabia increased by 17% to reach USD 113 million. However, during the first eight months of 2015, food exports to Saudi Arabia decreased by a yearly 5%, yet exports from Saudi Arabia continued to maintain their ranking. Exported food mainly includes preparations of vegetables, fruits, and nuts which constitute a 21.3% share of total food exports to Saudi Arabia, followed by cocoa and cocoa preparations of an 11.4% share.

Food exports to Egypt remarkably increased by 58% as at August 2015 recording USD 20.3 million when compared to its August 2014 figure of USD 12.9 million. Food exported to Egypt mainly includes edible fruits and nuts and peel of citrus fruits which constituted a share of 34.4% of total food exports to Egypt. It was followed by tobacco and tobacco substitutes with a 19.7% share.

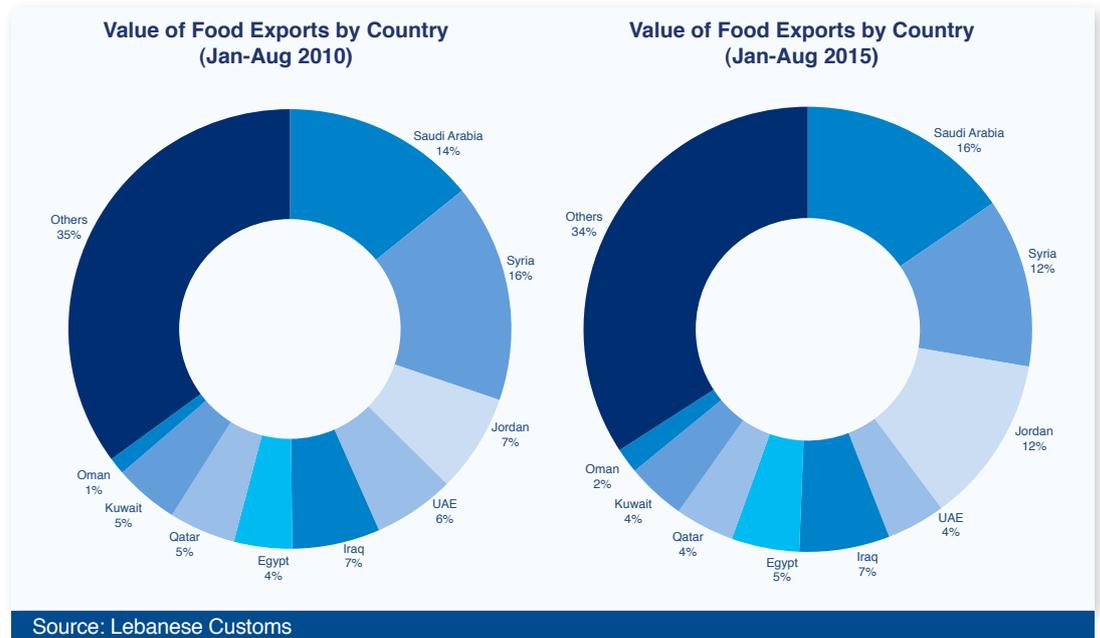
Lebanon's Food Exports by Country							
USD Million	2010	2011	2012	2013	2014	Jan-Aug 2014	Jan-Aug 2015
Saudi Arabia	73.4	82.4	93.8	96.9	113.1	77.0	73.4
<i>% Change</i>	25 %	12 %	14 %	3 %	17 %		- 5 %
Syria	83.2	95.3	93.6	103.6	108.6	68.6	58.4
<i>% Change</i>	42 %	14 %	- 2 %	11 %	5 %		- 15 %
Iraq	37.4	28.6	31.0	68.7	79.2	48.8	57.9
<i>% Change</i>	15 %	- 24 %	8 %	122 %	15 %		19 %
Jordan	30.8	45.8	49.0	53.7	41.0	22.7	20.2
<i>% Change</i>	1 %	48 %	7 %	10 %	- 24 %		- 11 %
UAE	33.2	32.6	37.0	52.2	65.3	43.3	31.0
<i>% Change</i>	16 %	- 2 %	14 %	41 %	25 %		- 28 %
Qatar	22.0	29.8	29.0	35.4	38.7	26.1	23.3
<i>% Change</i>	12 %	36 %	- 3 %	22 %	9 %		- 11 %
Kuwait	25.2	28.2	28.3	33.2	35.4	24.6	20.3
<i>% Change</i>	2 %	12 %	0 %	18 %	7 %		- 18 %
Egypt	24.5	21.4	29.5	30.1	25.7	12.9	20.3
<i>% Change</i>	35 %	- 13 %	38 %	2 %	- 15 %		58 %
Oman	6.5	7.3	7.9	9.5	14.5	9.0	8.7
<i>% Change</i>	- 2 %	13 %	8 %	20 %	52 %		- 3 %
Others	181.8	209.7	215.0	246.6	259.6	170.4	162.5
<i>% Change</i>	14 %	15 %	3 %	15 %	5 %		- 5 %

Source: Lebanese Customs

Analysis of Lebanon's Food Market - January 2016

LEBANON'S FOOD IMPORTS AND EXPORTS

Lebanon's value of food exports to Saudi Arabia has risen by two percentage points over the period 2010-2015 reaching 16%. Similarly, exports to Jordan have expanded from a share of 7% in 2010 to a share of 12% in 2015. Exports to other countries have slightly decreased, while exports to Iraq maintained their value.



Lebanon's Food and Agriculture sector is one of the contributors to the country's economy. However, if further structured, the sector will enable the country not only to meet the local demand, but it will also allow for Lebanon's proliferation into the exports market within the region. Hereby, the sector's development and sustainability are crucial for a stronger economy.

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