



*When talking about wheat, the angles can vary from matters as serious as food security to matters as delicious as bread and pastries.*

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*Here are the angles tackled in this report:*

- *Lebanon is an importer and a producer of wheat*
- *Lebanon lacks the agricultural space needed to become self-sufficient*
- *There are two types of wheat grown in Lebanon: Durum and Soft Wheat*
- *Durum is only suitable for semolina and the soft wheat has a low gluten and protein concentration*
- *To produce Arabic bread, Lebanese wheat must be mixed with other imported types*
- *Lebanese millers and wheat farmers have the option of benefitting from subsidies offered by the Lebanese government*
- *According to millers, subsidies apply when the international price of wheat exceeds \$290*
- *The price of wheat depends on its protein and gluten content*
- *The price of wheat has been stable this year: \$185 for the wheat with an 11.5 protein content and \$195 for the semi-hard with a 12.5 protein content*

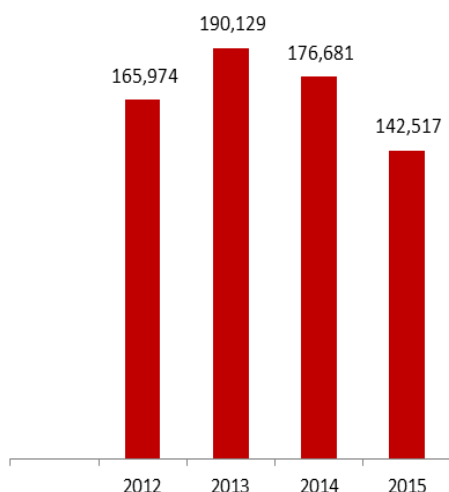
Lebanon plants, harvests and mills wheat locally. Today, Lebanon counts thirteen mills of which 2 in the Bekaa region, 1 in the north, 1 in the south, 3 in Beirut (Bakalian, Modern Mills and Crown Flour Mills) and 6 in Mount Lebanon. Crown Flour Mills is estimated to have around a 24% market share, Bakalian 18% and Modern Mills around 13%. In 2013 and according to the Ministry of Agriculture, the planted area of wheat in Lebanon totaled 9,600 hectares with each hectare of irrigated land yielding 5 metric tons and each hectare of rain-fed land yielding 3.25 metric tons. In general, total wheat production can hover between 45,000 and 70,000 metric tons depending on the season, i.e. on the status of the rain and the heat.

Market aficionados believe there are many hurdles to Lebanon becoming self-sufficient. Lebanon does not have enough agricultural space to grow the quantities of wheat needed to meet local demand. However, not only is local production not enough but the characteristics of the wheat grown in Lebanon are not suitable for the production of Arabic bread. The soft type of wheat in Lebanon has a low protein content and a low gluten content and the other type is the durum wheat which is only suitable for semolina. Therefore, to produce Arabic bread, for which the government set a stable price of LBP 1,500, domestically produced wheat must inevitably be mixed with imported wheat.

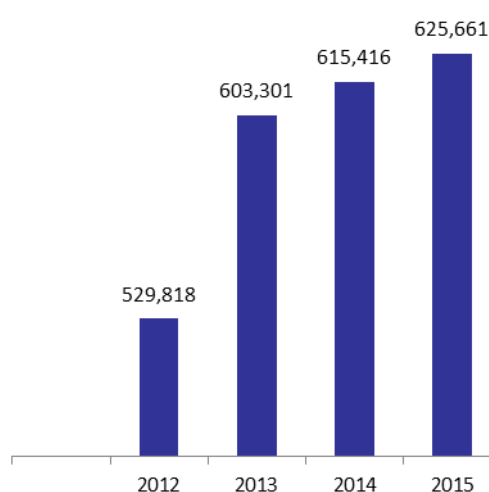
Local wheat production is not enough to tend to the entirety of local demand. Local production manages to cover only 10% of the 450,000 metric tons of consumption. Lebanon therefore turns to imports to supply the country with wheat. In 2015, Lebanon imported 625,661 tons of wheat with a value of \$142.52M compared to 615,416 tons with a value of \$176.68M back in 2014. The imported volume of wheat exceeded the 450,000 metric tons mark probably due to the influx of Syria refugees into the country.

## Evolution of Wheat Imports

In Thousands of USD

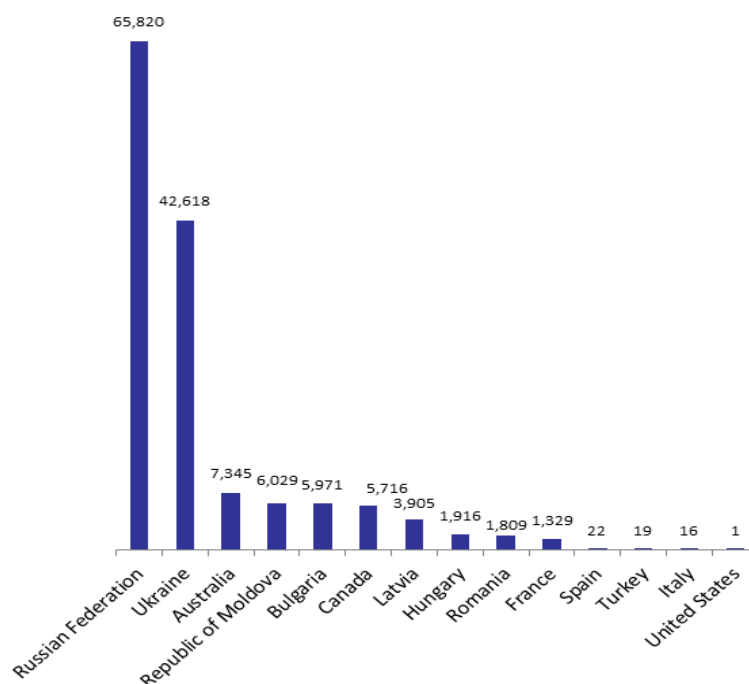


In Tons



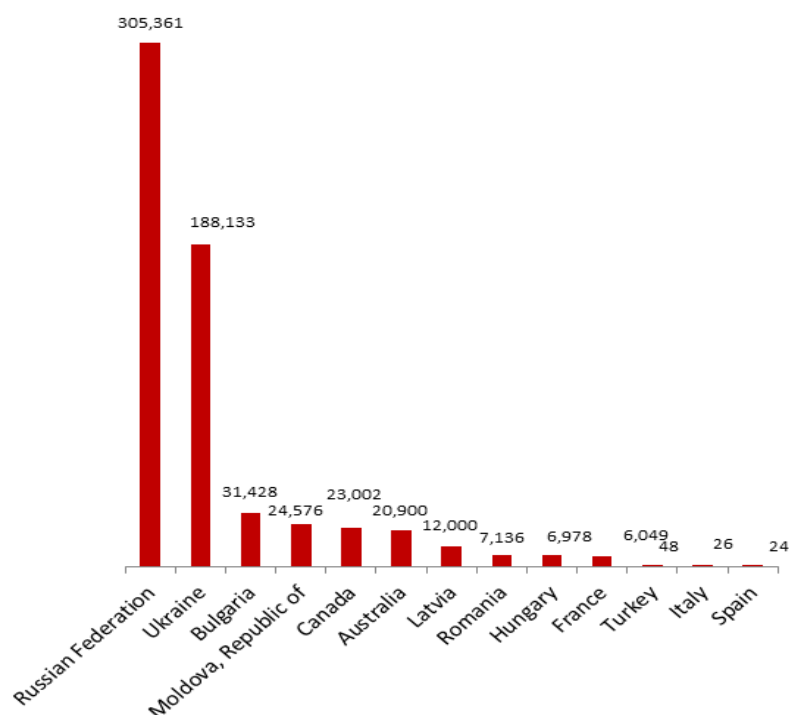
## Sources of Wheat Imports in 2015

In Thousands of USD



## Sources of Wheat Imports in 2015

In Tons



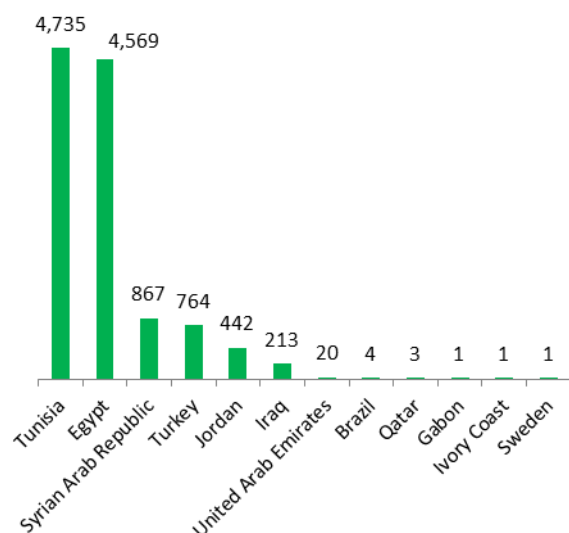
Source: Lebanese Customs

Lebanon turns to Black sea countries to import wheat. The proximity of black sea countries alleviates the freight costs which are an important factor to take into consideration since the price of wheat is internationally fixed.

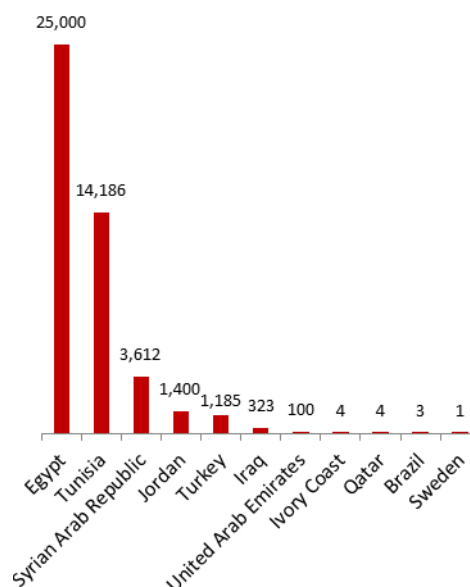
Russia has consistently been our top supplier of wheat since at least 2012 (which is as far as the Lebanese customs data goes). In 2015, Lebanon imported 305,361 tons of Russian wheat worth \$65.82M and 188,133 tons of Ukrainian wheat worth \$42.62M. Australian wheat is pricier, that's why only 20,900 tons of imported Australian wheat are worth \$7.35M while a higher quantity of 31,428 tons from Bulgaria is only worth \$5.97M. Lebanon also used to import consistently from Kazakhstan since 2012, but those imports were halted since the logistics in Kazakhstan are complicated. According to market sources, the wheat from Kazakhstan has to be delivered through Ukraine and Russia's ports which renders shipping matters complicated and lengthy.

## Destination Markets for Lebanese Wheat in 2015

In Thousands of USD



In tons



Lebanon's wheat exports have seen a considerable increase since 2012. In 2015, Lebanon's wheat exports were at their highest since 2012. They stood at \$11.62M compared to \$6.16M in 2014, \$591,000 in 2013 and \$432,000 in 2012. Since the exports were at their highest since 2012, the import/export ratio for wheat also reached its highest level of 8.15% in 2015.

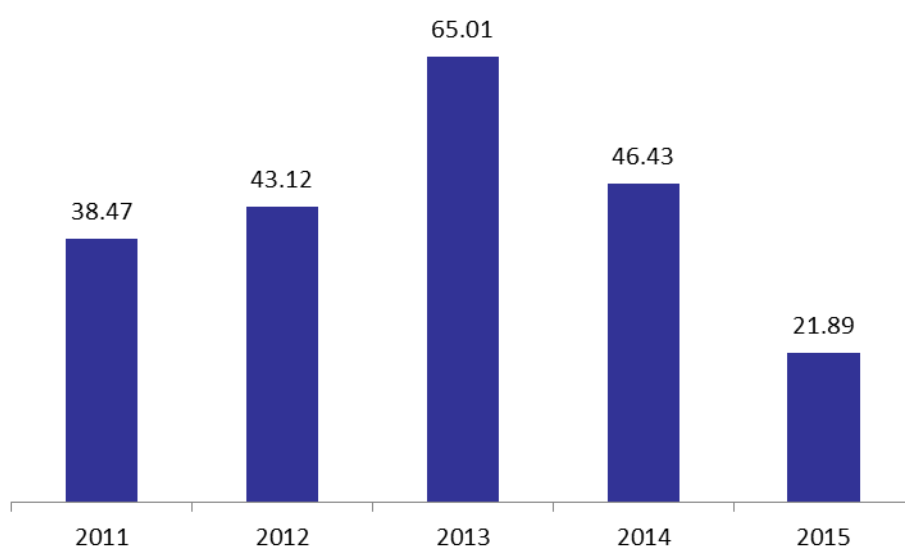
There are many reasons behind the improvement of exports in 2015. First of all, the crisis in Syria halted Lebanon's exports to the country for two consecutive years 2012 and 2013. It's only in 2014 that Lebanon's wheat exports to Syria recovered and stood at \$612,000 and 2,152 tons. In 2015, wheat exports to Syria recovered further to reach \$867,000 and with a volume of 3,612 tons. Jordan has been the only consistent and substantial export market for Lebanese wheat since 2012, even more so that in 2012 and 2013 it was the sole export market for Lebanese wheat. It's only in 2014 that we started exporting to Syria, Djibouti and Lybia and then in 2015 that we were able to tap into large Middle Eastern markets such as Tunisia, Egypt, Turkey, Iraq and the United Arab Emirates.

Prior to 1991, the government of Lebanon held a monopoly over the imports of wheat. The government of Lebanon used to hold the sole right to import wheat for as long as 25 years. However, that proved to be a strategy that did not favor or enhance competition on the market. In 1991, when the private Lebanese mills were allowed to import their own wheat, the sector witnessed a wave of new mills starting operations in Lebanon and a wave of restructuring and investment in existing mills. Moreover, the liberalization of imports allowed the Lebanese market to see more types of wheat entering the market and tending for a wider range of consumers. Per example, Australian wheat was unavailable on the market for the whole period of the government's monopoly.

The government of Lebanon assists local wheat farmers in the form of subsidies. The subsidy is handled by the Directorate General of Grains and Beetroot Subsidy (OGBS) which is under the patronage of the Ministry of Economy and Trade. The subsidy was designed to shield farmers from the fluctuations of international wheat prices. Therefore the mechanism of the subsidy was as such that the OGBS purchases the wheat from the farmers at a unified price and then sells it at international market prices. According to market sources, the deal between the Lebanese government and millers today is that subsidies are applied when the price of wheat exceeds \$290 and that process' aim is to keep the prices of wheat stable.

### Yearly Subsidies Transfer to the Directorate General of Cereals and Beetroot

In millions of USD



Source: Ministry of Finance

Overall, there were periods where the DGBS made gains since the international price was higher than the subsidized price. However, in the periods where the international price was lower than the subsidized price, the DGBS would be at a loss.

| Year | Subsidized Price (\$) | International Price (\$) | Quantities Received from Farmers (Tons) |
|------|-----------------------|--------------------------|---|
| 1995 | 220                   | 194                      | 16,182                                  |
| 1996 | 267                   | 238                      | 17,515                                  |
| 1997 | 267                   | 184                      | 24,380                                  |
| 1998 | 267                   | 140                      | 29,142                                  |
| 1999 | 267                   | 150                      | 38,193                                  |
| 2000 | 267                   | 140                      | 67,323                                  |
| 2001 | 264                   | 140                      | 70,417                                  |
| 2002 | 250                   | 130                      | 66,375                                  |
| 2003 | 250                   | 150                      | 53,669                                  |
| 2004 | 250                   | 150                      | 60,728                                  |
| 2005 | 250                   | 150                      | 73,000                                  |
| 2006 | 250                   | 200                      | 65,000                                  |
| 2007 | 250                   | 200                      | -                                       |
| 2008 | 250                   | 350                      | -                                       |
| 2009 | 316                   | 200                      | 36,688                                  |
| 2010 | 250                   | 170-350                  | 10,893                                  |

Source: Ministry of Economy and Trade

The fact that the government offers subsidies allows for millers to be competitive. This is shown by the fact that the imported wheat flour imports pale in comparison with the imports of wheat. In 2015, wheat flour imports reached \$8.30M compared to \$142.52M for wheat imports.

When it comes to food security, the Ministry of Economy manages its own silo terminal at the Port of Beirut with a storage capacity of 120,000 metric tons. The Ministry is estimated to have 2 to 3 months of strategic wheat reserve.

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