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Arak, a byproduct of alchemy, has always been an essential part of the Lebanese tradition. Similar to Saki in Japan, Ouzo in Greece, and Vodka in Russia, Arak is known to be Lebanon's cultural drink. Arak is not only Lebanon's national drink. For many, it is a passion, to the point that most of the arak consumed in the country is not factory-produced, but home-distilled. Villagers in different parts of the country take pride in producing their own homemade arak, commonly known as arak baladeh.

Arak is made from Obeidi or Merwah grapes and aniseed. After the grape vines have matured, the grapes are harvested by hand between September and October, de-stemmed and crushed mechanically, then stored in barrels for 15 days to ferment.

After fermentation, the juice becomes wine, which undergoes triple distillation. The first distillation creates alcohol, the second removes impurities, and the third gives arak its unique qualities. Aniseeds are added during the second or third distillation.

Different types of stills can be used during distillation: stainless steel, copper, pot stills, and column stills. Even though each type of still affects the final taste of the arak, an authentic copper still is believed to give the alcohol its best flavor. The copper still ensures that the best aromas and flavors of the grape alcohol are evident. However, copper stills were so expensive in the past that only the wealthy were able to produce arak. It was an indication of success and sophistication. This is where Arak gets its name as Lebanon's noble drink.

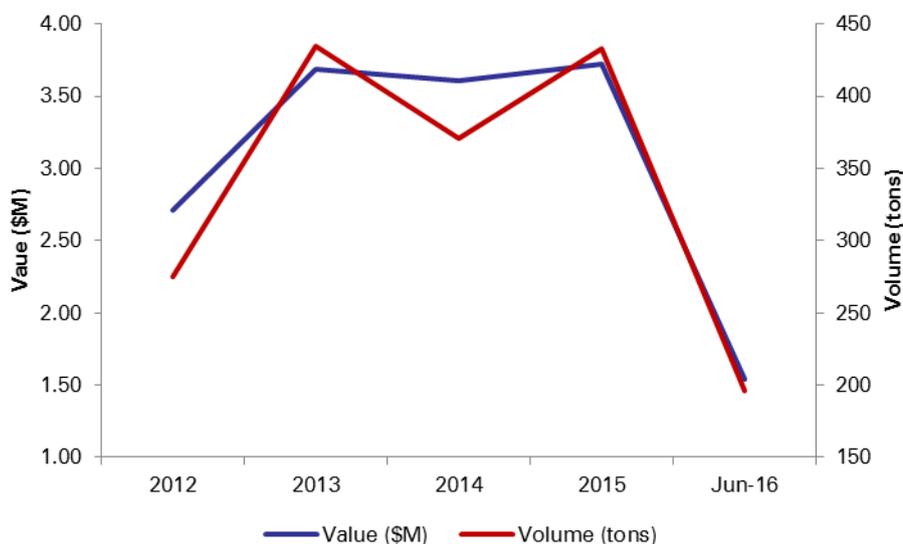
Due to the superfluous existence of homemade arak, the volume of arak produced cannot be accurately known. However, Charles Ghostine, Managing Director at Chateau Ksara, estimates annual production to be around 2 million bottles of 0.70 litres. Domaine Des Tourelles, Domaine Wardy, Fakra, and Ksara are the major producers of Arak in Lebanon. Domaine Des Tourelles produces 250,000 bottles per year of Arak Brun, Ksara produces 190,000 bottles. Domaine Wardy produces 280,000 liters annually, while Massaya produces 70,000 liters, respectively.

When it comes to the global market, 20-25% of the production is exported. Lebanon exported 433 tons of Arak, at a value of \$3.72M, in 2015, up from 371 tons at \$3.61M in 2014. Looking at the first half of 2016, Arak exports stood at 196 tons, at a value of \$1.54M.

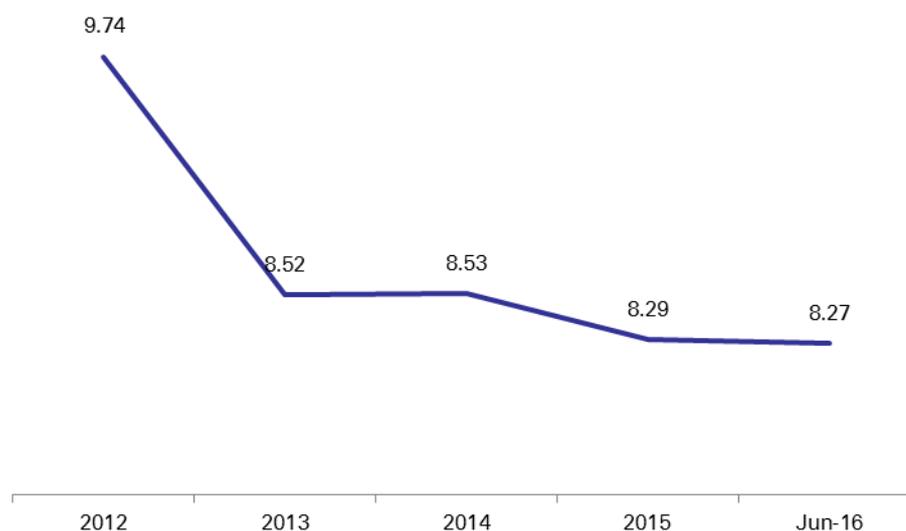
Arak exports are mainly driven by Lebanese expatriates who yearn for the real taste of their home country. 23.95% of Arak is exported to US, followed by 19.47% to UAE and 12.39% to Iraq.

Lebanese distilleries are hoping to change this trend, by making foreigners also interested in arak. However, this is somehow tough, mostly as a result of the high taxes born (70% customs) due to high alcohol content. Another factor is that arak is not appealing to foreigners as it is still considered an ethnic product.

Volume and Value of Arak Exported



Price per Liter of Arak Exported (\$)



Source: Customs

Although arak export market has been shaky, the local market has been recently expanding. Local demand for arak is growing due to the increase in the number of new modern Lebanese restaurants that are influencing the new generations positively to their perception of arak. Getting back to the traditional cultural and culinary habits is a worldwide trend appreciated by the new generations.

Even though local demand has been growing, Arak has taken a hit for a variety of reasons. Emile Issa El-Khoury and Faouzi Issa, Managing Partners at Domaine Des Tourelles, state that the costs associated with the production of Arak are high, due to the expensive raw materials used: grapes and aniseed. Most distilleries import their aniseed from the Syrian town of Hina of the biblical Mount Hermon. Due to the conflict in 2011, the price of aniseed went up, and its transportation was loaded with problems. This made it difficult for distilleries to continue with their production, leading some small producers to use lower quality anise or substitute anise with anise oil or phenyl oil. As for Domaine Des Tourelles, and to preserve its premium quality, they increased their imports of aniseed, above their need, hedging against an expected shortage in the future. Hence, to compensate for the higher costs, the distillery took advantage of economies of scale by increasing production, thereby diluting their overhead costs.

Another challenge prevalent in the arak industry is the lack of an appropriate law that regulates the proliferation of unlabeled or homemade arak. This creates an "illegitimate" competition between the low quality arak that floods the market, and the expensive premium quality arak. This is especially true in restaurants, as most of them serve homemade arak. Large amount of homemade arak is sold at restaurants that contain methanol and other hazardous ingredients as a result of improper distillation and lack of regulation.

Moreover, arak faces a tough competition from whiskey and other spirits, driving it slightly away from the traditional setting. Moreover, clients and the government alike are turning their sights towards the more glamorous and burgeoning local wine industry, leading arak to sink deeper into oblivion. Many arak producers entered the booming wine industry for prestige and marketing. However, Issa-el-Khoury claims that it is probably the other way around. Most arak producers were initially wineries, with arak being a byproduct. Wineries' infrastructure eases the launch of arak production line, in addition to the fact that arak's first stage of production starts with fermenting grapes into wine. This is why, according to the partners at Domaine Des Tourelles, wineries have found that entering the arak industry would be a lucrative move.

Despite this, arak industry is not at risk. Arak is the only drink that can be claimed to belong to Lebanon's culinary heritage. No Lebanese mezze table, formed of a jigsaw puzzle of little plates, is complete without the arak pitcher.

One of the main strengths of Arak is its ability to clear the palate, making itself the only beverage that can be a loyal companion throughout a meal. Wine and whiskey tend to clash with myriad flavors that form the Lebanese cuisine, while arak washes the taste buds, refreshing the palate for each new dish. This is what makes it such a good option during meals and this is why a lunch served with arak could easily extend to a 3-hour-meal.

Hopefully, Lebanese will support the arak industry in the future for the sake of Lebanon's heritage, in a similar way that the French support their winemakers. Like any other alcohol, arak should follow minimum requirements and technical procedures. The absence of a regulating law is keeping the arak market under a chaotic reality whereby premium labeled arak, whose costs of production are high, are penalized by the bulk and low-quality counterparts.

Just as Lebanon's major wine producers joined efforts to form the Union Viticole du Liban (UVL) to promote Lebanese wine, arak producers, should form a league to promote the story of arak. The league could capitalize on arak's traditional roots to maintain its base of older drinkers while appealing to a younger generation. Once arak consumption is revitalized in the local market, it will become easier to promote it to the global market through tourists. Moreover, Issa and Issa-el-Khoury suggest launching arak internationally as a worldwide spirit to be used as an ingredient in cocktails, the same way gin, rum, or vodka is used.

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