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### **Contact Information**

Junior Analyst: Dina Antonios

[dina.antonios@blominvestbank.com](mailto:dina.antonios@blominvestbank.com)

Head of Research: Marwan Mikhael

[marwan.mikhael@blominvestbank.com](mailto:marwan.mikhael@blominvestbank.com)

Research Department

Tel: +961 1 991 784

Lebanon is renowned for its opulent olive orchards dating back centuries. Olive trees occupy almost 5.4% of the country's territory. Olive groves are grown in 6 major regions, extending from North to South: Batroun, Koura, Zgharta, Akkar, Rashaya el Foukhar, and Hasbaya, in addition to several other subordinate areas. More specifically, around 41% of olive oil production takes place in the North, followed by Nabatieh with 21% of total production, 15% in the South, 13% in the Bekaa, and 10% in Mount Lebanon. Each region offers its produce a special taste native to the specifics of its land. There are about ten olive varieties grown in Lebanon, which produce high quality, flavorful oil.

The olive oil sector in Lebanon is divided into 2 main parts, branded olive oil versus bulk oil (sold in small tanks or containers). The evolution of demand between those 2 fields has changed throughout the years. In fact, according to lead market players, 5 years ago, demand for bulk oil grasped almost 80% of the total, while branded oil took the remaining 20%. Nowadays, the younger generation prefers the latter; hence demand for bulk dropped to almost 50%.

The demand of hotels, restaurants, and catering services is a major one, however it varies greatly from year to year as it is highly affected by tourism. This demand is satisfied either through direct sales channels or by olive oil traders who specialize in lower quality oil. Finally, the retail market is generally accessed either through distributors or through the brand owner's own contracts.

In terms of supply and production, there is a large asymmetry in information in the olive sector. To begin with, according to Mr. Sleiman Daher, president of olive oil cooperatives in Lebanon, the project funded by the Italian Embassy in Beirut suggested that olive land is about 31,400 hectares, while the Ministry of Agriculture states that olive trees cover an area of 58,000 hectares. Moreover, as stated in IDAL, almost 30% of olive oil is considered to be extra virgin, while sources admit that actually less than 3% match the requirements of extra virgin.

Prior to IDAL's support for this sector, olive oil production used to be measured between 5,000 and 8,000 tons per year; however, according to IDAL, in the past few years, production has reached more than 30,000 tons per year. When compared to other countries in the region, for example, these numbers can pose a certain question mark. In fact, the olive growing area in Jordan is estimated at around 64,000 hectares, larger than Lebanon's, with an average annual olive oil production of 23,000 tons.

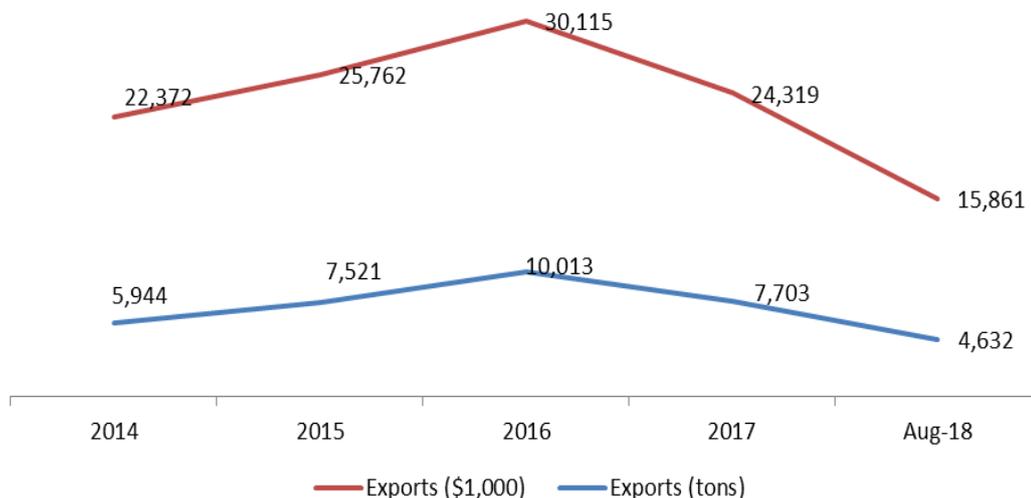
The public sector has been trying to support the olive oil sector through purchasing almost 150,000 tanks of olive oil for the Lebanese army. However, according to Mr. Daher, the government should not be supporting the olive oil sector and instead shift its focus on the olive farmers, as the former's strategy could lead to traders importing from neighboring countries to satisfy the demand. In fact, some traders are importing from other countries and branding that oil as their own, fooling people into thinking that it's Lebanese oil. Many sources converge that traders are importing huge amounts of olive oil exports in order to export them through IDAL.

The quality of olive oil should be tested, to educate the consumer on the product being bought. Although the first Lebanese National Laboratory for Olive Oil Testing was inaugurated in June 2014 in Kfarshima by the Agriculture Ministry, in line with the Italian Project. Mr. Daher said that this laboratory is not being used.

Moreover, according to Mr. Daher, the Olive sector in Lebanon is at risk. Mr. Daher tackles several reasons behind this statement. Firstly, the average age of an olive oil farmer is approximately 65 years and less than 1% of olive farmers are below the age of 45. As alarming as it may seem, when surveyed, 95% of olive landlord's children admitted that they wouldn't continue in the family business as olive and olive oil production does not provide them with any healthcare insurance (NSSF).

Moreover, olive trees in Lebanon no longer produce the same quantities they used to in previous years. This can be explained by the fact that farmers are no longer investing in those trees and buying fertilizers. The increasing urbanization in the country has cut down the olive area. Given that the cost of drip irrigation is high coupled with the fact that farmers are not able to pay for fertilizers, olive trees' productivity has decreased throughout the years.

Olive Oil Exports



Source: Customs

On the international front, Lebanon has been a net exporter of olive oil for more than 5 years, with a surplus in the trade balance of \$15.62M, up to August 2018. Olive oil trade balance stood at \$22.87M in 2017, 4% lower than its value in 2016.

The lower yield of olive trees can be considered the main driver behind the 20% yearly drop in olive oil in 2017. Lebanon exported 4,632 tons of olive oil by August 2018, worth \$15.86M. In 2017, olive oil exports stood at 7,703 tons worth \$24.32M, compared to 10,013 tons worth \$30.12M tons in 2016. By August 2018, 25% of Lebanese olive oil exports were sent to the US, 15% to Kuwait, and 10% to the United Arab Emirates.

On a different note, according to market leaders, several factors affect olive oil’s price. Firstly, the variability of the productivity by nature of the crop, as well as the current practices of the farmers plays an important role in price determination. Moreover, the higher the amount of oil we’re importing from other countries, the lower the prices. Worth mentioning, olive oil imports from Europe are subject to a 70% import duty. The price of olive oil in Lebanon is higher than any in the region. In details, the Lebanese olive oil costs \$7.27/Liter, as labor force is more expensive in Lebanon than any in the region. Furthermore, depending on the region the price of milling changes. In fact, milling per tank costs LBP 25,000 in Chouf, LBP 22,000 in Jezzine, and LBP 8,000 in Zgharta. This discrepancy in milling has also caused a difference in price of local olive oil.

The Lebanese olive oil sector faces several challenges. Olive oil in Lebanon now has its own genomic imprint, yet traders and cooperatives are not willing to use it. Most probably in cheating in olive oil can explain the rejection of such a solution to protect the identity of domestic oil. Moreover, farmers and traders suffer from the high competition of Syrian olive oil as well as the rising expenses the company faces.

The olive sector in Lebanon is in need of imminent reforms to improve the sector. The government should Support the olive trees and not incentivize the deceit in olive oil exports. Moreover, in an attempt to increase olive oil's marketing and allow it to compete with international makers, Lebanese cooperatives could find a unique imprint for every region in the country.

**For your Queries:**

**BLOMINVEST BANK** s.a.l.

Research Department Bab Idriss,  
Weygand Str. POBOX 11-1540  
Riad El Soloh Beirut 1107 2080  
Lebanon

Dina Antonios, Junior Analyst

[dina.antonios@blominvestbank.com](mailto:dina.antonios@blominvestbank.com)

+961 1 991 784

Marwan Mikhael, Head of Research

[marwan.mikhael@blominvestbank.com](mailto:marwan.mikhael@blominvestbank.com)

+961 1 991 782

[research@blominvestbank.com](mailto:research@blominvestbank.com)

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