Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 4/12/2001

GAIN Report #LE1003

LEBANON

Grain and Feed

Report

2001

Approved by:
Thomas Pomeroy
U.S. Embassy
Prepared by:
Jaber Dalati

Report Highlights:
Lebanon imports most of its wheat - importing about 400,000 MT and consuming 450,000 MT/year. Imports are controlled by Government licenses, but almost all purchases are now made by private millers. The private sector imports 60,000 to 100,000 tons of barley, 300,000 tons of corn and about 50,000 tons of rice per year.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Cairo[EG1], LE

Wheat:

PSD Table						
Country:	Lebanon					
Commodity:	Wheat					
		1999		2000		2001
	Old	New	Old	New	Old	New
Market Year Begin		07/1999		07/2000		07/2001
Area Harvested	10	10	10	15	0	15
Beginning Stocks	0	50	0	60	0	90
Production	20	30	15	60	0	60
TOTAL Mkt. Yr. Imports	400	400	400	400	0	400
Jul-Jun Imports	400	400	400	400	0	400
Jul-Jun Import U.S.	190	190	0	170	0	180
TOTAL SUPPLY	420	480	415	520	0	550
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	420	420	415	430	0	450
Ending Stocks	0	60	0	90	0	100
TOTAL DISTRIBUTION	420	480	415	520	0	550

Production

Trade sources estimate annual wheat production at 20,000 to 30,000 tons. However, in the year 2000, the Office of Cereals bought about 60,000 tons from the local crop. The same trade sources believe that some of the wheat may have come from Syria or may have been sold more than once to the Government. Local production is mainly concentrated in the Beqa' Valley. Planted area is estimated at 10,000 - 15,000 hectares, mostly rainfed. The Office of Cereals buys wheat from the local producers at 400,000 Lebanese pounds (L.L.), about USD 267 per MT assuming an average exchange rate of 1,500 L.L. per USD. This price is intended to be high enough to provide an incentive to farmers to plant wheat and close to the price paid to the farmers in Syria to prevent smuggling of wheat across the borders.

Consumption

Lebanon requires roughly 400,000 MT of wheat per year for milling (official statistics are not very reliable, but this figure is used by the Government and the trade). About 40,000 MT of wheat are used as crushed whole wheat for local recipes and most of the rest goes to mills to grind into flour and bran. There are twelve mills in Lebanon with a total daily milling capacity of 4000 tons, triple the level of consumption needs. Thus, on average Lebanese mills work at a third of full capacity. Millers prefer a blend of 65 percent hard wheat and 35 percent soft wheat. The average extraction rate for Arabic bread production is 78 percent. The Government used to pay a cash subsidy to consumers to help them buy bread, but this system (which cost the government about $ 60 million/year) was terminated in 1991. At present, consumers have to pay a high price for bread because millers have to pay a commercial price for imported wheat and a higher price for wheat purchased from the Office of Cereals. The price of flour and bread is set at a level to provide modest profits, based on the cost of wheat, to millers and bakers. In the last few years, the Office of Cereals gained considerable revenue by importing wheat and reselling it to millers at a high price. The government set a price of 400,000 LL (about $ 267) for buying wheat from the farmers and resells this wheat to the mills for the equivalent of about $ 300/MT - twice the international price. The Government sets a maximum price of flour sold to the bakeries at 460,000 L.L. (USD 307)/MT. The government also sets price for bread, currently 1000 L.L. (USD 0.67) per kilogram.

Trade

Millers indicate that wheat imports have been fairly stable, but have gone up slightly, to about 400,000 MT during the last year. Official Lebanese trade data reported imports of about 340,000 tons of hard wheat in CY 2000, of which 125,000 tons came from the United States. Soft wheat imports were reported at 68,000 tons, of which 46,000 MT came from the United States. Argentina and Australia are the major other suppliers of hard wheat. Argentina and Kazakhstan are the other suppliers of soft wheat. Importers are now permitted to import four MT for every MT of high priced wheat they buy from the Office of Cereals (a year ago, importers were permitted only three MT of wheat for each MT bought locally). The Office of Cereals used to import about 50,000 tons of wheat per year from the United States, but there is now little need for the Office of Cereals to import wheat, since it gets all of its needs from local sellers. Private millers and some government officials would prefer to have private mills import all of the country's wheat needs. The Office of Cereals bought on CIF basis through tenders. It required a certificate of origin, and a phytosanitary certificate with wheat shipments. The USDA Federal Grain Inspection Service (FGIS) certificate, issued at the port of loading satisfies the requirement. Customs duties on wheat imports were abolished in November 2000. Private sector wheat importers, once they have a license, may specify their wheat class and quality requirements according to their needs. Lebanese millers have often cooperated in joint shipments of 15,000 to 20,000 MT vessels. About 80 percent of wheat imports are hard wheat - mostly from the United States, Australia, and Argentina. Soft wheat imports usually come from the United States and Argentina. In CY 2000, the United States provided about 64,000 MT of wheat (mainly HRW wheat and some Dark Northern Spring wheat) under the 416b program, which was sold to the millers, with the proceeds used in assistance programs to private voluntary organizations. Millers were generally very happy with the quality of the donated wheat. The wheat was distributed based on import quota shares for millers. Although there are concerns about lack of available storage at the time the food aid came in, the grain was reportedly unloaded and distributed without demurrage. High quality flour is imported from Germany, Italy, and France for specialty uses, such as French breads and pastries and buns for fast food outlets. Total flour imports during CY 2000 were reported in official Lebanese statistics at 13,486 MT of high quality flour. The policy of permitting the private sector to import high quality flour for certain industries is likely to continue, although some millers have considered upgrading so that they can make this type of flour locally.

Import Trade Matrix			
Country:		Units:	
Commodity:			
Time period:	CY		
Imports for	1999		2000
U.S.	166,364	U.S.	170,512
Others		Others	
Ukraine	72,674	Australia	89,235
Australia	63,479	Argentina	107,149
Canada	24,612	Croatia	23,283
Kazakhstan	19,572		
Hungary	17,834	Kazakhstan	11,497
Russia	11,890	Rumania	4,712
France	1,022	Ukraine	1,311
Turkey	680		
Other Countries	10606		
Total for Others	222369		237187
Others not listed			
Grand Total	388733		407699

Stocks

The Office of Cereals seeks to maintain a national reserve sufficient for two months. The Beirut port silos that has 120,000 MT of capacity. Millers also are allowed to rent storage space at the silos. Millers also have private storage at their mills, estimated to total nearly 100,000 MT of wheat storage capacity.

Marketing

It is likely that the Government will continue to fix the price of wheat for farmers and to continue to fix the price of flour and bread. However, it is likely that imports will be by the private sector.

BARLEY

Barley production in Lebanon is negligible. Imports are used for cows and sheep feed. Lebanese official statistics report imports of 58,738 MT in CY 2000 mainly from Ukraine, Germany, Russia, Belorussia, Turkey and Bulgaria. Trade sources believe imports were higher, ranging from 80,000 to 100,000 MT per year. In the year 2000, some barley rejected by Syrian authorities was sent to Lebanon. Barley is used mainly for cattle and to a limited extent in poultry feed rations if it is cheap relative to corn. Customs duties on barley imports were abolished in November 2000. In January, the price of Black sea barley was reported at about $130/MT c&f. The price from Iraq was $125 to Syria and $135 from the EU in January. Prices for barley from Iraq have dropped to about $ 107/MT in March.

CORN:

Except for sweet corn, corn production is also negligible. Trade sources estimate the local requirement at 300,000 - 350,000 tons of corn per year, mainly used as poultry feed - an industry which has been relatively stable in the past few years. There are three main importers of corn. Most poultry operations do their own feed compounding. There is also some consumption by dairy cattle (about 4,000) which were imported recently. Official trade statistics reported imports of 286,775 MT in CY 2000, 68 percent came from the United States, 21 percent from Argentina and the balance from Romania and Bulgaria. One large importer said that Argentinian corn is cheaper from March to May but the U.S. corn is cheaper for most of the year. Prices of U.S. corn have ranged from 110 - 115 $/MT c&f since January 2001. Sometimes, imports are in mixed cargoes destined for neighboring countries (Egypt) as well as Lebanon. Customs duties on corn were eliminated in November 2000.

RICE:

Rice is not produced in Lebanon. According to Lebanese import statistics, Lebanon imported about 45,000 MT of milled rice valued at 18 million dollars in CY 2000. Italy was the major supplier (20,597 MT), Egypt (8,629 MT), Thailand (6,002 MT), China (3,675 MT), Australia (2,362 MT), and the United States (1,829 MT). The balance came from Pakistan, Japan, India, and Spain. Lebanon also imported 3,980 MT of brown rice in CY 2000 for further milling mainly from Thailand, Egypt and Pakistan. Lebanon also imported 334 MT of paddy mainly from Egypt.

Lebanon consumes medium grain rice, usually 0 to 3 percent broken - maximum 5 percent broken. Parboiled long grain rice, formerly largely from the United States, now comes largely from Thailand, India, and Pakistan. There are small imports of basmati rice from India and Pakistan. Other white long grain rice has been tried but does not have much consumer demand. Customs duties on rice have been set at five percent. Due to current low Egyptian rice prices, low freight cost from Egypt, lack of customs duties (under the Egyptian Lebanese free trade agreement), and the acceptance of Egyptian rice by the average consumer, trade sources believe that Egypt will be the number one supplier of rice this year.