

Agriculture in the context of Lebanese economy

EXECUTIVE SUMMARY

1. In spite its relative reduction since thirty years, Lebanese agriculture still represents an important sector in the economy of the country: It provides between 6 and 12 % of the GDP, representing 20 % of the total exports and even 30 % when considering agro-food industry. Agriculture in Lebanon remains however far from satisfying the needs of the country, since the food bill constitutes 20 % of the country imports contributing in the deficit of the commercial balance (with 15 % of the deficit is for the agro-food trade).
2. However, the macro-economic setting and geo-strategic of Lebanon doesn't encourage agriculture. Indeed, the country is highly indebted and the service of the debt absorbs about the half of the budget of the state, letting little space for an affirmed macro-economic policy. The overestimation of the exchange rate doesn't improve the competitiveness of the Lebanese agricultural products, on both the external and the domestic markets.
3. The numerous commercial agreements signed with the neighboring countries or the regional entities (AFTA, Euro-Mediterranean partnership) and the preparation for the participation in the WTO, whose effects of implementation will be felt very soon, limit the possibilities of reviewing the present levels of custom tariffs and subsidies (though there remain possibilities of adaptation) which is essential to hinder the negative impact of the over estimated exchange rate.
4. Finally, the small budget of Ministry of Agriculture (MOA) (less than 1 % of the general budget), and its affiliated institutions namely the Agricultural Research Institute of Lebanon (ARIL) and the Green Plan, limits severely the capacities to improve or develop the sector. The budget of the Ministry of Agriculture and affiliated institutions should not mask the role of other ministries to the agricultural development. The Ministry of Energy and Water in charge of the irrigation infrastructures, Ministry of the finances (wheat), Ministry of the trade (tobacco), etc. Coordination among all those institutions is difficult. In addition rural development programs implemented by many donor agencies reaches annually 50 millions of USD, of which an important part goes to agricultural development, adds to the unplanned disbursement and do not improve the country's capacity for absorption.

Characteristics of Lebanese Agriculture

5. Yet, the Lebanese agriculture presents a strong originality in the region. In spite of the small dimension, the country is characterized by various agro-climatic conditions, changing from subtropical in some zones with moderate winter, to temperate climates with cold winters in others. This climate allows a wide range of production from temperate to exotic products. Water is still abundant and more than half of SAU are irrigated, thus attenuating the natural risk. Soil texture in plains is of good quality and the production techniques used are sometimes advanced with an increasingly intensified production.
6. However, this agriculture is facing strong constraints bound to on the obsolescence and inertia of its structures. First of all, land structure is fragmented, with a vast majority of small exploitations (less than 1 ha, 80 % of the exploitations and 20 % of the SAU). These small exploitations are mainly cultivated to satisfy the farmer's family consumption and their neighborhood. In fact, less 20% the exploitations have an autonomous capacity of investment
7. .The agronomic practices are not precise and effective. The plant genetic material aged, and animal health and nutrition are deficient. However, in all domains, one attends technological "jumps" implemented by motivated private individuals and endowed of financial capacities with high managerial skills. These reached remarkable technical and economic performances, which proved the existence of high potentials in the country, in spite of the relatively high cost of production factors (ground, work and capital). The possibility for the country to benefit from such situation is associated to the significant adoption of the advanced technologies already practiced.
8. The high cost of production factors increased the abandon of the agricultural lands, which started thirty years ago and has affected more than 25 % of the SAU. The population working in agriculture aged, thus leading to the problem of changing generation with heritages which adds to land confusion (more 15 % of the grounds are under litigation).
9. Marketing channels are not transparent and follow the old retail system. Thus reducing the farmer's income, and limiting the interaction of pioneer agricultural holdings with the market. This is mainly due to the lack of accurate information regarding market transactions, and increased number of constraints. Based on previously mentioned issue, the economic risks slows the efforts of agricultural modernization. The opportunistic behavior of the actors involved in marketing, processing, and export levels accentuates the economic risk. However, an evolution in the demand structure (large distribution, export to markets with high incomes) starts to develop, and is still restricted to a limited number of farmers, without leading to significant changes at the present time.

- 10 Lebanese agriculture presents itself therefore like a sector in crisis with germs of visible changes and sure margins of progress, but does not involve all farmers in the same way. Without a policy adapted to the diversity of the situations, the relative decline of the sector will continue since a strong modern agriculture will have difficulties to settle and survive. The positive technological trends noted in the past on long period already shows breathless signs that can get worse

Operation of the sector

- 11 The agricultural sector, in spite of the passivity of its environment, remains a dynamic sector. That is in the middle of the weakness of the sector; one meets individual initiatives capable to guide the way toward “an agriculture of precision”, of high technology, leading to niche production rather than mass production. This niche production is characterized by its high quality, and its added value and its capacity to cover the costs of **the domestic factors**. But such a positive progress is faced by the short term opportunist behavior of the majority of the operators (agriculturists, agricultural services, associations, cooperatives) which is mainly due to the absence of a strategic vision and a clear role of the government. One notes also that the interventions of the government and donors agencies are multiple and costly, however inefficient and uncoordinated and with no clear monitoring and evaluation. Most of the support to the sector is through resource distribution to the sector’s operators without any previously set criteria
- 12 Without an adequate policy leading to a long term perspective, the economic and social role of agriculture would strongly decrease, wasting the available natural resources namely water, increasing the food invoice and deteriorating the environment. Savings the government believes to make by applying an unplanned policy appears to be expensive on the medium and long term. Indeed, if current conditions prevail, without the application of relevant measures, modernization and support of the production chains, the resulting situation will resemble much the present situation. Thus the surface area of neglected agricultural lands is greater, number of part – time and aged farmers increase and improvements of the production performance remains limited. Lebanon will be become a net importer in all products.
- 13 An unclear agricultural policy, without significant means and a long term vision, looking more for the status quo rather than a political consensus, would certainly allow a modest growth of the production agricultural. Such a condition would have a small chance to meet the local demand, even with the currently exported produce. Thus, the economic role of sector would become negligible, and the country will be almost dependant on imports. This situation will increase rural migration and degradation of natural resources (soil erosion, desertification, water waisting, etc.).
- 14 On the production level, the priority will be given to the use of water resources, accompanied by the conservation of the soil and modernization of production techniques on improved land structures.

(a) To mobilize water and rationalize its use

Studies and forecasts revealed a deficit in water availability by year 2015. The amount of water needed for irrigation will be more than 60% of the available water resources. Improve water conservation and reduce water pollution which already appears will become an economic and social need. However, programs to mobilize the resources are still minimal and the role of micro-hydraulics is underestimated. The use of modern irrigation techniques at the farm level will become more economic if applied. The present legal framework must be reviewed and amended to recover the cost of water and create water users associations to manage water use and prevent water overuse.

(b) Adequate use of land

The land and occupation of the land must be followed attentively to help in the conservation of the soil and its fertility and fight against erosion and pollution. The land remains a major problem and long to solve, but incentives exist.

(c) Use of effective techniques

Improving agricultural production namely quality and quantity will be possible using certified plant material of high productivity and by applying precise and effective agricultural techniques. The division of the territory into homogenous zones could be a mean to improve the effectiveness of a large number of farmers through the application of improved agricultural techniques adaptable to each zone. The progress of the techniques used is related to capacity building and relevant coordination of the available resources.

15. In the context of the proposed strategy the development of both marketing and food chain production becomes a must to absorb the increased production. First of all, one will seek for more specialized chains of production while encouraging information dissemination, competition and economies of scale. As well as reinforce the economic efficiency of the production chains by improving the techniques used at all levels of the production chain including the gross market.

The voluntary inter-professional organization of some production chains in form of commercial companies with which will be able to associate efficient cooperatives should be encouraged according to the specificities to valorize Seeking for a high added value implies developing a policy of quality and implementing norms and standards

16. With respect to the organization of the agricultural sector and its link to socio-economic activities of the country, it is essential to integrate the particularity of the territories in rural and agricultural development in order to get acquainted to the prevailing production systems used and the vocations by natural areas. One will be able then to recognize and develop the local initiatives in each area. In this context, decentralization will have a practical form and the role local authorities (namely municipalities) will be concrete.

In general, public and private institutional settings will require amendment and modification. The Ministry of Agriculture requires restructuring and setting a better coordination system with the other ministries. At the same time, professional organizations should, with adequate means, find a legal status for the farmer. These changes will open the way with systematic participation of all the

actors and allows a good link articulation between rural and agricultural development at the economic, social and environmental aspects, that are and allowing to develop other agricultural related activities (tourism, processing and services). 1

17 The implementation of a sectoral strategy requires the interventions on various levels:

- (a) Agricultural policy: resource development, effective technical techniques, modernization of infrastructures, search for economies of scale, cost recovery of the costs and responsibilities undertaken by actors, promote competition and information, reduce natural, economic and moral risks, implementation of norms and standards...
- (b) Institutional Reform: review of laws and legislations related to: water, land, mass market. Decentralization, restructuring and reorganization of the Ministry of Agriculture, and coordination of programs,
- (c) Public Investment and motivation of private investment: master-plan for hydraulics, management of basins, improve real state, infrastructures, financial motivation of private investments based on acceptable projects, transfer of human and financial resources to regional administrations, implementation of national program to develop selected agricultural produce...
- (d) Good management: decentralization, limit administrative centralization, interdepartmental coordination, contracting programs, and structured dialogue.

Some proposals capable to stimulate the changes

18 The main objective of the agricultural strategy is to strengthen the Lebanese agriculture its strength. In this purpose, attention should be given to increase the capacity of absorption of the sector and all related activities. This requires an emphasis and success in projects/programs implementation. One must pass from a logic of "counter" (passive distribution without counterpart) to a logic of "project" (mobilizing proposal and shared responsibility), thus linking decision makers to grass root people, allowing a participatory approach in project implementation and decision making. The logical link between "strategy-policy-program-projects" will allow an effective achievement of the set objectives. On the other hand the efficient use of the available resources is associated with the smooth link between the set strategy and related programs and means used to implement the related programs and projects. Projects constitute a concrete form of the political will, applied to meet a certain objective at a given time. It is important to state that new means and tools should be created to coordinate among the different initiatives manage them and ensure sustainable funding sources.

- 19 In the current situation, three practical institutional innovations to support the synergies are relevant:
- (a) Create a system to collect and treat information and analyze programs and projects (from identification to the ex-post evaluation). Projects could be for agricultural or rural development, and follow-up the adopted strategy.
 - (b) Decentralize decision making related to agricultural or rural development, to allow a better coordination among all actors and a more effective targeting of the projects financed by both the public funds and private funds. This will create a synergies at the regional level.
 - (c) Develop national programs for the major agricultural produce, to increase their production, and add to their competitiveness compared to external product. This will be achieved by mobilizing and coordinating the available means, and supporting specializations.
20. A more effective role of the government in supporting the agricultural strategy will be locating additional sources of finance. In addition to the three innovations stated above, two new financial innovations can be implemented to mobilize new financial resources and reinforce agricultural or rural development (while remaining within the WTO obligations). The two new financial innovations are:
- (a) Set a reasonable tax for the real estate, in order to secure the real estate, and motivate land market and to acquire financial means that can be employed by local communities (municipalities, caza, mohafaza), and
 - (b) Establish a special tax on agricultural produce (local or imported), with a condition to employ those amounts to fund programs, in order to improve the competitive value of those agricultural produce ("green box" in terms of WTO).