September 2025 Number 85

LCPS المركز اللبناني للدراسات
The Lebanese Center for Policy Studies

Policy Brief

Agriculture and Agrofood

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This policy brief is part of a series of nine sectoral studies developed by the Lebanese Center for Policy Studies (LCPS). The lead author of this series is Senior Economic Researcher Lina Maddah, with the contribution of Executive Magazine. The aim of this series of briefs is to examine the impact of Lebanon's economic crises on key economic sectors and present recommendations that can assist with private sector recovery. This series was developed with the support and contribution of the Lebanese Private Sector Network (LPSN) and in collaboration with Executive Magazine.

Introduction

Lebanon's economic crisis, exacerbated by the effects of the COVID-19 pandemic and the Beirut port explosion, has caused a devastating ripple effect, wrecking the well-being of its citizens with skyrocketing unemployment rates and widening economic gaps. A new economic model, where the private sector becomes the driving force in the market and the center of the economy, is urgently needed to ensure balanced growth across all sectors. This multifaceted strategy should leverage Lebanon's comparative advantages in different sectors and areas to create jobs and secure sustainable growth.

Sector Overview

Agriculture as a constituent of Lebanon's real economy has unused potential for serving domestic needs and generating ex-ports. The sector is defined through land surfaces available for cultivation that are fertile, but by international comparison small in aggregate, as well as being fragmented among smallholders. The sector is beset with natural and cultural limitations and not included in the 20th century national priorities under the prevalent, trade-and-services-focused political mindset, which has undervalued agriculture as a vital national resource for at least 60 years.

With anecdotal private exceptions during the 1975 to 1990 conflict period when some industrialists encouraged their workforce to cultivate areas with crops while other economic production was stifled, the entire industrial and agro-industrial sector seems to have been overshadowed by the services economy that accounted for most economic growth starting from the 1960s. Policy support and institutional (ministerial) support for agriculture and industry was paltry since the beginning of reconstruction in the early 1990s and innovation needs of agriculture and agro-industry until today did not enjoy the political currency that would have boosted the sector. International collaboration agreements and agricultural export institutions in the post-conflict reconstruction period and throughout the 2000s and 2010s allegedly have been mired in waste, inefficiency and corruption.

Lately, agriculture has been an inadvertent beneficiary of crisis factors from the impact of Covid-19 on Lebanon, to the collapse of the financial economy and escalating impoverishment of the population. Moreover, global factors related to cli-mate concerns and international crises, most prominently the Ukraine-Russia war, have put agriculture into the spotlight as a lever for the improvement of Lebanon's food security, alleviation of social problems, and creation of rural livelihoods and jobs.

The role of agriculture for cultural integrity and environmental protection is also receiving more attention than in preceding decades, but more tangibly, the contribution of agriculture to Lebanon's GDP has been elevated in recent

years by more than a percentage point to an assumed 5 percent.[1] Between 20 and 25 percent of the resident population derive some income from agriculture, estimates say, through stable jobs (12 percent of the labor force), and in the form of subsistence or occasional activities where 13 percent of the economically active engage in unpaid agricultural labor, day-labor, or seasonal labor. According to the International Labor Organization, agricultural labor is dominated by informality to the tune of over 90 percent; the highest rate of informality among all sectors.

While rural areas do not account for a large share of overall GDP, up to 80 percent of the GDP of rural areas is derived from agricultural activities (Akkar, Dinniyeh, Northern Bekaa). The Food and Agriculture Organization (FAO) identified the agro-food sector as a source of growing employment in the country, contributing an estimated 5 percent to GDP in 2021. Earlier estimates for 2018 say that agro-food accounted for 38 percent of industrial output and 2.9 percent of the nation's GDP, making it the largest single contributor to the industrial sector's output. The majority of Lebanon's industrial firms, roughly 1,245, are in the agro-food sector, with Mount Lebanon Governorate housing almost half of them. In 2019, agro-food exports made up 12.4 percent of industrial exports and 11.7 percent of all exports.[2]

Challenges

Antiquated farming techniques, lack of sophisticated machinery, financial co-dependencies on suppliers of imported inputs such as seeds and pesticides, weak infrastructures, and inequities in trade organization further along the food value chain have for a long time hurt agricultural producers and society through food loss, food waste, and needless restraints on productivity and profits. Further obstacles have been imposed by the lack of regulatory support, policy support, political support, and institutional support on various levels from irrigation networks over testing labs, and domestic market organization to export and trade credit insurance.

Starting in 2019, the multiple crises in Lebanon have posed major new difficulties for farmers and agro-food producers. A temporary competitive advantage for producers and exporters arose through the lowering of labor costs around 2020 and 2021 but has since largely been eroded. Substitution of imported foods through domestic production – a potential and coping strategy that was hotly debated immediately after the collapse of import finance and purchasing power – was outpaced by economy-of-scale factors and exploding costs of inputs. In more recent debates, the importance of addressing the water-energy-food nexus has been highlighted by the increased cost of fuel and water.[3]

The reorganization of finance, the activation of insurance policies such as crop insurance, and attracting investments have become pressing needs.

1 Food and Agriculture Organization, Lebanon: http://www.fao.org/lebanon/fao-in-lebanon/lebanon-at-a-glance/fr/

2 IDAL - Sectors in Focus - Agri-Food (investinlebanon.gov.lb)

3 Executive Magazine, November 2022

Production of seedlings, cooperative processing capacities and market access (domestic and outbound) are in need of improvement. Agricultural credit and financing structures, which have been degraded through cash-on-hand and dollarization trends, are in total disarray and the sector is beset with dangers of foreign aid dependency. The social inclusion and protection of smallholder producers, part-time farmers, and rural laborers needs to be developed.

Agro-food processing firms face specific challenges, gaps in supply chain infrastructure, inadequate primary processing, storage, and distribution facilities, insufficient linkages between producers and the market, inability to forecast fixed and operational production costs, alongside labor and skills shortages, especially for semi-skilled and skilled workers in the agro-food sector.

Entry barriers to agricultural entrepreneurship include high start-up expenses, fragmented rural infrastructure, unfavorable working conditions, and the unfavorable perception of farming as an occupation.[4]

4
Maddah (2022), The Impact of Multiple Crises on Necessity-Driven Entrepreneurs in Lebanon's Rural Areas – Rashayya, Hidab and Fnaidek, Policy Reports, The Lebanese Center for Policy Studies (LCPS).

Opportunities

Adoption of organic farming, digitization, increased use of renewable energy, improved supply chain transparency, and development of sustainable irrigation systems are all areas that present opportunities for growth.

An increasingly sophisticated agro-food industry with a growing number of sustainability-focused producers creates a demand for workers with advanced entrepreneurial, technical, and managerial abilities, digital savviness, marketing and business expertise, and knowledgeable of quality assurance procedures and equipment maintenance.

Cross-sectoral fertilization can boost private sector growth in rural areas: on this premise, private sector enterprises can capitalize on opportunities of eco-tourism with niches such as wine and olive tourism and traditional crafts, as well as cultural activities that include creativity and innovation.

From the perspective of economic diversification, the agricultural sector has potential to increase the average complexity of the country's production. A paper by LCPS identified seven complex target products in the foodstuff communities that are attainable given the country's productive knowledge (ice-cream, sausages, preparations of animal feed, extracts of coffee, tea, or maté, cigars, cotton, seed, and oil cake).[5]

Private sector enterprises and new entrepreneurs can (and have been found in recent years to) engage in exploration and development of new verticals in the agricultural economy, such as legumes and preserves, spirits, durum wheat products, Mediterranean herbs and spices, and other niche products. The sector has proven export potentials in areas such as wine, olive oil, dried fruits and nuts, chocolate, and dairy products.[6]

5
Ezzeddine, N. (2017): Missed Opportunities amid Great Potential in the Agro Food Sector, The Lebanese Center for Policy Studies (LCPS)

6
IDAL - Sectors in Focus - Agri-Food (investinlebanon.gov.lb)

Policy Recommendations

Past and current master plans such as ministerial strategies have iterated abstract insights and theoretical targets. Current strategies are void of promise due to absence of budgetary certainty. Private sectors should engage the public sector under a viable agricultural vision and strategy that includes bottom-up, top-down, and middle-out approaches:

Agriculture Sector

1. Prioritize the agriculture and agro-food sectors, and their human capital, to ensure a sustainable and competitive sector.
2. Enhance agriculture's reputation as a field that can provide career opportunities supported by R&D in innovation and technology, thereby attracting young minds to enter the sector.
3. Through collaboration of industry with academia and technical education providers, ensure a better alignment of education and skills to the evolving needs of the agro-food sector, which is critical for the sector to be sustainable and competitive, including entrepreneurial and digital skills.
4. Reinforce and enlarge the capacity of local policy-makers (mainly municipalities) to meet the current and future demands of the agriculture and agro-food sector.
5. Introduce innovative smart agriculture strategies that promote the adoption of new technologies and automation of processes, to encourage young people in rural areas to enter the sector, coupled with specialized training programs and financial incentives.
6. Apply sustainable practices with high international marketing appeal, such as organic farming, circular agriculture, inclusive social practices, and alignment of Lebanese agro products with standards such as the FAO's Codex Alimentarius and the Good Agricultural Practices certification (GAP) in order to address concerns of developed agro-destinations about Lebanese agricultural products.
7. Implement a human-centered strategy that promotes smart diversification and sustainability in agriculture practices and investment. This diversification is related to breeds, species, varieties, and types of production.
8. Review and update a comprehensive agricultural calendar for Lebanon.
9. Develop enabling policies to support the agriculture and agro-food sectors' development particularly through improving infrastructure.
10. Apply water-energy-food (WEF) nexus insights and create policies that support positive WEF applications by favoring investments in renewable energy and water conservation technologies.

11. Legislate laws for sustainable agricultural development with incentives for agricultural finance and insurance and enable social safety frameworks for rural entrepreneurs and workers. Encourage formalization of rural and seasonal labor through social security incentives.
12. Focus on R&D to support innovation, market and marketing research to promote expansion, and training and funding to encourage compliance with inter-national safety and quality standards.
13. Review and recalibrate existing bilateral trade agreements with regional and international target markets; address concerns in regional target markets such as abuse of agro-trade for drug smuggling, or concerns in developed agro-destinations such as the Lebanese overuse of pesticides, lack of testing and weak compliance with standards such as GAP and Codex Alimentarius, reliance on unfair labor practices and discrimination of migrant workers.
14. Activate networks to increase international market access through aggregation.

Agrofood Sector

1. Establish a string of third-party accredited and certified laboratories across the board, facilitating testing and improving product development.
2. Revive existing and form new certifying bodies that attest to all locally sourced raw materials ensuring compliance with international standards.
3. Set up national traceability programs that break ex-port barriers and facilitate market entry.
4. Consolidate vocational schools to hone skills for the agrofood sector in key districts and secure their funding.
5. Encourage contract farming to link farmers to the agrofood industry.
6. Enhance collaboration for innovation and R&D with academia and industry.
7. Develop enabling policies that improve infrastructure and utilities and ensure the availability of financial resources.
8. Implement e-government services, reduce bureaucratic hurdles for import/export activity, and streamline the processes for obtaining licenses and permits.
9. Review and recalibrate existing bilateral trade agreements.
10. Create incentives for the industries that follow or work towards Sustainable Development Goals.

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About the Policy Brief
A Policy Brief is a short piece regularly published by LCPS that analyzes key political, economic, and social issues and provides policy recommendations to a wide audience of decision makers and the public at large.

About LCPS
Founded in 1989, the Lebanese Center for Policy Studies is an independently managed, non-partisan, non-profit, non-governmental think tank whose mission is to produce and advocate for policies that improve governance in Lebanon and the Arab region. LCPS's current research agenda focuses on: enhancing governance, informing the process of economic growth and sustainable development, promoting inclusive and effective social policies, and informing the development of policies for a sustainable environment. Four themes cut across the above areas of focus, including gender, youth, conflict resolution, and technology.

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