United States
Department of
Agriculture

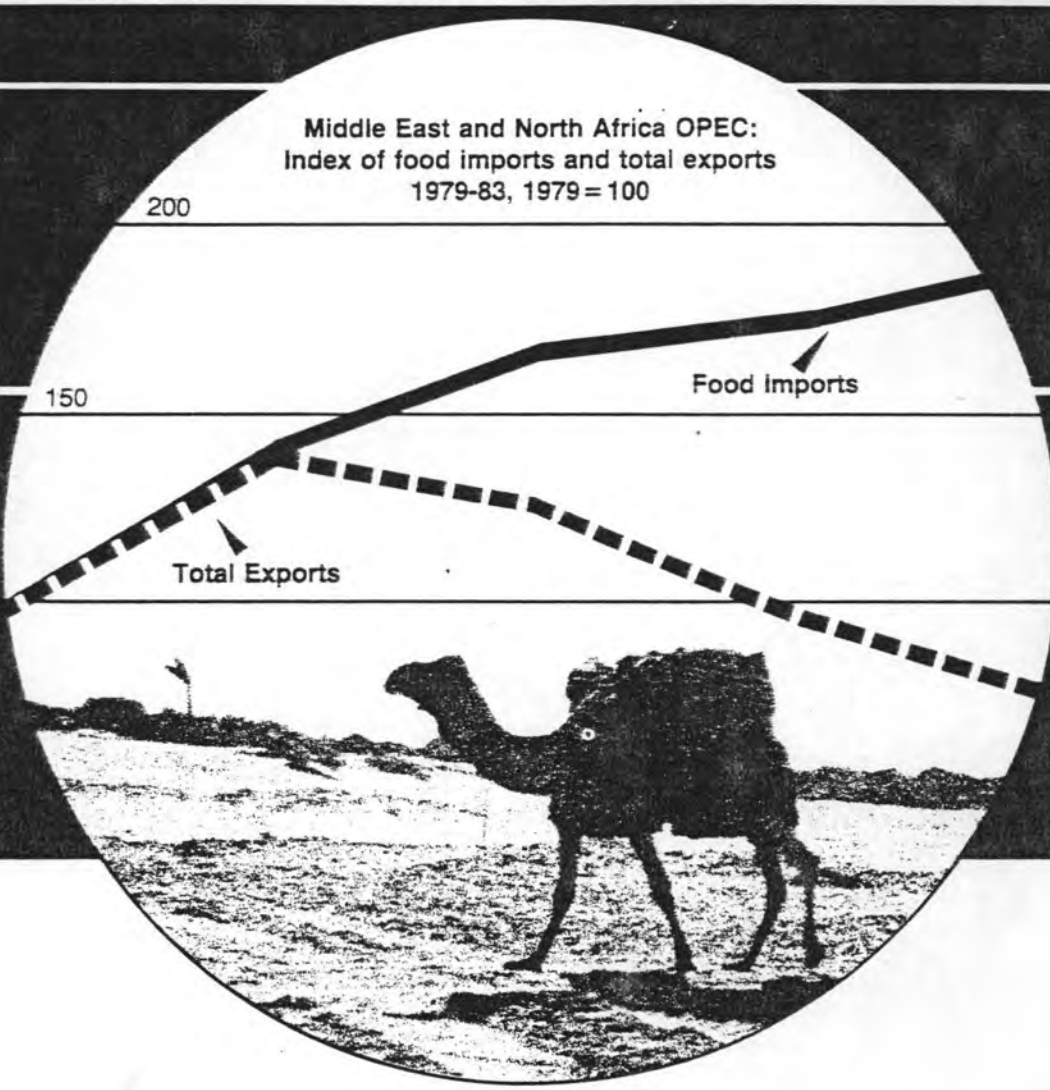
Economic
Research
Service

RS-84-3
April 1984

Middle East and North Africa

Outlook and Situation Report

Food imports still buoyant while export earnings plunge . . . .



sales of soybeans and feed grains should rise. These gains, plus further gains in sales of vegetable oils and horticultural products, should push the value of U.S. agricultural exports to $100 million. (*John B. Parker*)

Lebanon

War Devastates Economy

In 1983, bombings of Lebanese cities damaged factories, while military incursions and tight security in the countryside caused declines in agricultural output. Transit trade and reexport activities, once sizable, suffered. Food and fuel shortages and electrical blackouts were persistent problems. While the Lebanese Government has not reported any economic data in several years, the country's GDP in 1983 is estimated at $4.3 billion, reflecting a 10 percent GDP decline and a 20 percent inflation rate.

In 1983, the merchandise trade deficit increased 7 percent to $3 billion as imports, particularly of machinery, expanded, while exports declined. Bans by several Arab countries on Lebanese farm produce (believed to be of Israeli origin) hurt exports. The balance of payments shifted from a small surplus in 1982 to a slight deficit in 1983. Transfer payments from Lebanese working abroad dropped and receipts of investment funds fell. Over $2 billion in reconstruction funds from the Arab oil nations and the World Bank has been withheld until the military conflict subsides. In 1983, there were more than 80,000 war-displaced people requiring special economic assistance.

Military Situation Affects Farm Output

Despite timely rainfall, grain production was below trend for the second year. The decline in output resulted from hostilities in the Bekaa Valley and the continuing shift of land to cash crops. Wheat output was 15,000 tons, the same as 1982's and less than half the output of the late 1970's. Barley production was 8,000 tons, marginally above 1982's. Total output of beans, lentils, and chickpeas was slightly reduced to 9,000 tons. The olive crop declined 30 percent to 45,000 tons.

Apple production, mainly in the Bekaa Valley and Mount Lebanon, dropped 10 percent to 235,000 tons. Fertilizing and pruning activities were hampered because of military skirmishes. A 13-percent drop in citrus production—mainly in south Lebanon—occurred because of the Israeli occupation and spring hailstorms. About 200,000 tons of oranges were harvested, down 10 percent from 1982. Military tensions in the south were responsible for another low tobacco crop, about 4,500 tons.

Grain and Fruit Production Encouraged

The Government, through its Cereals and Sugarbeets Office (CSO), has a producer price support system to encourage grain output. The agency pays farmers $240-$290 per ton of wheat and then sells the wheat to commercial mills at $125 per ton. However, in 1983 and for several preceding years, the Government did not procure any of the wheat crop because of military disruptions. The CSO also distributes subsidized barley and wheat seeds to producers, although this function has been curtailed in recent years.

To increase fruit production in the face of numerous constraints, the Government announced, in 1983, that $11 million was available for 3 percent loans to apple and citrus producers. Credit of $370 per hectare of citrus trees was offered and loans were extended for apple refrigeration. Tobacco prices were raised for the sixth year in a row, ranging from $2,850 to $3,920 per ton. A 35-percent bonus was given to dryland producers, while a 25-percent price reduction was given to irrigated farmers. In 1983, the State Tobacco Monopoly purchased 4,100 tons of tobacco from the 1982 crop.

Wheat Imports Down Because of Large Stocks

Over 85 percent of Lebanon's grain, red meat, sugar, oilseeds, and rice are imported. In 1983, farm imports were estimated at $600 million. About 215,000 tons of wheat and flour were purchased in 1983, down from 360,000 in 1982. Large carryover stocks and a shortage of silo storage explain the decline. U.S. exports of wheat and flour expanded from 52,000 tons in 1982 to 79,000 in 1983; EC shipments were about 120,000 tons. Lebanon's bilateral agreement with Canada to purchase 150,000 tons of wheat was suspended in 1983.

Since the late 1970's, feed grain imports have fallen 50 percent while soybean and soy product imports are down 40 percent. Demand for these items slumped as Lebanese feed transshipments to Arab neighbors declined. In 1983, corn imports were 150,000 tons, up 10 percent from the previous year. The bulk of the corn was from the United States. Barley imports were 20,000 tons from Turkey. About 25,000 tons of soybeans and 20,000 tons of soybean meal were imported, principally from the United States. Total U.S. farm sales to Lebanon expanded 4 percent to $55 million in 1983.

Israel has emerged as an important supplier in the Lebanese market, shipping over $95 million worth of vegetables, poultry meat, and other farm products in 1983.

Lebanon: Agricultural imports by value, 1979-83

Commodity	1979	1980	1981	1982	1983
			Million dollars		
Wheat and flour	57	61	84	63	45
Corn	31	45	32	14	19
Rice	8	11	11	12	13
Pulses	24	31	37	37	35
Vegetable oils	7	12	12	12	12
Potatoes	18	26	30	30	31
Sugar	25	58	59	49	46
Coffee	23	36	46	48	48
Live animals	32	36	49	49	54
Red meat	38	46	49	50	48
Dairy products	52	62	66	59	61
Other	185	186	210	197	188
Total	500	610	685	620	600

SOURCES: FAO Trade Runs and USDA/ERS. Most of the data from FAO and ERS are estimated. The Government of Lebanon has not reported any trade data since 1975.

Control of the major roads in southern Lebanon gave Israel access to the large Beirut market.

Apple and Citrus Exports Decline

Agricultural exports were valued at $190 million, and accounted for over 15 percent of the country's total exports. Apple exports in 1983 declined marginally to 69,000 tons with Jordan, Saudi Arabia, Egypt, and Syria the major destinations. In November, the Government signed a bilateral agreement with Egypt to ship $5 million of apples in 1984. Citrus exports fell 15 percent to 120,000 tons, sold mostly to Arab neighbors. The drop in sales resulted from a Saudi ban on Lebanese citrus and a decline in Syrian purchases. Greater competition in Arab markets from Turkey, Cyprus, Morocco, and France has hurt Lebanese exports of citrus and apples. In 1983, the Government allocated $9 million to export subsidies for apples, citrus, and eggs. Other exports in 1983 included about 3,500 tons of leaf tobacco, 5,000 tons of soybean meal, and 2,000 tons of vegetable oil.

U.S. Exports Unlikely To Rebound

Given the war in Lebanon, the outlook for increasing U.S. farm sales to an earlier level of $100 million a year is not encouraging on a short-term basis. The closing of the Beirut-Damascus Highway has severely hindered reexports of feed grains and oilseed products. However, the possible abrogation of the wheat agreement with Canada provides a chance for the United States to increase its wheat sales. (*Susan Buchanan*)

Saudi Arabia

Budget Deficit Clouds Economic Outlook

The first Saudi Arabian budget deficit in decades has changed the outlook for Government spending in 1984. As the financial leader of OPEC, Saudi Arabia has suffered from problems related to the Mideast fighting and declining petroleum prices. The burden of achieving OPEC's objective, to hold petroleum output at about 17.5 million bpd, fell on Saudi Arabia; in 1983, its petroleum output averaged 4.7 million bpd, down from 9.6 million in 1982. As a result, exports earnings fell from $76 billion in 1982 to about $46 billion in 1983. At the same time, Saudi imports rose from $35 billion to nearly $50 billion. Financial reserves and foreign investments in excess of $175 billion helped cope with the budget deficit of $10 billion and the first trade deficit in decades. The budget deficit probably could have been averted if urgent financial help for Iraq and other Mideastern countries had not been provided. Concern about the deficit caused a 10 percent cut in the employment of foreigners in all publicly funded projects. The deficit also caused officials to look closer at subsidies, particularly those for public utilities and imported feed. However, expenditures for projects to establish petrochemical industries, trading firms, pipelines, factories for consumer goods, and agribusiness were generally immune to budget slashing.

In 1983, Saudi Arabia's nominal GNP declined about 9 percent to approximately $121 billion. This was a favorable showing in view of the sharp reduction in petroleum exports. Industrial output increased markedly with larger output of petroleum byproducts, processed foods, beverages, plastic products, and cooking oil. Agricultural investment increased, creating more new jobs than in construction, where a considerable part of the reduced economic activity was recorded. Commerce and services continued to expand. Strong competition between business firms and an influx of American and European companies kept inflation below 4 percent.

Saudi economic policy has been to encourage free enterprise, foreign investment in business, and investments in other countries; its goal has been the bolstering of income and standard of living. Efforts to reduce dependence on petroleum include many new projects to develop certain industries. For example, fertilizer and sulfur exports from Jubail reached 2 million tons in 1983.

Production Up 15 Percent as Wheat Output Doubles

Wheat output doubled to almost 700,000 tons in 1983, in response to a procurement price of $28 per bushel. Commercial growers used an array of imported technology to greatly expand the irrigated area planted in wheat. Government procurement rose to about 670,000 tons, and debates arose about continuing the world's highest farm price for wheat. Some farmers in the Qassim area were able to gross over $2,000 per acre from wheat. The response to wheat appears to have crowded out expansion of feed grains and some vegetables. Millet output has tumbled as farmers in Tihama switched to wheat. Sorghum output remained at about 120,000 tons. Onion output fell from 91,000 tons in 1980 to only 11,000 tons in 1982 and little recovery was reported in 1983. The sharp reduction in onion prices followed the larger imports of cheaper onions from Turkey and Jordan, as more land was shifted to wheat. Tomato production grew rapidly in the late 1970's but profits from wheat slowed the expansion. Saudi Arabia now produces over 600,000 tons of melons, 400,000 tons of tomatoes, and 100,000 tons of squash, eggplant, and cucumbers. Production of lettuce, cabbage, and some other vegetables grown during the winter increased, partly because of strong demand from foreign workers.

In recent years, egg output increased markedly to about 60,000 tons, and imports fell sharply to only 14,000 tons in 1983. Saudi Arabia is nearly 80 percent self-sufficient in eggs. Poultry meat output advanced at a slower pace to about 75,000 tons, providing about one-fourth of local requirements. Live animal imports increased 11 percent in 1983, with strong gains from Turkey. Local output of red meat, mostly derived from imported animals, surpassed 100,000 tons.

Agricultural Imports Stabilize

The value of Saudi agricultural imports increased about 6 percent in 1983 to $6.4 billion, compared with 43 percent in 1980. More than three-fourths of its food is imported. During 1981-83 the EC provided about one-fourth. A considerable part of U.S. farm products arriving in Saudi Arabia during 1981-83 went through other countries for assembly or processing. For example, U.S. barley was sent in bulk to Belgium and Singapore for bagging before it was shipped to Saudi Arabia.

Saudi imports of cereals and cereal products declined about 13 percent to 5.6 million tons in 1983—from a