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PRELIMINARY OBSERVATIONS AND  
RECOMMENDATIONS ON  
TOBACCO PRODUCTION  
AND MARKETING IN LEBANON

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1. The Importance of Tobacco in the Lebanese Economy

Tobacco exports (LL 31 million in 1974) at best represent 12-15% of Lebanese agricultural exports. In terms of acreage approx. 8-9,000 ha it is the 9th crop, out of a total crop area fluctuating annually around 200,000 ha. Tobacco imports are in the 1970's in the neighborhood of LL 40 million per annum, that is approx. 6% of total agricultural imports valued at LL 600 million.

In terms of gross value of production, its 1975 subsidized value at the farm gate was of LL 63 million, its real market value was half this amount. These figures are to be compared with an estimated 1975 gross value of agricultural production of approx. LL 600 million.

2. The Tobacco Problem As Far as Agriculture is Concerned

National Dimension: 1975 total acreage<sup>1</sup> - approx. 7,300 ha. planted  
real acreage not far from 9,000 ha.

Regional Distribution of Acreage: approx. 5,700 ha South Lebanon.  
real acreage South Lebanon approx. 6,200 ha.

The remainder of the acreage is in North Lebanon (1,700 ha) and Mount Lebanon (450 ha) and Bekaa (160 ha).

Number of Beneficiaries: Throughout Lebanon supposedly 38,000 permit holders of which 29,000 are in South Lebanon.

Real Number of Tobacco Growers probably no more than 15,000.

Example: South Lebanon

Number of Permit Holders: 29,000.

Real Number of Tobacco Growers: 10,000.

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1. Source Régie.

TABLE 1. TOBACCO PRODUCTION IN LEBANON

Year	Area authorized dunums	Area planted dunums	Volume of crops kgs	Average price per kg P.L.†	Crop yields/ dunum	Number of growers
1936	16.855	15.849	1.437.025	33,12	82,00	7.34
1937	16.104	15.331	1.408.891	29,47	79,00	7.04
1938	11.913	11.595	769.076	31,45	66,00	6.25
1939	11.875	11.042	610.704	34,40	55,00	5.76
1940	15.687	12.528	760.465	41,98	61,00	5.43
1941	24.886	12.692	496.925	73,94	39,00	5.19
1942	19.607	7.770	447.828	131,17	58,00	3.93
1943	16.200	5.127	235.924	228,09	46,00	2.29
1944	22.649	10.896	745.632	254,87	68,00	4.14
1945	24.965	21.222	1.210.970	253,60	57,00	6.40
1946	24.052	22.619	1.970.569	250,--	74,00	6.47
1947	21.003	20.777	1.632.291	229,12	78,50	6.25
1948	21.301	20.346	1.485.048	231,42	72,90	6.20
1949	21.797	20.689	1.144.244	228,65	55,30	6.12
1950	21.689	21.590	1.770.916	235,51	82,70	6.10
1951	24.200	25.433	2.019.958	225,38	79,40	7.12
1952	29.175	27.850	1.712.745	226,09	61,50	7.77
1953	29.765	27.979	1.773.733	233,18	63,40	8.58
1954	30.921	30.171	2.195.697	265,20	72,80	10.19
1955	30.311	30.040	2.448.491	287,38	81,50	9.96
1956	32.872	31.527	2.452.028	343,74	77,80	11.60
1957	39.896	38.746	3.492.590	336,29	90,13	15.81
1958	39.891	39.083	3.033.708	370,33	76,77	14.70
1959	40.038	39.688	3.730.489	362,35	83,92	14.32
1960	40.049	38.875	3.289.939	440,18	84,63	13.97
1961	40.105	39.545	3.756.079	417,06	94,98	14.26
1962	46.156	42.004	3.930.112	434,94	93,56	18.64
1963	59.579	46.658	3.883.038	460,96	82,86	27.33
1964	64.819	67.529	6.081.632	409,79	90,32	32.13
1965	65.392	60.348	5.895.896	450,79	97,69	32.37
1966	72.517	66.822	6.372.339	436,46	96,51	37.47
1967	73.075	67.005	6.230.549	500,21	93,00	36.33
1968	73.075	66.324	5.691.922	520,05	100,30	35.25
1969	72.761	67.190	6.975.371	550,71	103,80	35.22
1970	80.759	69.078	7.190.722	573,00	104,08	43.38
1971	79.277	76.141	8.402.442	580,62	110,35	40.93
1972	77.909	77.787	9.513.698	575,02	122,18	39.20
1973	77.394	75.693	9.880.807	638,84	130,53	38.47
1974	77.339	75.300	9.338.193		124,02	37.89
1975	77.222	72.875	9.198.835		126,23	37.89

† Lebanese piastres . 1 Lebanese Pound = 100 piastres

3. Evolution of acreage, production, yields and farm gate prices.

Year	Acreage ha	Production tons	Yield/du kgs	Average purchase price/kg (LL.)
1936	1584	1437	82	0.33
1961	3954	3756	95	4.17
1970	6907	7190	104	5.73 (1)
1975	7300	9198	124	6.91 (1)
1976	not available	n.a.	n.a.	7.35

Greek Basma and Samsun tobacco's which are of a similar but very much higher quality than the best leaf tobacco exported by the Régie. Yet average prices paid in Greece by merchants to farmers for Basma and Samsun varieties of oriental tobacco were as follows in Drachmes per Kg :

	1971	1972	1973	1974	1975
Basma	42.7	67	69.7	105.4	94
Samsun	33.2	32.5	64.6	87.7	78.4
Subsidy to farmers	7.10	10.20	11.10	12.40	14.

Converted into Lebanese pounds the 1971 farm gate price of Basma works out to LL.3.37/Kg inclusive of subsidy, compared to LL.5.80/Kg in 1971 in Lebanon. In 1975 the farm gate price of Greek Basma works out to LL.7.5. But the manipulation cost of Greek tobacco after delivery by the farmer was of less than LL.1 per Kg, whereas that of Lebanese tobacco was already in 1974 in the range of LL.3/Kg.

Most of the increase in yields/dunum since 1960 cannot be attributed to technical innovations, such as better seeds, better fertilization or pest control better management practices. The increase in yields are mainly the result of irrigation of the crop (supposedly prohibited) and under estimation by the Régie of the area actually cropped by growers.

Moreover, whereas in the late 1950's the quality of the crop received from growers by the Régie was acceptable by international standards, it has since the early 1960's become so bad that controlling the plantation, purchasing transport, resorting and regrading and manipulation of the crop at the Régie after its purchase from growers is costing the latter nearly as much per kg as the actual farm gate purchase price received by the said growers. The laxity and the absence of authority of the Régie's purchasing commissions due to political pressure and sometimes outright coercion exerted upon them is the sole explanation for the reception by the Régie of a low grade crop part of which should have been destroyed rather than delivered to it.

An example of the anomalous situation is the following :

			<u>Yield/dunum</u>	<u>Average farm gate price</u>
1964	Koura Region	1964	77 Kg	LL.6.88
		1970	90 Kg	LL.7.41
	Zghorta Region	1964	61.7 Kg	LL.3.61
		1970	355 Kg	LL.6.18

There is absolutely no technical explanation for the extraordinary variations in yields in Zghorta, nor for the big increase in the farm gate price.

4. Dimension of the Problem in Relation to Lebanon's Agricultural Development

Public Sector Investment on agricultural development in Lebanon 1966-1971 LL 51 million. Public sector investment on irrigation during the same period LL 27 million all spent on studies for projects that up to 1975 had not reached the stage of implementation.

4.1 Annual Cost of Subsidy incurred by Government to market Lebanese tobacco.

Years 1975-1976 : In the range of LL 45-50 million <sup>1)</sup>;

The actual cost to the Régie of every kg of leaf tobacco purchased at LL 7.35 in 1976 at the farm gate and after being resorted, regraded, manipulated and repacked is at least in the neighborhood of LL.5.25/kg if not more <sup>2)</sup>. The average sale price of exported tobacco is stated to be around LL 9 for the bulk of the crop exported. But, up to 17% of the tobacco purchased is after manipulation by the Régie, deemed unfit for export or for manufacturing by the Régie. Thus , a crop of 9,200 tons <sup>3)</sup> purchased at the farm gate at LL 67.2 million today costs the Régie LL 48.2 million in agricultural control, purchasing, transport and manipulation i.e. a total of nearly LL 115 million. Since 17% of the quantities purchased have to be discarded, there remains at best 7,900 tons of leaf tobacco, most of it for export and the rest for the manufacture of local tobacco products. The export value of these 7,900 tons being slightly less than LL 9/kg, total returns to the Régie from Lebanese tobacco, sales are around LL 70 million, the net loss <sup>1)</sup> being LL 45 million at least.

	millions of LL
1)	
Purchase of a normal crop of 9.200 tons at LL7.35/kg	67.2
Agricultural control, purchase, transport, manipulation costs incurred by the Régie on the basis of a cost of LL 5.25/kg of raw leaf	48.2
TOTAL COST TO THE REGIE	115.4
Gross returns from disposal of 7.900 tons of leaf tobacco by sale to export markets or to Régie's manufacturing department. Average sale price LL 9/kg	71.1
LOSS	44.3

2) Manipulation costs in Greece less than LL.1/Kg -  
In Turkey Turkish LL.4-6 (i.e. LL.1 Approx.)

3) Volume of tobacco produced with present level of yields on a licensed (authorized) area of approx. 7722 ha., of which officially 7300 ha are supposedly planted.

#### 4.2. Projected Cost of Subsidy in 1982

Available farm management data as to the cost and returns / ha in the last five years (1972-1977) indicates that in South Lebanon, for example, there has been a big upsurge of up to 90% in total costs of production/ha of tobacco mainly due to a 75% increase in labour costs and a 100% increase in material input costs. Whilst yields/ha have remained stationary, average farm gate prices per kg have increased by 22% from LL 5.75 to LL 7/kg. In the next five years, there is no reason to suppose that farm yields under the present archaic and labour intensive system will increase. On the other hand, with a moderate assumption as to the upward trend of costs of inputs and labour during the next five years, total costs of production can be expected to increase by at least 50% . If net farm income/ha is not to decline sharply by 1982 the farm gate price of Lebanese tobacco will have to be raised to LL 10.5 to 11 per kg. If only to respond to the tremendous political pressure from farmers, and especially from the very influential category of so called intermediaries holding tobacco permits and trading with them. It is also more than likely that unless drastic action is taken to improve the quality of the tobacco delivered by farmers, the Régie, or whatever institutions takes over from it, will

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- 1) incurred on the Lebanese tobacco crop
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Table 1a. Costs and Returns of Tobacco Production/ha - South Lebanon  
(1972 and 1976 - in LL).

A. Costs	<u>1972</u>	<u>1976</u>
Labour <sup>1</sup>	2110	3580
Material inputs	1220	2420
Leasing of licence	2000	2000
Land rental	500	500
Financing	<u>500</u>	<u>500</u>
	6330	9000
 <u>Gross Returns</u>		
1,100 kg at LL 6 per kg	6600	at LL 7.35/ kg 8000
Net margin	+ 270	- 1000
 Net margin: If the operator owns land and licence		
	+ 2770	+ 1500
 1. Assuming use of approx. 600 man and woman days/ha of hired labour for all operations.		
If family labour is exclusively used:		
Net farm income for an operator, not owning land or licence	2380	2580
Return to labour per day's work	4	4.3



to be able to put this tobacco in marketable shape, continue incurring costs/kg of Lebanese tobacco which will go on increasing rapidly. World prices of oriental tobacco are projected<sup>1</sup> to increase very moderately by 1982, even though demand for light tobacco is expected to be firm and increasing slightly, simultaneously to a not too tight supply situation. Thus, a loss or a subsidy of LL 90 million in 1982 to market Lebanese tobacco can be projected with a fair degree of certainty.

5. Objectives of the Present Government Subsidization Program

- a. Diversification of agricultural production in depressed agricultural regions where irrigation is non-existent and where opportunities for dryland crops with a high value added per dunum seem in the Government's view to have been rare if non-existent.
- b. Providing an income supplement to low income rural inhabitants trapped in poverty, in depressed regions, pending the implementation of irrigation and other agricultural and economic development projects.

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1. World Bank 1977 projections.

TABLE 2

Breakdown of number of permit holders and acreage authorized (Lebanon and South Lebanon 1972) - acreage in dunums.

	Lebanon				South Lebanon			
	no. of permit holders		acreage authorized		no. of permit holders		acreage authorized	
	Number	%	Dunums	%	Number	%	Dunums	%
1 dunum	22041	53	22041	28	18394	63	18394	33
1 to 2 dunums	13523	33	22776	29	61618	23	10773	20
2 to 3 dunums	1810	4	4839	6	1225	4	3286	6
3 to 4 dunums	1210	3	4438	6	771	3	2828	5
4 to 5 dunums	691	2	3214	4	541	2	2524	5
5 to 10 dunums	1310	3	9327	12	1056	3	7550	14
10 to 15 dunums	319	2	3892	5	274	2	3341	6
15 to 20 dunums	126	2	2192	3	105	2	1823	3
20 to 25 dunums	102	2	2339	3	90	2	2062	3
More than 25 dunums	94	2	3505	4	71	2	2728	5
<b>TOTAL</b>	<b>41226</b>		<b>78563</b>		<b>29145</b>		<b>55309</b>	

641 permit holders of more than 1 ha are authorized to plant 1193 ha, grossing from the Régie at the 1976, farm gate price LL9.2 million. Large permit holders are said to be holding several licences under different names, it is thus possible that not more than 300 persons are grossing LL9.2 million from sales to the Régie, i.e. an average of LL30.000 per person.

5.1 Facts as to (a) and (b)

5.1.1 Objective : (a). This objective is hardly acceptable for regions Akkar, Bekaa, and especially Mount Lebanon, where other profitable cropping patterns exist, even under dryland conditions and where ample employment opportunities at wages of over LL.25/day exist, especially in Mount Lebanon and the Bekaa <sup>1)</sup>, or where irrigation is easily available as in Akkar opening up wide possibilities for profitable citrus, vegetables, ground nut, intensive cereal production, fodder and mulberry production, as well as poultry production. In three out of the four regions the subsidy program is leading to a misallocation of available resources.

5.1.2 Objective : (b)

(i) The present program is inequitable. Out of a total number permit holders of 29,000 in South Lebanon there are 27,349 who have been allotted licences for an area of 4,100 ha and 1,600 who have been allotted licences for an area of 1,900 ha <sup>2)</sup>

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1) Massive imports of foreign labour reaching up to over 100,000 workers , per annum.

2) 1971 data.

There are 29,000 permit holders in South Lebanon for example, but 24,000 of these received each an average of LL 1,020 and less from the Régie for their tobacco, whilst 71 permit holders received each an average LL 26,400 . Since at the time<sup>x</sup> the subsidy was roughly equivalent to 45% of the farm gate price, these 76 holders received roughly LL 12,000 each as a subsidy. Worse still, one single person may be listed several times as a permit holder, each time under a different name.

iii. One the average in South Lebanon<sup>1</sup> for example, 33% of the area allotted to permit holders is leased by the latter on the basis of seasonal arrangements to bona fide farmers. The latter purchase the permit for a season and have to pay a premium of LL 2,000/hectare for this privilege to these non farming permit holders, not inclusive of land rental of LL 500/ha. The situation as far as leasing of tobacco permits is concerned is not different in North Lebanon or the Bekaa. In Mount Lebanon, leasing of the permit to a bona fide farmer fetches up to 50% less than in the other regions.

<sup>x</sup> in 1970

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1. Information obtained in the course of an exhaustive F.A.O. random sample survey in 721 farms selected in 220 villages from a list of 20,000 farmers. For fur.ref. see South Lebanon Irrigation Project FAO/AG/DP/LEB 71/524 Rome 1977.

No agricultural credit system exists for at least 75% of bona fide tobacco growers. The latter have to resort to money lenders, merchants, intermediaries, etc., and the estimated financing cost/ha is of LL 500-600. Commercial banks in South Lebanon, for example, providing reasonably cheap credit to tobacco permit holders, are in fact financing in most cases non agricultural operations of these holders and less than 30% of the total amount loaned by these banks is reaching bona fide tobacco growers.

As a result of (iii)-(iv) above, it is estimated that on the average in South Lebanon for example, out of a 1976 gross return of LL 7,700 per ha, LL 2,500 is siphoned off, by intermediaries in 33% of the area grown in tobacco. This means that in 33% of the tobacco area, 70% of the government subsidy per kg of tobacco, never reaches those for whom the subsidy program has been set up.

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6. The Production and Farm Marketing System of Tobacco Produced in Lebanon

6.1. The System of Allocation of Tobacco Licences and of Control Cultivation

In theory, the maximum area allotted per tobacco licence holder is of 5 ha; with a total area allotted of 7722 ha and 37900 licence holders this works out to an average of 0.205 ha per license holder.

But, the system of allocation of tobacco permits as applied since inception and more particularly so since the 1960's (see par 5 above) has led to a situation wherein the misallocation of national resources has been maximized; and where it has become incompatible with good agricultural husbandry, with social equity and with orthodox public finance practices.

Moreover, with increasing government interference since 1960 it has vitiated the whole production, control and marketing system of Lebanese produced tobacco, and has in the last 17 years confused issues at the level of the day to day and long term management of the institution (The Régie) entrusted with the handling of internal and external Lebanese tobacco problems and entrusted simultaneously with the import of foreign tobacco products to satisfy the internal tobacco consuming market.

Unless a complete revamping of the tobacco licencing system is undertaken there is little hope of setting the Lebanese national tobacco farm sector on a rational course which would lead in the long run to its modernization and to its becoming financially self reliant.

If the present set up is perpetuated, whatever be the authority entrusted in future with the management of the agricultural aspects of tobacco production in Lebanon, the outcome can only be:

- i. an ever increasing financial drain for the treasury that will more and more limit the public funds available for sorely needed agricultural development throughout Lebanon during the next decade.
- ii. Increasing social dissatisfaction of the farm community especially in South Lebanon.
- iii. Further decline of public confidence in the credibility of public and semi-public institutions active in the agricultural sector.

But, in view of the very particular socio-economic and political context of Lebanon, any revamping of the present tobacco licencing system would have to be progressive. It would have to afford to present permit holders who may be the victims of such a revamping process, adequate inducements to switch their resources from tobacco cultivation to other agricultural and livestock activities better suited to meet the basic requirements of the national economy as determined by well defined objectives for national agricultural development policy.

It is in the light of these considerations that recommendations to revamp the licencing system and to enable the tobacco purchasing agents of a future Lebanese Tobacco Institute to perform satisfactorily should be formulated .

## 6.2. The Production and Farm Marketing System

The present agricultural production system current in the various tobacco regions of Lebanon is archaic, and labour intensive <sup>1</sup> and has not changed in 40 years.

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1. 600 man and woman days/hectare.

Contrary to current beliefs, a very large part of the area planted in tobacco is operated by farmers using hired labor. This proportion reaching up to 30% of the farms and 50% of the cultivated area in South Lebanon, a sure indication of anomalies in the tobacco licencing system.

Moreover, a fair share<sup>1</sup> of the area planted was operated until 1975 by farmers who in addition to the "rental paid for tobacco price licence"<sup>2</sup> had to pay an additional LL 500/ha<sup>3</sup> as land rental.

In the case of sharecropping, the usual arrangement was for the licence holder to provide the land and the licence to a sharecropper in exchange for 50% of gross returns.

The size of tobacco fields is extremely small due to excessive fragmentation. In South Lebanon for example where 10.000 farmers operate 6,100 ha of tobacco for which there are 28,900 tobacco licences, average area of tobacco is as follows:

Number of farms	Average tobacco area (ha)
2898	0.33
2895	0.46
3571	0.58
847	0.80
569	1.80

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1. Up to 30% in South Lebanon.
  2. LL 2,000/ha in South Lebanon.
  3. 7% of gross returns/ha in 1976, that is with the licence a total expenditure equivalent to 33% of gross returns.
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There has never been any detailed pedological survey of lands planted in tobacco to determine their suitability for tobacco production. Occasional use of tractors is made for ploughing. Spreading of organic manure which until 1960 was standard has now nearly stopped as heavy use of nitrogen fertilizer has become frequent to increase volume of product, to the detriment of quality. Improvement of yields were certain during the 1950 to 1965 period. Since then, yields reported have shown a 50% increase, which can be explained by the fact that:

- a. the area cultivated is much larger than that declared to the Régie's personnel
- b. the crop is being irrigated whereas this is in theory prohibited and detrimental to the quality of the crop
- c. the quality of the crop has deteriorated considerably since the early 1960's

As farmers have given up to a great degree, most of the sorting and grading, operations which they normally used to carry out in the 1936-1960 period on their farm premises ; they have now contrived to compell the Régie's purchasing agents to pay to them the prices listed for the highest grades, even when this is totally unjustified by any technical standard.

Hardly any tobacco farmers follow some sort of a rational crop rotation and this is a definite limitation on improvement of yields and product quality, whereas in the 1960's the Régie was distributing selected seeds<sup>1</sup> to tobacco growers to day the latter use seeds obtained on their own farms! the Régie's agricultural production and seed placement program had by 1975 already lost most of its momentum and its impact on growers technical performance was declining rapidly. Extension services of the Régie though in principle

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1. Produced on its experimental farms.

available<sup>1</sup> had lost most of their credibility with farmers. The latter knew that any improvement in the quality of their crop would not result in the obtention of a better farm gate price; they were convinced not without reason that they could deliver a low quality crop and have it received by the Régie's purchasing agents at a maximum price if necessity be with the intervention and patronage of the official permit holder whose licence they had leased. Mechanization of the transplantation of the tobacco seedlings, or mechanization of the numerous post harvest operations though easily feasible was never attempted by farmers or even by the Régie's staff in its two experimental stations of Saadiyat<sup>2</sup> and Kfarsaroun<sup>3</sup>. Supply of farm inputs has always taken place on an individual basis each farmer catering to his own needs; delivery of the crop has also been organized on an individual basis, tobacco growers having to ship their product to the Régie's stores, which were dispersed in a limited number of focal points; these stores were of course far from farms, thus compelling growers to travel 15-30 km at least to market 500 or 600 kg of tobacco.

Until 1975 payment of the tobacco crop delivered by growers to the Régie usually took place within a few days of delivery. But, the actual delivery of the crop was spread out over four or five months after harvest thus compounding the liquidity problems of farmers already indebted and usually borrowing at rates of 18/25%/annum.

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1. 350 agricultural agents for crop control and extension.
  2. In South Lebanon.
  3. In Koura, North Lebanon.

Even though there are eight cooperatives active in South Lebanon, none are involved in supplying inputs to tobacco farmers or in the delivery and bulk marketing of raw tobacco to the Régie. In the three other regions of Lebanon, where tobacco is grown, cooperatives do not service in any manner tobacco growers.

#### 7. Lebanese Internal Consumption of Tobacco Products

Tables 3 and 4 provide data as to the consumption of local and imported tobacco manufactured and raw products from 1967 to 1974. Both local and imported manufacture products were sold exclusively under the auspices of the Government tobacco monopoly, the "Régie Libanaise des Tabacs". Whereas total sales of manufactured products not including (contraband sales) increased from 2,729 tons in 1968 to 4,051 tons in 1974, the consumption of local products manufactured with a content of Lebanese produced tobacco of 90% or more diminished by 1973 by 50%. The big switch in consumption habits took place in late 1970 when the price of imported cigarettes was reduced from LL 2 per packet to LL 1.25 in an effort to provide a disincentive to illegal sales of foreign manufactured products. As a result of this reduction in the price of imported products, consumption of local cigarettes manufactured with Lebanese tobacco in the Régie's processing plant declined sharply: from 1971 onward, Lebanese consumers moved massively towards foreign imports (mostly American brands) in response to better merchandizing and well financed publicity campaigns mounted by very active local agents of foreign products exclusively distributed to retailers by the Régie.

Table 3. Lebanon: Consumption, Imports and Exports of Tobacco Products 1967-1974

Lebanon Official\* Sales of Local and Imported Tobacco Manufactured Products  
(Cigarettes, Cigars and Tobacco) - 1968-1974 (tons)

	1968	1970	1971	1972	1973	1974
Local products	1976	1660	1340	1205	1119	1306
Imported products	753	605	1736	2306	2775	2745
	2729	2265	3076	3511	3894	4051

\* Not including contraband estimated until 1975 at between 500 and 800 tons of foreign cigarettes/annum.

Table 4. Lebanon Imports of Raw and Manufactured Products:

	1967	1971	1974
Volume (tons)	1700	2242	2729
Value (million LL)	15.2	39	53

x - figures rounded off

Table 5. Lebanon: Exports of raw tobacco

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Volume (tons)	4.213	2.364	4.998	4,817	2.039	5.562	7.046	6.725
Value (million LL)	12.335	4.98	13.47	13.3	5.8	16.2	24.5	31.

8. Internal and External Marketing of Lebanese Tobacco

8.1. The Régie since 1970 has strived to:

- a. Maintain Government fiscal income and profits flowing from the tobacco monopoly
- b. To maximize through increased export sales the profits and bonuses accruing to the Régie in compensation for its services . This was important at a time the volume of Lebanese tobacco production was increasing, simultaneously to a dwindling internal market and at a time the Government subsidy program was increasing in cost.<sup>1</sup>

8.2. To achieve these objectives the Régie:

- i. Attempted to improve the quality of Lebanese tobacco for export by heavy expenditure on resorting, grading and manipulation of the farm crop. This effort took place in the early 1970's when prices of oriental tobacco on the world market improved substantially.<sup>2</sup> The attempt was partially

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1. Estimated cost/ of subsidy program, inclusive of subsidization of farm gate price and upsurge / Régie administration of agricultural program, resorting, grading, manipulation, etc.

<u>1969/70</u>	<u>1970/71</u>	<u>1971/72</u>	<u>1972/73</u>
43.9	47.4	53.	55.

For fur. ref. La Production du Tabac au Liban et la Politique de Subvention "A. Odeurs FAO/ONL. Beirut 1975.

2. Average export price (US\$/kg)

Turkey	1970/71	1.00	Greece	1.47
	1971/72	1.05		1.49
	1972/73	1.20		1.61
	1973/74	1.68		2.28
	1974/75	2.61		2.81
	1975/76	3.57		3.24
	1976/77	3.54 (estimate)		

successful as can be seen from/5. The Régie imposed on all agents of exotic imported tobacco brands, barter arrangements whereby for each LL worth of imported manufactured products, these agents had to purchase from it an equivalent value of Lebanese raw tobacco for export. The price at which these exports took place were supposedly based on world prices of Oriental tobacco of equivalent quality on the basis of broad directives formulated by the Ministry of Finance.

- ii. The Régie imported in 1974 fairly large quantities of Virginia and Burley of leaf tobacco tobacco; it used these imports /to produce and market with great success a new blend of locally produced cigarettes, "CEDARS" containing approx. 83% exotic blends and 17% Oriental tobacco, mostly of Lebanese origin. These cigarettes were sold in Lebanon at a retail price of LL 0.90 per packet to undercut foreign brands and illegal sales of contraband merchandise.
- iii. Simultaneously the retail price of imported cigarettes was increased from LL 1.25 to LL 1.50.

As a result of (ii) and (iii) above, sales of Cedars' cigarettes had in the latter half of 1974 and early 1975, gained a substantial footing on the internal market; this is reflected in Table 3 which shows sales of local products increasing in 1974 by 187 tons relatively to 1973. Illegal sales are also said to have diminished considerably.

Since the 1975 political turmoil the production of CEDARS cigarettes has been nearly completely discontinued, the machinery at the Régie's processing plant having been partially destroyed.

Table 6 Lebanese Tobacco Varieties per region and Utilization.

1. North Lebanon 1)

a) Akkar	Saadi 2	Small Quantities	- Acceptable
b) Zghorta			for export
	<u>Semi oriental types</u>		
	Kabakoulak		
	Herzegorina	Bulk of	Undesirable
	Trebizonde	production	on
	Low quality Bafra		export mark
c) Koura	Bafra	Good	Utilized fo
		quality	manufacture
			of local
			cigarettes
2. Bekaa	Same types as		Undesirable
	North Lebanon		for export
	a) and b)		markets
3. Mount Lebanon	2/3 of volume		Utilized fo
	Bafra		manufacture
			of local
			cig.
	1/3 of volume		Acceptable
	Saadi 6		for export
4. South Lebanon	a) Jezzine area	Smyrne type of	Exclusively
		oriental tobacco	utilized fo
			manufacture
			of local
			products
	b) Interior		
	zones of		
	South	Saadi 6	Acceptable
	Lebanon 2)		for export

1) It is interesting to note that whereas in the 1950's, North Lebanon produced approx. 700 tons of tobacco/annum sold at a farm gate price of LL2-3/Kg; in the 1970's it has been producing 1500 tons per annum, paid at the farm gate at a price/Kg higher than the overall country average farm gate price.

2) Interior zones : I Zahrani - II Nabatiya - IIIa Bint Jbail - IIIb Jouaya  
IV Marjayoun. This area though disposing of tobacco licences for 896 hectares, hardly plants any tobacco and permit holders lease their licences to bona fide farmers in zones II, IIIa and IIIb.

9. Government Revenue from the Monopoly

Despite the size of the loss incurred by the Régie on the purchasing and internal and external marketing of the Lebanese tobacco farm crop Government Revenue flowing from the monopoly, mainly in the form of fiscal dues on products sold internally and in the form of profits on the monopoly's sales of local and imported manufactured products were as follows:

1970	LL 21.2 million
1971	LL 35.3 million
1972	LL 34.6 million
1973	LL 50.2 million
1974	LL 57.7 million (of which LL 17.6 million were profits and the remainder fiscal and other dues)

Total Government investment in fixed capital<sup>1</sup> utilized under the auspices of the Régie had a book value of LL 62 million in 1974, part of which had already been depreciated. But, LL 123 million of Government funds were tied up at a low rate of 5% in the Régie to finance its operations (imports, stocks, etc).

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1. Land, buildings, machinery, etc.



10. REGIONAL DIMENSION OF TOBACCO CULTIVATION: THE SOUTH LEBANON PROBLEM

10.1 The tobacco problem in Lebanon is basically a regional problem that of the interior zones<sup>1</sup> of South Lebanon 130,000 ha of land area where 70% (5,400 ha) of the total tobacco allotted area of Lebanon is concentrated and where over 2/3 of the tonnage of tobacco is produced and delivered to the government tobacco purchasing agency, the Régie des Tabacs.

A population of 200,000 persons<sup>2</sup> (1972) lives in the interior zones of South Lebanon and is increasing at an annual rate of 2.5%. 85% of the active labour force is occupied in agriculture; 40% of this population is landless. The rate of unemployment is in the neighborhood of 60% for 60% of the active labour force. Average income per head of population in the interior zones of South Lebanon was LL 600 in 1972 hardly 25% of the average income per head in Lebanon at the time. Agriculture is the source of over 33% of the gross regional product (at factor cost).

The actual area cropped by some 17,000 farmers in the interior zones is 48,000 ha, 6,100 ha of which are actually planted in tobacco; the remainder is principally in cereals and legumes 24,000 ha, dryland fruit crops 8,000 ha and fallow 9,900 ha; 10,000 farmers actually plant tobacco even though the Régie has issued in the interior zones some 25,000 permits to plant tobacco. Yield per dunum of tobacco is around 1.1 tons/ha; but, yields as reported by the Régie are 10% higher (due to under estimation of area cultivated).

Gross returns from tobacco represent 62% of total gross returns from farm operations; tobacco provides 65% of value added in the agricultural sector of the said interior zones.

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1. Interior zones:

- i. Zahrani
- ii. Nabatiye
- iii. Bint Jbail
- iiib. Jouaya
- iv. Marjayoun

2. Not including some 400,000 Palestinians now settled along the coastal strip and interior zones of South Lebanon.

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The tobacco subsidy itself provides around 30% of the total income of farm operators, that is of their income from agriculture and non-agricultural sources.

10.2 Potential for Agricultural Development in South Lebanon

The potential for socio-economic development in the interior zones of South Lebanon is as follows:

- 10.2.1 Short term: (i) Improvement of the profitability of tobacco production through a reduction in the acreage of lands ill suited to tobacco production, higher yields, improvement of quality of product marketed to the purchasing agency and through a reduction of costs of production by a complete revamping of the present tobacco allotment system, and the elimination of intermediaries and through a reduction of labour inputs as a result of mechanization of a number of farm operations;
- (ii) Conversion of part of the area presently under low yielding cereal production,<sup>1)</sup> to dryland forage production and intensive livestock production,<sup>2)</sup> a feasible and profitable objective if carried out within the scope of a well designed national livestock development, strategy

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- 1) There are at least 7500 ha which can be converted from low yielding wheat production to fodder production under dry land conditions.
- 2) In dry land in South Lebanon yields of green forage crops such as a mixture of vetch and barley or oats, are between 25 and 30 tons/ha with a market value if fed to livestock of LL.80/ton of green fodder i.e. a gross return of LL.2000/ha compared to less than LL.800 of gross returns/ha with cereal production and generating a value added of LL.900/ha as against LL.550/ha of cereals.
- Moreover when fed to livestock such as dairy animals 20-25 tons of green fodder (converted to hay or silage) are adequate for the production of 7500 kgs of milk valued at 1977 farm gate prices (assuming organized collection and marketing of milk) at LL.7500, and generating a value added of LL.1800/<sup>ha</sup> Farm management calculations for sheep production yield similar results.
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which must anyhow be urgently defined.<sup>1)</sup>

In the area under cereal production and fallow (34.000 ha) grain yields/ha, higher by at least 50% can be obtained in 50% of this area under dry land conditions, with improved seeds, improved fertilization and improved agricultural practices.

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1) The absence of a national livestock development strategy to counter massive foreign imports of milk and meat products introduced at dumping prices has during the last twenty, been the principal cause of the stagnation of the livestock sector, its lack of integration with agricultural production, the low profitability of forage production and the progressive elimination of the national herd of dairy cows and double purpose sheep flocks. By the early 1970's, Lebanese dairy production was hardly sufficient to meet 33% of total consumption of dairy products, a figure that is scheduled to decline to 15% by the early 1980's. During the same period, local production of red meat was hardly sufficient to cover 8% of beef consumption, 12% of mutton meat consumption and 52% of goat meat consumption; by 1980 the annual deficit of red meats is projected at 87,000 tons. The import bill for livestock products which by 1975 was in the LL.150 million range is projected to reach well over LL.250 million in the 1980's. The anomaly of the situation of the livestock sector in Lebanon is all the more extraordinary since :

Forage production potential under dryland conditions in South Lebanon for example has been known for over 25 years and recently demonstrated within the scope of an FAO project (LEB/73/005). It is also practiced on a wide scale most successfully in neighboring Galilea since over 25 years, despite a much harder ecological environment.

Forage production under irrigated conditions is feasible with high yields.

All feasibility studies for irrigation projects scheduled for development during the next two decades in Lebanon have been established under the assumption that at least 20% of the area cropped would be devoted to intensive irrigated forages and livestock production.

(iii) Manpower vocational training in agriculture inclusive of crash courses simultaneously to manpower agricultural labour mobility programs that will be devised to induce seasonal transfer under civilized non hardship conditions of/agricultural labourers from overcrowded large numbers of South Lebanon to labour hungry farmers of Mount Lebanon and the Bekaa; such organized transfer of agricultural workers **should** take place under the auspices of an agency such as the O.D.S.<sup>1</sup> and it would greatly reduce the influx of large numbers of foreign workers.

(iv) Utilization of part of the funds presently tied up in the tobacco subsidy program to promote instead in a limited area of the interior zones:

- a. poultry production
- b. mulberry tree plantation and silk production, if the latter can be organized efficiently at the farm production level so as not to be in need of subsidization to ensure farm profitability
- c. natural pasture improvement, soil conservation and forestry
- d. rural handicrafts

To achieve (ii) (iii) and (iv) above, it is recommended that an integrated watershed management and rural development approach be adopted.

10.2.2 Long term: (i) implementation between 1985 and 1993 of the South Lebanon Irrigation project in 15,500 ha at a 1977 estimated cost of LL 450 million plus on farm investment of LL 150 million. Such implementation would take place simultaneously to the suppression without any compensation of all tobacco allotments (i.e. tobacco licences) in the hands of farmers in 88 villages which will benefit from irrigation. These farmers presently operate 25,000 ha of cultivated land which presently comprise 3,000 ha of tobacco. The effect of the implementation of the irrigation project will be:

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1. Office de Developpement Social - an agency of the Ministry of Social Affairs. or the new "Office de l'Emploi" of the said Ministry.

- a. to multiply by six value added presently generated before irrigation in the 15,500 project area, that is increased by 150% total value added generated in agriculture throughout the whole of the interior zones. <sup>presently (1)</sup>
- b. to even out throughout the year monthly utilization of farm labour and avoid the present tremendous seasonal peaks in May, June, July and August.
- c. But the implementation of the irrigation project, will in no way increase the overall demand for labour in the whole of the agricultural sector of the interior zones, so that present unemployment rates will continue to prevail and be compounded by rapid population increase.
- ii. Reallocation of the quantities of tobacco produced on the 3,000 ha mentioned under (i)a, to new beneficiaries farming in the interior zones, so as to provide additional employment opportunities equivalent to 1,800,000 days of farm work i.e. work for 9,000 men and women, 200 days/annum .
- iii. Implementation of an integrated watershed management and rural development plan throughout the remaining 112 villages of the interior zones not having benefited from irrigation as per the South Lebanon 15,500 ha irrigation project. The program would be an expansion of the activities suggested under potential for socio-economic improvement, short term items (ii) (iii) and (iv).

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(1) Value added generated in agriculture sector of interior zones of South Lebanon LL.42.37 million in 1972; total value added all sectors inclusive of transfers LL.121.12 million.

11. Future Institutional Set Up for Production, Internal and External Marketing of Lebanese Tobacco, and Internal Marketing of Imported Manufactured Products

The monopoly for the undertaking of the two above mentioned functions was granted to the Régie des Tabacs Libanais in the early 1930's for a period ending in 1962. In 1962, this monopoly was renewed for another 10 years, the financial and other conditions under which the Régie was thereafter to operate being regulated by a new management contract "Cahier des Charges" introducing much closer supervision and control by the Ministry of Finance. Since 1972, this management contract has been renewed on an annual basis; Government disappointed by the overall commercial, financing and agricultural performance of the management of the present monopoly is now intent on introducing major changes in the whole set up and may be excluding the present management company operating the Régie at the term of its contract on Dec. 31, 1977. The Ministry of Finance's inclination at this late stage seems to be to:

- i. To entrust all the commercial export-import operations connected with the import and retailing of foreign manufactured products to a services company, which will not deal with any of the Lebanese Tobacco agricultural problems, other than taking delivery from a separate agricultural institution of a graded crop, which will be purchased from it, at its export value exclusive of any subsidy.
- ii. In exchange for its services, the company retained will be remunerated on a basis yet to be determined. The Government may consider participating in the equity capital of the said services company.
- ii. Entrust to a separate entity (possibly semi-autonomous public body) the whole of the problems relating to control of area cropped in tobacco agricultural production, purchase of crop and subsidization. The nature of

of the relations between this institution and the services company envisaged under (1) has apparently not been clearly defined. Yet this is of prime importance since adequate mechanisms must be set up to ensure delivery of the crop from the former to the latter in a marketable shape if only to determine its net export value according to grade, quality, etc.

## 12. Conclusion

The situation at the Regie has deteriorated since the 1960's. Government is unsatisfied for financial and other considerations. Bona fide tobacco farmers are unsatisfied and remain convinced that the present system is detrimental to them. The agricultural services previously provided by the Regie are dwindling in efficacy and impact at the farmer's level and technical progress is arrested. Tobacco cultivation is growing increasingly costly for the Treasury and mobilizing large public funds that should be devoted to increasing the overall annual rate of growth of Lebanese agriculture, which since 1970, has declined from 5.8% per annum to less than 2% per annum.

Change in the institution entrusted with the future development of the Lebanese tobacco industry would be a positive step forward if it was to take place simultaneously to a complete revamping of the tobacco licensing system and to a strengthening of the authority of the new institution's tobacco purchasing agents, and to an overhaul of so called agricultural extension and acreage control activities.

Finally it is the view of the Consultant, that tobacco cultivation which has a determinant importance for the well being of the population of South Lebanon, is only of marginal importance for Mount Lebanon, North Lebanon and the Bekaa where its continuance can only be justified on the basis of considerations which are neither economic, financial or agricultural .



### 13. RECOMMENDATIONS

#### 13.1 - Their aim

The recommendations listed hereunder have been formulated in the light of the prime importance of tobacco production for South Lebanon; they have also been formulated to ensure that improvements in the tobacco production system in South Lebanon, and ~~that the~~ switching to other crops and agricultural activities takes place in the three other tobacco producing regions of the country ~~and~~ gradually with a minimum of hardship; these recommendations also seek to ensure that a partial reconversion of the tobacco crop area is linked to integrated rural development schemes, and to future public sector irrigation projects. These recommendations are consistent with whatever choice the Government makes as to the Agency entrusted in future (after 31/12/77) with the manufacturing of local tobacco products, their sale on the retail market, the import and retail sale of foreign brands of manufactured products, and the export to international outlets of quality graded lebanese leaf tobacco. That is whether the Government continues to entrust these functions to the present Régie, or to a private or semi-public services Company.

#### 13.2 General Recommendations

I. Government should consider gradually cancelling over the next five years tobacco licences in at least 2000 ha out of 2400 ha of tobacco presently authorized and situated in Mount-Lebanon, North Lebanon and the Bekaa. The present subsidy allocated to support the farm gate price of tobacco in the area whose licences would be  
and  
cancelled would be used during the said period to induce farmers to switch to other profitable crops, livestock production, silk production, and to subsidize manpower mobility programs. The inducements to tobacco

farmers in these regions to help them move out of tobacco cultivation should be provided to them by the various government agencies/in Agricultural and this development/on the recommendations of the Tobacco Production and Farm Marketing Institute T.P.M.I. mentioned under (ii) hereunder.

II Government should consider setting up a South Lebanon Rural Development Authority S.L.R.D.A. with a special status. The S.L.R.D.A. would be managed by a high ministerial Committee comprizing the Ministers of Agriculture, Social Affairs, Cooperatives, Finance, Hydraulic Resources, and the Chairman of the Council for the Reconstruction and Development (CDR). General objectives of the S.L.R.D.A. would be as follows :

(a) Medium and long term planning and supervision of a national tobacco production and farm gate marketing Institute T.P.M.I.

(b) Medium and long term planning and supervision of a South Lebanon Rural Development Organization (S.L.R.D.O.) to be created under the auspices of the S.L.R.D.A. and entrusted with the integrated watershed management and rural development of a land area of 129000 ha of dry land situated in the four interior zones of South Lebanon <sup>(1)</sup> where 196000 persons lived in 1972 in some 200 villages, and where some 17000 farmers cultivated 48.000 ha <sup>(2)</sup>.

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(1) Interior zones of South Lebanon :

I. Zahrani, II Nabatiya, IIIa Bint Jbail, IIIb Jouaia, IV Marjayoun.

(2) of which tobacco 6100 ha - grain and legumes 24000 ha - follow 10000 ha - olive, vine, etc. 8000 ha

III. Government should consider creating under the sponsorship and supervision of the S.L.R.D.A. a National Tobacco production and farm gate marketing Institute T.P.M.I., under the Direction of an executive committee of three persons; this committee would be assisted by an Advisory Commission composed of representatives of the C.D.R., the Institute for Agricultural Research, the National Union of Cooperatives UNCC, the new Agricultural Credit Bank, the Ministry of Finance and a number of bona fide tobacco growers.

A) The general objectives of the T.P.M.I. would be :

- (i) To control, supervise and encourage efficient production in the Lebanon, of 7500 tons of quality oriental tobacco (mainly Saadi 6 variety); 90% of this tobacco would be produced on farms which would be located in South Lebanon within five years.
- (ii) To provide with Government financial assistance a support price to authorized tobacco growers, such a support price for quality leaf tobacco reflecting international prices for oriental tobacco and related to farm production costs and returns in Lebanon as ascertained annually through systematic random sample surveys, and such support price including a subsidy/Kg to be determined on an annual basis.
- (iii) To afford to authorized tobacco farmers a regular outlet at conveniently located stores for quality leaf tobacco, and to purchase from them their crops through its appointed agents at the support price fixed for the various varieties and grades.
- (iv) To deliver and remit the tobacco purchased from growers to whatever Agency the Government entrusts with the manufacture of Lebanese brands and with the export of raw Lebanese leaf tobacco; conditions specifying the quality of the product that will be remitted by the TPMI to this Agency and the relevant price structure for the crop delivered would be determined in advance by Government, at the time the TPMI would be established. The

actual prices paid to the TPMI would be fixed annually by Government.

- (v) To maximize the involvement of farm organizations, cooperatives, and other regional professional groups in the progress of its various tobacco development programs.

B) THE TPMI WOULD HAVE AS ITS SPECIFIC OBJECTIVES :

- (i) The revamping of the present licencing (authorizing) system to eliminate the seasonal trade in licences : this would involve a complete socio-economic census and individual study of all bona fide tobacco growers in Lebanon a task to be performed within 2 years.

After completion of the census the reallocation and the study to bona fide growers of licences would take place. Such reallocation would authorize the delivery annually of specific quantities of tobacco per grower the quantity being related to his previous record of production and deliveries ; in short future tobacco licences would be authorized exclusively for bona fide farmers and for a specific volume of tobacco/annum per grower; licences would in future not be granted on the basis of acreage cultivated. This change would reduce considerably the necessity for field control by TPMI personnel.

Individual records on each grower would be set up, and utilized for extension purposes.

- (ii) The TPMI would upgrade the status of its purchasing agents, and would for each variety of tobacco change the schedule of farm gate prices for the various grades; it would widen considerably the price margin/kg between the lowest and the highest grades and provide a substantial premium payment to the highest grades; the aim of this change would be to encourage growers, before delivery of their crop to the TPMI stores, to undertake on their farm premises the sorting, grading and manipulation necessary for the production of quality tobacco, as was the case before the deterioration of the farm production system in the 1960's and 1970's.

(iii) The TPMI would hire nearly all the personnel presently employed by the Agricultural Services (DAIRAT) of the Régie including to the only three agricultural engineers presently active in that Service. But, it would only retain half of the field personnel <sup>(1)</sup> presently employed in the said Agricultural Service of the Régie, most of whom have no formal training in Agriculture.

(iv) The TPMI would provide to tobacco growers its services through 9 technical Departments headed each by an agricultural engineer or a trained agricultural economist or a trained business school specialist or a trained accountant.

These departments would be as follows :

Licensing and Production Control Department

- a) Manpower and Social Affairs Division responsibility : census of bona fide growers and individual socio-economic study of each grower.
- b) Licensing of Volume of tobacco admissible for delivery to TPMI and Production Quality Control Division.

Lists of selected growers and the quantities authorized per grower ~~would~~ be established jointly with villages representatives and made public in villages, before final authorization is confirmed; no leasing of licences ~~would~~ be accepted if it takes place outside the boundaries of the village where the licenced growers farm is situated.

Soils Department Responsibility : Pedological Surveys of all lands planted in tobacco (scale 1/2000)

Research and Development Department Responsibility : Research on new high yielding varieties of oriental tobacco within the scope of a ten year program - Experimentation on irrigated Virginia and Burley! Development of farm machinery experimental and demonstration programs.

Extension and Training Department Responsibility : Collection of individual record per grower, intensive technical training for 150 agents servicing 15000 growers, Training courses for farmers, Demonstration plots.

Input Supplies Department Responsibility : selected seed production Institute's research stations and their distribution to growers. Also bulk purchase of fertilizers, insecticides, etc.. Provision of credit and promotion of cooperatives through two agricultural credit and cooperatives divisions.

Internal Marketing Department :

- a) Purchasing Division
- b) Crop Storage and Transport Division
- c) Marketing Division. Relations with agency entrusted with marketing and export of leaf tobacco

Economics Department/Farm Management Division Responsibility : Annual data collection of costs and returns/dunum by random sample jointly with Faculty of Agriculture AUB. Such surveys should effectively check yields and quality of product delivered to the meaningful.

Foreign Market Forecasts Division.

Public Relations Department Responsibility : liaison with all public and semi-public Agencies and professional organizations active in agriculture.

Financial and Administrative Department

(v) The TPMI would strive to gear its program to fulfill the following objectives on tobacco farms within five years of its creation :

- a) 50% improvement in the quality at the farm gate of leaf tobacco
- b) a 25% increase in yields/dunum of quality tobacco per dunum
- c) a 25% reduction in farm labour costs/dunum
- d) the elimination of leasing of licences in 100% of the area cropped in tobacco.

(vi) Cancel starting between 1985 and 1993 the licences granted to tobacco growers farming 3000 ha of tobacco, such area being included in the 15500 ha of lands to be irrigated between 1985 and 1993 within the scope of the South Lebanon Irrigation Project.

(vii) Reallocation of the licences cancelled under (v) to new bona fide tobacco growers in the remaining interior zones of South Lebanon.

(viii) To entrust FAO technical assistance to reach the objectives listed under (v) a-b-c-d.

IV. Government should consider setting up under the auspices of the South Lebanon Rural Development Authority, S.L.R.D.A. the South Lebanon Rural Development Organization S.L.R.D.O. responsible for watershed management, soil conservation and rural development. Under the Direction of a management commission of three persons, the S.L.R.D.O. would be assisted by an Advisory Commission comprising :

The new Employment Bureau of the Ministry of Social Affairs.

The Animal Production Bureau

The Silk Bureau

The Green Plan

The Department of Forestries of the Ministry of Agriculture

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The Cereal and Sugar Beet Bureau OCBS

The Institute for Agricultural Research IRAL

The Land Registration Bureau (land consolidation service)

The Office National du Litani ONL

The Union Nationale du Crédit Coopératif (UNCC)

The new Agricultural Credit Bank

*One* Representative of the Regional Chamber of Commerce

5 Farm Representatives.

Objectives of the S.L.R.D.O. The objectives of the S.L.R.D.O. will be as follows :

A) Long term. Limitation of tobacco area to a maximum of 6000 ha and simultaneously utilization of part of the present tobacco subsidy to carry out the integrated watershed management and Rural Development of the 129.000 ha of dry land area in the four interior zones of South Lebanon, where some 200 villages are situated. In the interior zones 50.000 ha are presently cultivated in tobacco (6100 ha), grain and leguminous crops (24000 ha), fallow (10000 ha) and olive, vine and other dry land tree crops.

B) Short term. Integrated watershed management and Rural Development of 15500 ha of choice cultivated lands situated within a cultivated area of 25000 ha which are part of A above, and which group 88 villages. Under normal circumstances these 15500 ha are to start being irrigated (South Lebanon Irrigation Project) in 1985 in eight annual phases ending in 1993.

C) Immediate objectives : choice of 20 villages within the 25000 ha area mentioned under B, to undertake there a pilot scheme for integrated watershed management and rural development with W.H.P. financing FAO Emergency funding, Government of Lebanon rehabilitation funding for South Lebanon, as well as with bilateral aid.



Main Departments of the S.L.R.D.O. :

Research (Agriculture - livestock -)

Soils - Water Resources and Irrigation

Land Tenure and Land Consolidation

Forestry, natural pasture and soil conservation

Dryland forage production and forage conservation

Animal and Livestock Production (dairy cows - sheep - high yielding goats - poultry)

Input Supplies - Agricultural Credit and cooperatives

Marketing Department (mainly livestock marketing - also silk marketing and dryland tree crops marketing)

Home Economics

Economic and Farm Management Department

Man Power training and Man Power mobility programs Department

Project Development and Implementation Development and World

Food Programm Liaison

13.3 Recommendations as to Internation Technical Assistance

V) The Governèment should consider requesting FAO technical assistance for the implementation of the new tobacco production and marketing Institute's TPMI program of activities.

(i) A short term mission of three high level specialists in oriental tobacco production to define a ten year research, and extension and farm mechanization programme for the TPMI's Research, and Development Department's and for its extension and training Department (see P.36<sub>a</sub> above).

(ii) A short term mission of a high level specialist in marketing of oriental tobacco to revise the schedule of grades and formulate for the TPMI's internal marketing Department (see p.36<sub>a</sub> above) a

programme for quality control and product improvement at the farm gate.

VI) The Government should consider requesting FAO to pay for and send for three weeks a multidisciplinary mission of specialists recruited in its Investment Centre jointly to a World Food Programm team. The responsibility of this joint mission would be to identify and formulate for the South Lebanon Rural Development Organization S.L.R.D.O. a watershed management and rural development project in 20 of the 88 villages which in 20 years time if all goes well will in part be irrigated within the scope of the South Lebanon 15500 ha irrigation project scheduled for the interior zones of South Lebanon. The performance of the FAO/WHP team can be greatly enhanced by advance compilation by the FAO country Office of the very considerable body of technical and socio-economic data pertaining to these 88 villages collected between 1972 and 1975 , by the FAO South Lebanon Irrigation Project team, such data being still available and stored in the Bir Hassan ONL premises in Beirut.

The suggested watershed management and soil conservation and rural development project of the S.L.R.D.O in 20 selected villages of the interior zones of South Lebanon could well be defined and formulated in the light of the experience gained by W.F.P. in the Kizil çahamam area of Central Anatolia and in the more recent similar WFP project that is being implemented since May 1976 in a neighbouring region of Central Anatolia. <sup>with</sup> WFP funding of some \$15 million (1)

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(1) for further reference see "Dairy and Vegetable Marketing and its integration to rural development in Iran, Sudan, Egypt and Turkey", G.S. Saab, F.A.O. Rome, October 1976.

VII) Government should consider requesting the International Labour Organization ILO to assign to the new Employment Bureau of the Ministry of Social Affairs one high level expert specialized in the formulation of farm labour mobility programs. The terms of reference of this expert would be :

- a) Study the seasonal needs for farm labour in Mount Lzbanon and the Bekaa
- b) Assess the importance of under employed farm labour in the interior zones of South Lebanon
- c) Determine the nature and scope of the incentives <sup>(1)</sup> required to ensure a regular flow of farm labour from from congested areas to regions where farm labour is very scarce.
- d) Formulate projects to ensure the seasonal flow of Lebanese farm labour from congested areas of South Lebanon to Mount Lebanon and the Bekaa, and identify the ~~organizations~~ <sup>agencies</sup> to be entrusted with the organization of seasonal movements of Lebanese farm labour.

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1) (mobility income supplements, for internal travel, improved habitation, establishment of canteens, etc...).

13.4 Recommendations as to basic Agricultural Policy

VIII. Before attempting any diversification out of tobacco production and any integrated rural development, Government should consider defining as rapidly as possible a national livestock development strategy, with due regard to the potential for forage production in dry land areas as well as in irrigated areas, and without prejudice to the interests of urban consumers

13.5 Recommendations as to foreign trade in tobacco products

IX. Government should consider discontinuing gradually the policy of bartering Lebanese Raw leaf tobacco against imported manufactured products, and after improving the quality of Lebanese leaf tobacco, it should proceed to its sale on the international market at prevailing world prices whilst simultaneously importing at prevailing world prices its requirements of foreign brands. The present barter system is conducive to the obtention of a low price for Lebanese tobacco, simultaneously to the payment of as high a price as possible for the imported product. Such a barter system can only be justified in future if the quality of Lebanese tobacco is not improved.

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