ISSUE 7 September 2010

MOET NEWSLETTER

THE MANY FACES OF THE LEBANESE WINE INDUSTRY

Through the Phoenicians, who introduced the world to viticulture and wine appreciation, Lebanon continues to be one of the oldest sites of wine production in the world.

In this day and age, Lebanon is gradually becoming a regional player in the Mediterranean wine industry. This issue of the MoET Newsletter will attempt to identify the ways in which wine production has benefited Lebanon's economy in recent times, the challenges that the industry faces and the various ways in which the sector is attempting to diversify the scope of these benefits and deal with the challenges in the long run.

I. Overview of the Lebanese Wine industry

Lebanon is one of the oldest sites for wine production in the world. Although today it is more known for its majestic cedars, Lebanon is also blessed with 300 days of sunshine a year, and therefore enjoys a booming industry that produces award-winning wines for export to a wide range of communities throughout the world, mainly in the UK, Europe and the United States. The nation's French colonial history is also apparent in the grape varieties that are most commonly planted, which consist of Cinsaut, Carignan, Cabernet Sauvignon, Merlot, Mourvedre, Grenache and Syrah. The majority of vines are also grown in the ancient Greek city of Baalbeck in the Bekaa Valley, where the 1000 m above sea level altitude and the valley's winter rain and summer sunshine are very suitable to vineyards, helping the grapes to ripen easily.

The two principle players in the Lebanese wine market are Chateau Ksara and Chateau Kefraya. Together, they represented more than 66% of Lebanese wine sales in 2008. Chateau Ksara is characterized by "Tradition, Nobility and Modernity", being Lebanon's oldest winery and one of the country's most successful wine producing businesses, despite all the challenges faced over the years. Chateau Kefraya on the other hand, portrays its wine as "a Terroir, a Soul, a Great Wine", and is the second largest producer of premier Lebanese Wine. Chateau Musar is also a major winery in Lebanon but is particularly well known abroad, especially after it first achieved international recognition during the Bristol Wine Fair in England in 1979.

The country's wine industry struggled during the 15-year Lebanese civil war, from 1975-1990, but in recent years, it has been growing at an impressive rate. New wineries have emerged, some newly established while others have either moved into wine making following decades of focusing on the production of other alcoholic beverages or have begun to focus on more specialized wine production. The number of producers almost increased fivefold and are consequently competing with traditional wine producers by focusing on quality. The remarkable aspect of this is that, as more and more wineries emerge, the drinking culture in Lebanon is consequently shifting from a Whiskey and Arak culture, which previously dominated the alcoholic preference of diners, to one where wine is favored.

At present, the Lebanese wine industry is a US$ 25 Million industry that mainly depends on exports. According to the available customs data shown in Table one on the next page, exports maintain high records with slight increases between 2006 and 2008, before falling back slightly in the period of the global financial crisis. In 2009, the main export markets were the United Kingdom (24%), France (18%), the United States (11%), Syria(7%) and Canada (6%). Although the percentages differ over the years, the U.K has maintained it's position as the top exporter of Lebanese wine due to its year round cold weather, which allows for a suitable mood for wine. The tables in the appendix

"Age is just a number. It's totally irrelevant unless, of course, you happen to be a bottle of wine." Joan Collins

show the complete rankings for wine exports between 2006 to 2010.

As for wine imports, they have gradually increased between 2006 and 2010. In 2009, imports mainly came from France (91%), Italy (4%) and Spain (3%). The former is known for its good reputation and prestige and most people in Lebanon consequently have the habit of ordering French wine on their dining tables. The tables in the appendix show the complete rankings for wine imports between 2006 to 2010.

Table 1: Export and Imports of Lebanese Wine

	Imports		Exports		Trade Balance	
Year	Thousand $	Tons Net	Thousand $	Tons Net	Thousands $	Tons Net
up to Oct 2010	7,966	782	9,813	1,639	1,847	857
2009	10,399	1,008	11,198	1,743	799	735
2008	8,358	861	13,129	1,820	4,771	959
2007	4,909	841	12,960	1,934	8,051	1,093
2006	4,559	719	10,716	1,662	6,157	943
2005	4,546	874.427	10,424	1,662	5,879	788
2004	5,077	977.38	9,040	1,525	3,963	548
2003	4,507	952.868	7,969	1,398	3,462	445
2002	3,391	967.92	7,678	1,322	4,287	354
2001	2,820	827.442	6,594	1,126	3,773	299
2000	1,351	547.747	5,626	910	4,274	362
1999	2,381	747.771	5,622	952	3,241	205
1998	1,805	584.964	6,050	885	4,245	300

Source: Lebanese Customs

The figures from Table one above indicate the promising aspect of the Lebanese wine industry, given by the fact that exports have consistently exceeded imports given the available data.

II. A New Focus for Lebanese Wine

The Lebanese wine industry is now entering a new evolutionary phase where wine making is not simply viewed as a tradable good but a process that has the potential to compete on the basis of quality and as a service.

a. Quality rather than Quantity

One of the major transformations for the wine industry is that production is shifting to low quantity, high quality wine making across a wide range of geographical territories in Lebanon. The 1990s, for instance, saw the emergence of new names and labels in the field such as Chateau Marsyas, Domain Wardy, Clos St Thomas, Karam, Nabise, Fakra, Massaya (a bold Franco-Lebanese joint venture) and Cave Kouroum, which joined the established triumvirate of Wine producers of Chateau Ksara, Chateau Kefraya and Chateau Musar.

Together with the countless terroirs offered, this particular sector offers huge potential in Lebanon given that it follows a long-term and well-planned approach. For instance, wine production under both Saadé wineries (Chateau Marsyas and Bacchus) are seeking to target high end consumers and are therefore to be marketed away from the traditional supermarket distribution network so that instead, they are only made available in restaurants, hotels and specialty stores. Also, rather than relying on the local market, the Saadé brothers are hoping to focus more on developing their European and international counterparts, specifically targeting French wine enthusiasts, as they believe France is key in opening the doors of European markets. Furthermore, they add that their main focus will be on the production process and quality of the grapes used rather than it being merely a question of the types of machinery and equipment. The brothers also explained the importance of fully capitalizing on the Lebanese wine culture so that the Lebanese brand is introduced to the world, despite the fact that marketing Lebanese wine may prove to be a very difficult task.

Another example is that of the Heritage Winery. In1888, *Jibran Elias Touma* established

"Making good wine is a skill; making fine wine is an art." - Robert Mondavi

one of the first wineries and distilleries in Lebanon in the small town of Kab-elias in the Bekaa Valley to produce wine and Arak. However, by continuing in the family tradition of his father and his grand fathers, Dr. Dargham Elias Touma has combined the winemaking art of his heritage with a PhD in food and beverage science specializing in the "Grand Vin", the high quality wines that age and thus, this resulted in the birth of "Heritage", a new class of Lebanese Wine.

b. Wine Tourism

Throughout the years, Lebanese wine has been exported mainly as a good which was demanded by many foreign consumers that have admired its taste and who have become regular importers. However, as more and more vineyards were established in Lebanon, wine became more than just an exported good within an industry, but also an export service that plays a leading role in the tourism sector.

Several wineries in Lebanon are conducting tours in their vineyards with many attracting offers that include tours within the wineries, over night stays in guest houses and hotels, dining in restaurants etc, all of which would increase the enjoyment of the experience of tasting the wineries' wines. Many travel agencies are including these tours in their travelling packages in order to attract more tourists, noting that Lebanese wine along with all the offers provided by the wineries will provide a premium experience to all visitors.

The Saadé family for instance, have not only invested in wine production, but also in integrating two other complementary projects, namely a wine museum and a boutique hotel with 30 to 35 rooms in their Lebanese project, . The main rationale behind the wine museum is the added value it will bring to the wine industry in Lebanon, one that can be further complemented by the creation of a "Route du Vin" — a wine tour — of the Bekaa, which will help integrate further the Bekaa valley into the overall Lebanese tourist map. Kefraya says it is also opening a wine museum, which it expects to open next year. Carlos Adem, owner and founder of Chateau Faqra, a boutique winery in Kfardebian, is building a small hotel near his vineyard, which he also plans to open next year.

Such initiatives appear to fit well with recent plans by the Ministry of Tourism to promote rural Lebanon. Actually, the General Director of the Ministry of Tourism Ms. Nada Sardouk Ghandour states that "Wine tourism is part of agro-tourism in Lebanon. When people see the wine label, they also see the name of the village". Such tours will therefore be able to play a very big role in providing incentives to the Lebanese government in enhancing the wine industry. This could be an important tool to strengthen the tourism sector that is now considered a major pillar of the Lebanese economy.

c. Health Focus

After a lot of research and discussion, it has been proven that there is a very close link between wine and health. In the past, wine was used as a form of medication for treating wounds, as a cure for a wide range of diseases and as a pain reliever during childbirth. This is because the Resveratrol contained in red wine specifically has many health benefits. This chemical falls under the big category of Polyphenols, which play a key role in preventing cell damage. Moreover, the moderate consumption of wine (red or white) has positive benefits like reducing the risk of osteoporosis, inhibiting cancerous changes in cells, preventing blocking of arteries, soothing stomach irritations etc.

The role of moderate wine consumption therefore continues to take an interest of many due to the various effects that wine may have in several health cases. Such health benefits may be used as a marketing tool to help strengthen the demand for wine relative to other alcoholic beverages.

III. Industry Challenges

Despite the competition among Lebanese wineries, which has acted as an incentive to produce a greater variety of quality wines, a number of major challenges remain within the industry. The need to handle these challenges arises from the fact that Lebanese wine represents around 0.018% of global production, therefore making it essential for the industry to find a niche market so they can sell their wines at a premium. This would help prevent any mishaps that could affect the industry as a whole and have severe repercussions in the future.

First, the industry continues to face a lack of coordination among the wineries to sell the "Lebanese brand" with their wine. If more coordination among wineries is present, the needs of the sector could be better managed through laws, regulations and a common voice that will help protect the industry. Doing this would further enhance Lebanon's reputation as a "quality" wine producer and hence, improve its exporting prospects.

Some measures have already been put in place to help weaken such impediments. An association called the "Union Vinicole du Liban" (UVL) was established in 1996, which sought the creation of the following activities:

- To protect the mutual interests of local wine producers and to help them promote themselves as a harmonized entity that will enhance their voice.
- To issue a law that would govern the Lebanese wine industry and build upon its worldwide image. As such, the UVL aims to create a wine culture in Lebanon that reflects the Lebanese wine's proper identity.
- To provide answers to E.U. interrogations related to Lebanese wine exports, given that wine exports exceed imports and that the sector is still going strong. Efforts are focused on improving productivity and maintaining high standards to ensure a promising future for the sector, with the aim to maintain the increase in exports and to strengthen Lebanon's reputation as a quality wine producer.

However, the major problem the UVL faces is drawing together all Lebanese wineries to its association. Since its inception, the union has only managed to attract less than half of the existing wineries in Lebanon, while some who did join at an earlier stage left the group, citing the UVL's lack of unity and vision as their reasons for departure.

On a positive note, some progress was made in 2000, when a wine law (no.216, 29/05/00) for instance, was passed in Lebanon. It was divided into three core areas:

- Regulations governing the production, sale and importation of wines.
- Regulations defining the constituents and nature of Lebanese wine and Lebanese concentrated must (freshly pressed grape juice, prior to or during fermentation). Rules governing the fermentation of dry, sparkling, sweet, semi-sweet (demi-doux) wines, liqueurs and fortified wines. Rules governing the use and provenance of grapes, the cultivation methods for grapes used to make wine, and guidelines for the wine making process. Much of its technical regulations follow those set down by the Office International de la Vigne et du Vin (OIV).
- Rules for labeling and origin designation. In this respect, this Ministry of Economy and Trade is encouraging the promotion of Geographical Indicators (G.I.) for Lebanese products, including wine. The G.I. law has been approved by the Council of Ministers and is now awaiting ratification from parliament.

The large number of newcomers to the wine sector has led UVL members to realize that there should be a body to regulate Lebanese wines from the first stage of grape growth to its bottling, as well as providing industry analysis and marketing services. Furthermore, according to Head of the UVL Mr Serge Hochar, a lack of coordination also remains in terms of providing a long term vision for the sector. Both challenges could be handled by creating an independent private body that can be responsible for all areas of grape growing and wine production. Consequently, the UVL has been pushing for the creation of an institution that would focus on:

- Viticulture
- Viniculture
- Legal issues
- Commercial concerns
- Quality control and analysis
- The eventual creation of a system similar to, and inspired by, the French.

The National Wine Institute, as it has become known, would essentially enhance Lebanon's credibility and reputability as a quality wine producer on international markets. Mr Serge Hochar cites issues such as identifying the best territories for grape growth as well as detecting the areas that are suited to the large variety of grapes available etc can also be dealt with through this institute. However, the only way to proceed is to have an institute and a budget. Anything that cannot be done by the UVL will be given to the private sector. The National Wine institute should be a private institute with a public character, which will allow the public sector to be involved but it will be run by private sector mechanisms. He contends that this would be the only way to save the institute from the virus of the public sector. In reality, the private sector can do everything themselves. Even the agro initiatives can be done by the industry rather than by the public sector. In the future, the industry can therefore develop a global policy that will cover the wine from the grape to the market.

The third challenge is related to the need to increase the attractiveness of Lebanese wine to locals, who tend to purchase imported wine with the belief that it is of better quality and prestige. Improving domestic consumption can be achieved by increasing tariffs on imported wine, but this goes against policies to reduce tariffs on imports given the efforts being made to liberalize and regulate trade in conjunction with the rules of the World Trade Organization (WTO) and the European Community (E.C). Following the Bilateral Interim Agreement between Lebanon and the E.U in 2002, taxes on imported wine, for instance, have been subject to a discount of 50% for "Quality wines" and 20% for other wines, given their original tariff of 70%. Countries outside the E.U that have "Most Favored Nation" status however are still subject to the 70% duty on their wine.

IV. The Future of Lebanese Wine

It has become apparent that Lebanon's competitive advantage lies in its creativity, its human capital and in its cultural history. Since Lebanon is endowed with a variety of terrains and climates, the long term vision should therefore aim to understand how producers can exploit the Lebanese terroirs to enable the production of a wide range of wines that reflect the overall Lebanese environment while also promoting its culture and responding to the demands of the global market.

Although setting up a winery requires a lot of capital, it is important to remember that it is not a necessity to be a land owner in order to be a wine producer. In Lebanon, there are wineries who own their own land and therefore, own their own grapes. Then you have wineries that have rented land but plant their own grapes. You also have wineries that have long term contracts to buy grapes from local growers. Then you have the other end of the market where producers buy grapes from local growers on a casual basis. The latter example is dominated by the newcomers who are by and large not knowledgeable and who will take any grape and will learn from experience. However, this multiple approach from ownership to direct buying happens all over the world so its is nothing new or strange.

Furthermore, a number of institutions are training or providing research methods to learn about and improve viticulture. The University of Saint-Joseph (USJ) has a program tailored to prospective viticulture engineers while the Lebanese Agricultural Research Institution (L.A.R.I), under the auspices of the Ministry of Agriculture, conducts basic and scientific research for the development and advancement of agricultural sector in Lebanon. There would be more efficiency if all the institutions involved in the wine industry would coordinate together to help exploit the sector's advantages. Perhaps the government could also aim to encourage the provision of cheap loans to help develop this sector.

Also, encouraging the exposition of Lebanese wines at various national and international fairs, such as the annual trade Fairs at Biel and Forum de Beyrouth or at the food and wine festivals such as Vinifest, would help promote the Lebanese brand. Nonetheless, plenty of similar proposals can be considered for the development of the industry but its measure of success may only be apparent once more coordination between the major decision makers in the sector takes place.

V. Appendix

v. i: Table showing the list of some wineries in Lebanon

Winery	Location of Vineyards	Year the winery was founded
Ksara	Bekaa Valley: Ksara Estate, Mansoura, Kanafar, Tanil, Tal Dnoub	1857
Kefraya	Bekaa Valley: Kefraya	1950
Musar	Bekaa Valley	1930
Massaya	Bekaa Valley	1998
Karam	South of Lebanon: Jezzine	2003
Domaine Wardy	Bekka Valley: Ainata, Deir al Ahmar, Bechwat, Zahle, Kab Elias, Aana, Mansoura	1989/1999
St Clos	Bekaa Valley: Kab Elias	mid 90s
Heritage	Bekaa Valley: Kab Elias	1888
Nabise	Mount Lebanon: Rechmaya	1999
Fakra	Mount Lebanon: Kfardebian	1985
Kouroum	Bekaa Valley: Kefraya	1997
Marsyas	Southern Bekaa Valley	2005
Nakad	Bekaa Valley: Jdeita	1923
Domaine des Tourelles	Bekka Valley: Chtoura	1868
Clos de Cana	Mount Lebanon: Ras el Harif	1998
Chateau Khoury	Eastern Foothills of Mount Lebanon Overlooking Zahle	1995
Chateau de Botrys	Batroun	1998

v.ii: Tables showing the top ten Importing—Exporting countries for Lebanese Wine in terms of Value

	Up to October 2010 Imports				Up to October 2010 Exports		
Country	Thousand $	Tons Net	%	Country	Thousand $	Tons Net	%
France	6,796	529	85%	United Kingdom	2,378	293	24%
Italy	687	90	9%	France	1,512	295	15%
Spain	154	78	2%	Canada	876	127	9%
Portugal	83	17	1%	United States	844	136	9%
Argentina	81	11	1%	United Arab Emirates	840	127	9%
Syrian Arab Republic	37	9	0%	Duty Free-Airport	535	55	5%
Poland	33	25	0%	Syrian Arab Republic	479	126	5%
Chile	18	4	0%	Iraq	449	152	5%
Australia	17	3	0%	Switzerland	323	52	3%
South Africa	14	1	0%	Germany	243	51	2%

Source: Lebanese Customs

	2009 Imports				2009 Exports		
Country	Thousand $	Tons Net	%	Country	Thousand $	Tons Net	%
France	9,426	700	91%	United Kingdom	2,697	318	24%
Italy	443	58	4%	France	1,994	352	18%
Spain	288	163	3%	United States	1,187	184	11%
Portugal	65	11	1%	Syrian Arab Republic	754	206	7%
Chile	43	9	0%	Canada	711	96	6%
Bulgaria	39	42	0%	United Arab Emirates	555	81	5%
Australia	21	4	0%	Duty Free-Airport	503	58	4%
Argentina	20	3	0%	Sweden	492	84	4%
Belgium	15	9	0%	Switzerland	433	47	4%
Syrian Arab Republic	15	4	0%	Germany	305	54	3%

Source: Lebanese Customs

	2008 Imports				2008 Exports		
Country	Thousand $	Tons Net	%	Country	Thousand $	Tons Net	%
France	7,535	551	90%	United Kingdom	4,243	393	32%
Italy	346	68	4%	France	2,079	351	16%
Spain	246	143	3%	United Arab Emirates	1,050	127	8%
Bulgaria	54	64	1%	Syrian Arab Republic	925	241	7%
Portugal	39	8	0%	Canada	861	99	7%
Chile	31	5	0%	United States	766	109	6%
Argentina	27	4	0%	Sweden	567	93	4%
South Africa	21	7	0%	Duty Free-Airport	563	60	4%
Australia	17	3	0%	Switzerland	292	40	2%
Germany	14	4	0%	Germany	284	55	2%

Source: Lebanese Customs

	2007 Imports				2007 Exports		
Country	Thousand $	Tons Net	%	Country	Thousand $	Tons Net	%
France	4,263	510	87%	United Kingdom	4,662	446	36%
Spain	232	176	5%	France	2,129	458	16%
Italy	222	47	5%	United States	1,309	204	10%
Portugal	52	9	1%	Canada	759	88	6%
Bulgaria	31	60	1%	Syrian Arab Republic	737	170	6%
Chile	30	5	1%	United Arab Emirates	582	98	4%
Germany	21	8	0%	Sweden	561	107	4%
Belgium	14	9	0%	Duty Free-Airport	383	42	3%
Argentina	11	2	0%	Switzerland	342	48	3%
Greece	8	9	0%	Spain	247	40	2%

Source: Lebanese Customs

	2006 Imports				2006 Exports		
Country	Thousand $	Tons Net	%	Country	Thousand $	Tons Net	%
France	4,089	480	90%	United Kingdom	2,689	299	25%
Spain	194	133	4%	France	2,399	465	22%
Italy	165	23	4%	United States	1,281	169	12%
Bulgaria	26	50	1%	Syrian Arab Republic	616	137	6%
Chile	22	7	0%	Sweden	560	116	5%
Portugal	15	4	0%	United Arab Emirates	520	73	5%
Australia	14	3	0%	Switzerland	514	51	5%
Belarus	10	4	0%	Canada	418	47	4%
Belgium	7	9	0%	Duty Free-Airport	410	46	4%
Armenia	6	5	0%	Germany	253	55	2%

Source: Lebanese Customs

The MOET Newsletter hopes to keep its readers up-to-date on topics important to the Ministry as well as on the current economic climate.

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