WFP VAM & Supply Chain Unit
Lebanon

Economic Situation Analysis

Results of Supply Chain Assessment
Monitoring results for FSSWG meeting (Oct 2019 to Jan 2020)
Purchasing Pattern Assessment
Review of Food Transfer Value

February 2020
Summary

• Supply Chain
• Availability of food supplies
• Access to shops
• Purchasing Patterns
• Exchange rate
• Price development
• Transfer Value
• Conclusion
Supply Chain Assessment
Objective of Supply Chain Assessment

➢ To understand the wholesaler’s capacity and the supplier-linked risk in the supply chain of WFP contracted shops
➢ To analyse logistic capacity, stock availability, stock cover, pricing and liquidity of Suppliers.
➢ Face to Face discussion with suppliers using a pre-defined questionnaire

• 22 suppliers interviewed in Lebanon
• 10 type of food commodities assessed
• Current stock amounts to 72,599 MT (as of January 2020)
• Monthly turnover is equal to 49,982 MT
List of assessed food items and approx. available stocks in mt (as of January 2020)

- Rice: 29600 mt
- Sugar: 23200 mt
- Bulgur: 6000 mt
- Oil: 4300 mt
- Beans: 3100 mt
- Salt: 2600 mt
- Pasta: 2300 mt
- Fish: 800 mt
- Meat: 400 mt
- Dairy: 400 mt
Origin of food commodities (as of January 2020)
Supplier key activities and characteristics

- 55% of suppliers sell only Food products while 45% of them sell both Food and Non-Food products.
- 68% of suppliers own a manufacturing/production and packaging facilities and have their own brands.
- More than 80% of suppliers are acting as importers, distributors and wholesalers.
- 27% of suppliers have direct access to customers and also acting as retailers while the remaining 73% of suppliers only serve wholesalers, distributors and Sub-distributors.
- Food product turnover is dominated by imported (95%) vs local commodities (5%)
Take away based on suppliers feedback

- Supply issues for food items are not anticipated by the suppliers in the coming weeks.
- The main issue is the shortage of the foreign currency, leading a black market for foreign currencies.
- Shipping cost has slightly increased due to the low volume of food products ordered by suppliers leading to increase the selling price of these products.
- Supply of food commodity has been slightly affected due to the facts that suppliers and main players in the market are withholding the stock and limiting the quantity sold to 85% of the quantity ordered.
- The retailers are increasing the selling of the food commodities because consumers tend to buy more basic commodities.
- Smaller importers will not be able to adapt their business in the current situation which leads to a slightly increase in demand at supplier level.
- Large importers need to rise the volume of their orders to satisfy the increase of demand in the
Monitoring results for FSSWG meeting (Oct 2019 to Jan 2020)
Stock coverage of WFP contracted shops (as of 30th January 2020)

- 12% of shops have 1-2 weeks stock
- 18% of shops have 2-3 weeks stock
- 29% of shops have 3-4 weeks stock
- 41% of shops have more than 4 weeks stock

→ 88% of WFP contracted shops say they have more than 2 weeks of stock

- Total number of shops (including chains): 395
- Number of shops have been contacted: 395
- Number of shops reachable: 382

Source: Weekly Shop Phone Survey – as of 30th January
Shops with disruption in receiving products from food suppliers (as of 30th January 2020)

10% of shops witnessed disruptions from suppliers

90% of shops did not witness disruptions from suppliers

Source: Weekly Shop Phone Survey – as of 30th January
Shops affected by the number of food ecard beneficiaries visiting the shop (as of 30th January 2020)

- **2%** of shops affected by a change in the number of food ecard beneficiaries visiting the shop
- **98%** of shops not affected by a change in the number of food ecard beneficiaries visiting the shop

(e.g. overcrowding or bulk purchases)

Source: Weekly Shop Phone Survey – as of 30th January
Purchasing Patterns Analysis based on WFP retail information
Research question: How have purchasing patterns for Syrian and Lebanese evolved since the beginning public unrest? What is the price elasticity of demand for top 10 SKUs?

- Two groups of customers analyzed: Syrian and NPTP
- Analysis:
  - Top 30 SKUs in Sale Value ($) and attributed a rank for respective month.
  - Changes of top 10 SKU rankings mapped out for each customer group.
- Periods of time: September to December 2019.
- Top 10 SKUs = around 7.5% of the total SKUs purchased in average by month in Sale Value.
- Generic analysis of price elasticity of demand – Understand the responsiveness to changes in price for top 10 SKUs
Top 10 items purchased and their rankings for Syrian Beneficiaries

- September 2019
  - NBC - WHITE SUGAR 25KG
  - HORSE HEAD TEA 800G
  - HORSE HEAD TEA 400G
  - NBC - AUSTRALIAN RICE 25KG

- 1 to 16 October
  - NIDO POWDER MILK BAG 2000G
  - PICON CHEESE TRIANGLES 32PCS 480G
  - ASEELE VEGETABLE GHEE 4KG
  - NBC - FLOUR 50KG

- 17 to 31 of October
  - ZAIN WHITE SUGAR 25KG
  - NBC - EGGS 30PCS

- November 2019
  - 1 to 16 October
  - 17 to 31 of October

- December 2019
  - 1 to 16 October
  - 17 to 31 of October
Top 10 items purchased and their rankings for NPTP Beneficiaries

- September 2019
  - NBC - WHITE SUGAR 25KG
  - HORSE HEAD TEA 800G
  - CARIOCA CAFE COFFEE 450G
  - HORSE HEAD TEA 400G
  - NBC - AUSTRALIAN RICE 25KG
  - PICON CHEESE TRIANGLES 32PCS 480G
  - NBC - FLOUR 50KG
- October 1 to 16
  - STAR CAFE BRESILIEN EXTRA 453G
- October 17 to 31
  - NIDO POWDER MILK BAG 2000G
  - ZAIN WHITE SUGAR 25KG
- November 2019
- December 2019

Ranking per Sale Value
Take Away

• This analysis provides an analysis for specific SKUs.
• Top 3 SKU commodities have remained the same for Syrian and NPTP beneficiaries between September 2019 and December 2019.
• Top 10 SKU commodities remain within the top 20 sales ranks.
• Top 10 SKUs analysis needs to be expanded to a larger set.
• Regrouping of commodity groups necessary to decipher changes more distinctly.
• Focus on Food Basket Commodities necessary.
## Generic analysis of price elasticity of demand for Top 10 SKUs

<table>
<thead>
<tr>
<th>SKU Description</th>
<th>Percentage change in Price</th>
<th>Percentage change in Quantity</th>
<th>Calculated Elasticity of Demand</th>
<th>Elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processed Cheese Block 1500G</td>
<td>2%</td>
<td>6.1%</td>
<td>2.8</td>
<td>Elastic</td>
</tr>
<tr>
<td>Vegetable Noodles 40* 70G</td>
<td>2%</td>
<td>4.8%</td>
<td>2.7</td>
<td>Elastic</td>
</tr>
<tr>
<td>Tea 800G</td>
<td>3%</td>
<td>8.4%</td>
<td>2.4</td>
<td>Elastic</td>
</tr>
<tr>
<td>Tea 400G</td>
<td>4%</td>
<td>8.0%</td>
<td>2.2</td>
<td>Elastic</td>
</tr>
<tr>
<td>Zock - White Sugar 25KG</td>
<td>5%</td>
<td>10.2%</td>
<td>2.2</td>
<td>Elastic</td>
</tr>
<tr>
<td>Zack - White Sugar 25KG</td>
<td>5%</td>
<td>9.9%</td>
<td>1.9</td>
<td>Elastic</td>
</tr>
<tr>
<td>Edusho Instant Cappuccino 20* 25G 20+2</td>
<td>4%</td>
<td>6.4%</td>
<td>1.7</td>
<td>Elastic</td>
</tr>
<tr>
<td>Ghu - Australian Rice 25KG</td>
<td>3%</td>
<td>-0.1%</td>
<td>-0.1</td>
<td>Inelastic</td>
</tr>
<tr>
<td>Ftu - Australian Rice 25KG</td>
<td>3%</td>
<td>-0.5%</td>
<td>-0.2</td>
<td>Inelastic</td>
</tr>
<tr>
<td>Powder Milk Bag 2.25KG</td>
<td>1%</td>
<td>-2.6%</td>
<td>-4.8</td>
<td>Inelastic</td>
</tr>
</tbody>
</table>
Exchange Rates and Price Developments
Weekly exchange rate development based on contracted retailers’ feedback (national level)

• Starting from December 72% of the suppliers charged WFP contracted shops between 2000-2250 LBP and 11% of the suppliers charged WFP contracted shops above 2250 LBP.

• In mid of January 30% of the suppliers charged WFP contracted shops between 2000-2250 LBP and 65% of the suppliers charged WFP contracted shops above 2250 LBP.

• In mid of January 93% of the suppliers charged WFP contracted shops between 2000-2250 LBP and 3% of the suppliers charged WFP contracted shops above 2250 LBP.

Source: WFP retail data, 2019/2020
Weekly exchange rate development based on contracted retailers’ feedback (district level)

- In December the suppliers charged WFP contracted shops more than 2250 LBP in West Bekaa

- In January the suppliers charged WFP contracted shops more than 2250 LBP in 5 districts (Baabda, Baalbek, El Batroun, El Hermel, Zahle)

Source: WFP retail data, 2019/2020
Daily (official and unofficial) exchange rate development between November 2019 and February 2020

- Increased volatility in markets led to first parallel market rate spike on November 27th at 2200 LBP.
- Stabilization of rate between 2000 LBP & 2100 LBP for most of December.
- Increased volatility and uncertainties at the political level, pushed rates to the 2500 LBP barrier on January 8th.
- On January 22nd, syndicate of exchanges set a maximum buy value of 2000 LBP.
- Black market emerges with a different exchange rate, higher than the 2000 LBP.

Source: http://lebaneselira.org
Since December 2019, the food basket price was above 45,000 in all Governorates, with a national average of approx. 48,316 LBP.

In January 2020, the highest food basket prices were found in Beirut (50,742 LBP) and the lowest in Baalbeck-Hermel (45,427 LBP).

Approx. 35 percent weekly food price (SMEB basket) increase between the week of the 14th of October 2019 and the week of 31th of January 2020.
Monthly average change of SMEB food basket price in % per Governorate – Nov. 2019 to January 2020

Source: WFP price data, 2019 & 2020
Prices Comparison: WFP contracted shops Vs the Non-contracted shops

- In January 2020 WFP’s retail unit started visiting non-contracted shops to compare price trends with contracted shops and will continue throughout the year.
- 59 shops have been visited in all FOs, 52% of them were contracted while 48% of them were non-contracted shops.
- 147 food items were collected covering 3 main food categories (Grocery, frozen food, dairy and chilled products).
- Out of 147 food items: 92% of those items were available in North and Akkar (contracted/non-contracted) shops, followed by Beqaa 78% and Beirut & Mount Lebanon 71%.
- In Beqaa area, the average price value by categories at contracted shops is 3% higher compared to non-contracted shops.
- In Beirut & Mount Lebanon, the average price is 0.9% higher compared to non-contracted shops.
- In North & Akkar is only 0.02% higher compared to non-contracted shops.
Adjustment in Food Transfer Value - Suggested way forward and changes - Discussion

Background

• The food transfer value (TV) of $27/person/month (40,500 LBP if using official exchange rate which stands at 1508 LBP) was established in 2013 through Food Security and Agriculture Working Group.

• The TV was not adjusted until now, as the amount was sufficient to cover this food basket until November 2019.

Suggested way forward

• It is recommended to set the TV using Lebanese Pounds (LBP)

• Apply the three month average since November 2019

• Revisit the value every 3 month for potential adjustments (not ideal to change the value every month which creates confusion)

• Suggested transfer value for the next 3 months to be recommended as WG: 47,000 LBP

<table>
<thead>
<tr>
<th>Commodities</th>
<th>KG/month/person</th>
<th>Average (Nov 2019 - Jan 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>6.00</td>
<td>13,704</td>
</tr>
<tr>
<td>Bulgur</td>
<td>3.90</td>
<td>7,456</td>
</tr>
<tr>
<td>Pasta</td>
<td>1.50</td>
<td>2,268</td>
</tr>
<tr>
<td>Pulses</td>
<td>1.50</td>
<td>5,756</td>
</tr>
<tr>
<td>Sugar</td>
<td>1.50</td>
<td>2,439</td>
</tr>
<tr>
<td>Sunflower oil</td>
<td>1.00</td>
<td>2,529</td>
</tr>
<tr>
<td>Iodized salt</td>
<td>0.30</td>
<td>219</td>
</tr>
<tr>
<td>Canned meat</td>
<td>1.14</td>
<td>12,512</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>46,883</strong></td>
</tr>
</tbody>
</table>
Thanks!
Questions?

WFP Lebanon
Supply Chain Unit & VAM Unit & Programme Unit