PROJECT MANAGEMENT UNIT

INDUSTRIAL MODERNISATION PROGRAMME

LEBANON

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مكتب وزير الدولة لشؤون التنمية الإدارية
مركز مشاريع ودراسات القطاع العام

SECTORAL ANALYSIS REPORT ON FOOD INDUSTRIES IN LEBANON

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Chef du Service Technique

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INTRODUCTION

AIMS OF THE SURVEY

- To identify the key sectors related to agro-food industry and strategic products associated in Lebanon.

- To identify the potential growth for the agro-food sector in Lebanon and especially on the export markets.

- To analyse the enterprises according to the following criterias.

  - Quality standards
  - Export potential
  - Growth prospect
  - Products diversification
  - Possible niches
  - Identification of key success factors

- To identify the viable enterprises of the likely to become successful applicants to the project.

- To set up a typology of enterprises according to their supporting needs.

METHODOLOGY

To conduct this survey:

We have gathered information from a macro economy point of view.

- Part of economical sectors within the Lebanese GDP
- Part of the agro-food sector within the Lebanese industry
- Overview of the agricultural outputs in Lebanon.

We have identified the key sectors within the food industry and the strategic products associated to the key sectors.

We have visited 24 enterprises representative of each sub-sectors of the agro-food sector in Lebanon with some potential to expand their activities. (All are members of the syndicate)

To conduct the interviews we have segmented the world market into 6 segments.

- A domestic niches market
- B domestic mass market

- C regional niches market
- D regional mass market
- E international niches market
- F international mass market

We have set up a mapping of existing markets served by the Lebanese agro-food industry and the potential markets that could be achieved.

In order to measure the capacity of the enterprises to achieve such a goals, we have analysed

- Their capacity to fit with quality standards
- Their capacity to enter new export markets
- Their capacity to master marketing management to assume their growth
- Their capacity to identify possible niches

In general we also have analysed

- The key factors of success
- The weaknesses of the agro-food industry in regards with potential segments of development

As a conclusion we have set-up a typology of enterprises according to their supporting needs.

I- MACRO ECONOMY OVERVIEW

I-1 Part of economical sectors within the Lebanese GDP

	1995	2000
Agriculture	11,4 %	11.5 %
Industry	17,3 %	27 %
Services	70,3 %	61.5 %

Part of export (excluding services)

	1998	1999	2000
Agriculture	10.5 %	9.3 %	8.6 %
Industry	89.5 %	90.7 %	91.4 %
Of which foods			10 %

1-2 Part of the agro-food companies within the Lebanese industry.

Processed food companies represent 20 % of industrial companies (4,456).
Out of this figure 50 % are bakeries.

1-3 Breakdown of the agro-food companies per number of employees. (1999 census)

Number of employees	Number of companies	% Of total
1-4	3,117	70
5-9	819	18.3
10-19	252	5.7
20-34	76	1.7
35-49	20	0.4
50-99	23	0.5
+ 100	19	0.4

Most of the companies are operating on the domestic market.

Few of them are exporting on the regional markets.

Very few are exporting worldwide.

I-4 Overview of agricultural outputs in Lebanon (Agriculture census FAO 1999)

There are 194 829 farms for 247 939 ha of cultivated land.

37 % of farms are mainly producing for their own consumption and represent 9 % of the cultivated land.

The Beqaa region represents 42 % of the cultivated land followed by North Lebanon, which represents 26 %. They respectively represent 18 % and 29 % of the agricultural work force. In general, farms are small to medium in size depending on the geographical location. The size of the land has implications on the economies of scale of production.

I-4-1 Use of land

Cultivated land	24 %
Fallow	13 %
Forest	11 %
Uncultivated	45 %
Building and infrastructure	7 %
Total	100 %

I-4-2 Use of arable land (1999 campaign)

Temporally fallow	4 %
Cereals	20 %
Leguminous	3 %
Gardening	17 %
Industrial crops	9 %
Fruit	22 %
Oleaginous	5 %
Olives	20 %

I-4-3 Main use of arable land by region in percentage

Mohafaza	**Fruit**	**Olives**	**Cereals**	**Industrial**	**Vegetables**
Beqaa	37	6	57	62	57
North Lebanon	23	40	23	15	28
Mount Lebanon	16	15	1	1	7
Nabatiye	3	22	12	16	3
South Lebanon	21	17	7	6	5
Total	100	100	100	100	100

I-4-4 Livestock 1999

	Number of heads	Number of breeding farms
Cattle (milk & meat)	75 874 (1)	15 451
Sheep	378 060	5 245
Goats	435 965	7 166
Pigs	9 711	47
Poultry (2)	16.4 million	26 647 of which 1 479 are considered as modern

(1) 31 % in the Beqaa and 21 % in North Lebanon

(2) 4.6 million for eggs, 9.8 million for slaughtering and 1 million for reproduction.

II- KEY SECTORS IN FOOD INDUSTRY AND STRATEGIC PRODUCTS IN LEBANON

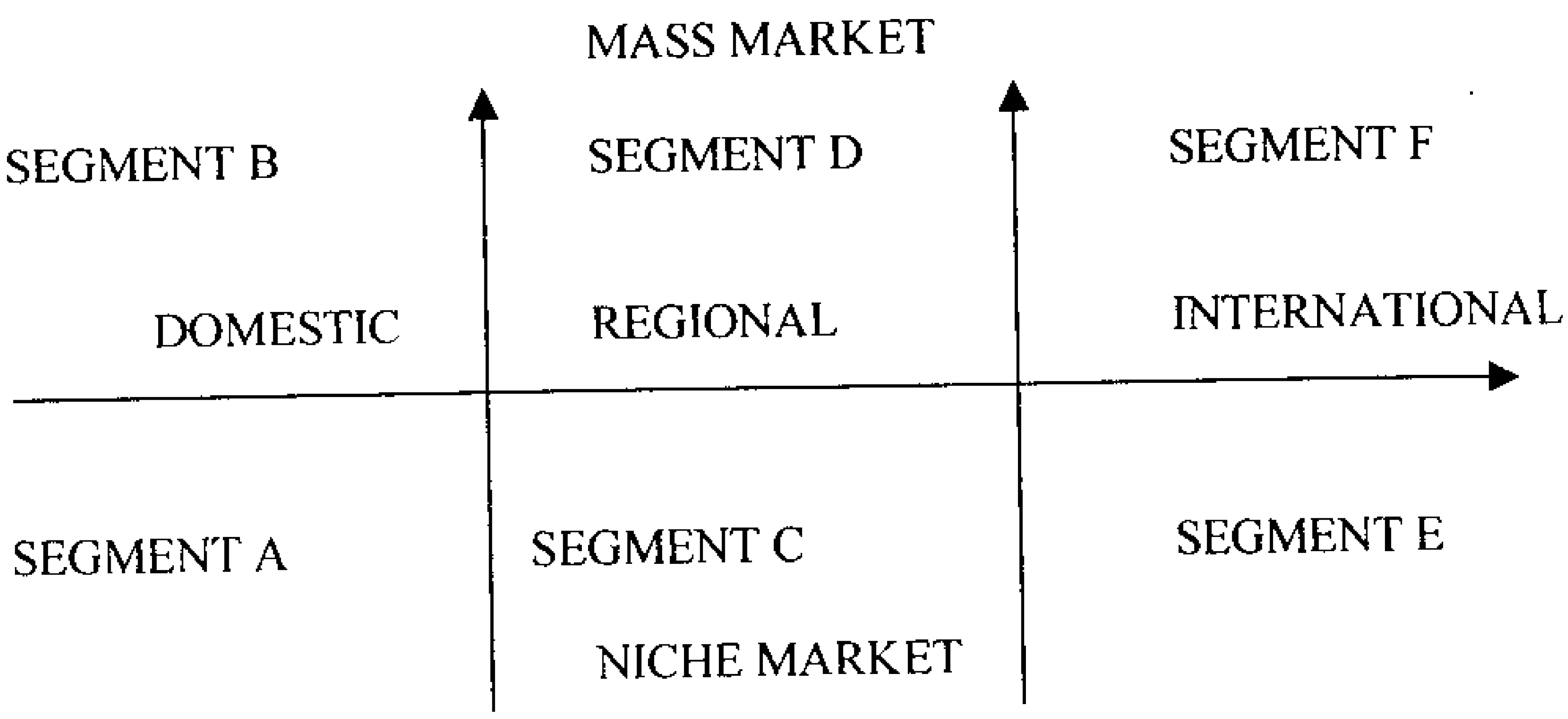
We have, in general, classified the key sectors related to the food industry.
From this classification, we have determinate the strategic products associated to key sectors for the Lebanese food industry.

KEY SECTORS in the food industry	STRATEGIC PRODUCTS in Lebanon
DAIRY PRODUCTS AND EGGS	Fresh milk & cheese
FRESH MEAT AND TRIPE	None
FRESH POULTRY AND GAME	Chicken meat (fresh & frozen)
FISH AND SEAFOOD	None
FRESH FRUIT AND VEGETABLES, DRIED FRUIT	Citrus, tropical fruit, other fruit, vegetables, nuts
HORTICULTURE	None
CONFECTIONNARY, BISCUIT AND PASTRY	Chocolate and sweet pastry, bread
CHACURTERIE	None
DELICATESSEN	None
PRESERVED PRODUCTS	Jams, Lebanese already made dishes
PET FOOD	None
DEEP FROZEN PRODUCTS	Frozen cooked dishes
ORGANIC PRODUCTS, BABY FOOD	None
GROCERY GOODS	Spices, pickles, olive oil, potato chips
ALCOHOLIC BEVERAGES	Wines
NON ALCOHOLIC BEVERAGES	Fruit juice, mineral water

III- POTENTIAL GROWTH LOCALLY AND ON EXPORT MARKETS

We have segmented the worldwide market into 6 segments.
The aim of the segmentation is to locate according to the key sectors of the food industry, the strategic Lebanese products in terms of potential growth and development.

III-1- Market segmentation for local and export market



III-2- Segments description

SEGMENT A: fresh and daily processed products.

Market size: limited number of customers
Competition: local
Consumer's needs: convenience of daily supply.

SEGMEBT B: processed foods and beverages and foods ingredients (1)

Market size: national basis
Competition: national and imports
Consumer's needs: satisfy the demand with a good quality at reasonable prices.

SEGMENT C: fresh foods

Market size: limited quantity but in most of countries of the region.
Competition: domestic and other imports.
Consumer's needs: quality products at local products price.

SEGMENT D: Arabic processed foods, international foods and beverages and foods and foods ingredients.

Market size: large potential consumers.
Competition: domestic and imports.
Consumer's needs: quality products at local products price.

SEGMENT E: Ethnic foods, organic foods and foods ingredients.

Market size: Limited number of consumers but almost everywhere.
Competition: Lebanese producers for Lebanese foods and organic food producers.
Consumer's needs: To find abroad products they use in their country of origin.

SEGMENT F: Mediterranean foods and international foods and beverages.

Market size: large number of consumers.
Competition: Mediterranean countries and worldwide.
Consumer's needs: best quality at competitive prices.

For foods ingredients industrial users are looking for price for the same level of quality.

(1) Foods ingredients: processed raw material used by food manufactures to produce finished products (fruit concentrates, fruit puree for yoghurt....)

III-3- existing segments achieved by agro-food companies (E for existing)

24 enterprises have been visited to conduct this survey. Some of them are involved in several sub-sectors. Some are involved in the same sub-sector.

Sub-sectors	Seg A	Seg B	Seg C	Seg D	Seg E	Seg F
Pickles & preserved foods		E		E	E	
Jam		E		E		
Snacks		E		E		
Bakery	E	E				
Sweet	E	E				
Chocolate	E	E		E		
Fresh milk	E					
Yoghurt & cheese		E		E		
Fruit syrups		E		E		
Nuts		E		E		
Spices		E		E		
Mills		E				
Wines		E				E
Chicken meat		E				
Fruit juices		E		E		
Mineral Water		E		E		
Olive oil		E		E		
Organic products either fresh or preserved						

III-4- Potential market segments for agro-food companies (P for potential)

Sub-sectors	Seg A	Seg B	Seg C	Seg D	Seg E	Seg F
Pickles & preserved foods		E		E	E	P
Jam		E		E		
Snacks		E		E		P
Bakery	E	E				
Sweet	E	E		P	P	
Chocolate		E		E		P
Fresh milk	E	P				
Yoghurt & cheese		E		E	P	
Fruit syrups		E		E		
Nuts		E		E		P
Spices		E		E	P	
Mills		E				
Wines		E				E
Chicken meat		E				
Fruit juices		E		E		P
Mineral Water		E		E		P
Olive oil		E		E		P
Organic products either fresh or preserved					P	

IV- AGRO-FOOD SECTORS WITH A POTENTIAL GROWTH

IV-1- Potential growth on domestic market:

- Modern bakery chain and consequently mills industry
- Fresh pasteurised milk and derivate products
- Fresh fruit and vegetables if the channel is organised
- Chicken meat and derivate products.

IV-2 On exports markets:

- Fresh or preserved organic foods if necessary steps are taken to obtain a credible certification.
- Preserved foods as ethnic products. (Arabic or Lebanese)
- Preserved foods as Mediterranean products with possible niches like cheese preserved in olive oil
- Snacks or crackers able to achieve international standards at competitive prices, which is not yet the case.
- Nuts & spices if alternative strategy is applied such as joint venture with foreign partners.
- Sweets with possible growth on the regional markets.
- Chocolate with possible niches on international market.
- Yoghurt and cheese as ethnic foods
- Wines to develop existing market
- Fruit juices if channels of supply are reorganised.
- Mineral water if partnership are developed
- Olive oil as Mediterranean foods

IV-3 For food ingredients on export markets:

- Some fruit puree such as strawberry
- Stone fruit such as cherries and apricots.
- Medical plant for pharmaceutical industry as a niche market.

V-ANALYSIS OF EACH SELECTED ENTERPRISE

In order to set up a typology of enterprises according to their supporting needs, we have interviewed them on the following topics.

V-1- Ability versus quality standards in relation with manufacturing

- To move from the existing premises to a new one.
- To renovate the existing premises
- To improve processing in order to up-grade the products
- To fit with international standards

V-2- Ability versus potential export

- Capacity to collect information
- To frame the judicial relation (contract)
- To analyse the financial risks
- To manage logistic (incoterms)

V-3- Ability to master growth and development

- To analyse different strategies:
  - Internal development
  - Joint venture
  - Franchising

V-4- Ability to identify possible niches

- To collect information
- To master the mixed marketing to enter the potential niches

VI- KEY FACYORS OF SUCESS TO ACHIEVE POTENTIAL TARGETS

VI-1 Adaptability:

- To adapt products and packaging to fit with consumers needs.
- To adapt production line and packaging to fit with required standards.

VI-2 Reactivity

- To be able to react rapidly to any changes both in consumers needs and modification of standards.
- To be able to react rapidly according to importers or distribution channels information.

VI-3 Cost control

- To assume permanent competitiveness of the products.
- To improve constantly the process to remain competitive

VI-4 Respect of standards and specifications

- To organise an efficient quality control system.
- To continuously train the staff to up-grade efficiency

VI-5 Respect of delivery schedule

- To avoid any delay in delivery
- To inform clients in advance of any problem that could happen.

VII- MAJOR WEAKNESSES OF AGRO FOOD INDUSTRY TO ACHIEVE POTENTIAL TARGETS

- Lack of information in terms of:

  1. Standards in force the U.E, USA and Japan. (In general codex alimentarius)
  2. Market size per segment to adjust their capacity and consequently realise scale of economy.
  3. Consumer's needs and new trends. (Products)
  4. Information on competitors
  5. Distribution channels and alternative distribution channels in segments D, E & F.
  6. How to get the right product at right place in term of communication.
  7. High level of dependency in regards with raw material (imports/domestic)

- Lack of organisation in the upper part of the food channel (supply of raw material).

- Lack of real infrastructures to facilitate inland exchanges and overseas exchanges.

VIII- CONCLUSIONS

Some agro food companies have the possibility to expand their sales on local, regional and international markets.

Nevertheless they cannot get any benefit from the Lebanese agricultural output except for fresh milk, potatoes that have been organised by the agro-food companies themselves.

A clear agricultural policy has to be defined. Some productions have to be organised and promoted, such as :

- Apple
- Grape
- Tomato
- Olive
- Cucumber
- Mango
- Kiwi
- Cherry
- Apricot
- Oranges
- Medical plants

Such organisation means to set up grade standards for the fresh market (domestic & export) in order to supply industry with products out of standards.
Both farmers and industrialists will benefit of such organisation.

To achieve such a goal, we do recommend organising workshops by channel of production between raw material producers and industrial users.

As far as agro-food companies are concerned they are facing tow major problems:

- ➢ To fit with international standards and consequently to adapt their process.
- ➢ To define a clear long-term strategy either for local and export markets and consequently to get necessary information on the targeted markets.

We have identified 3 types of supporting assistance for the selected enterprises.

- ➢ Technical assistance
- ➢ Marketing management assistance
- ➢ International trade assistance

We do recommend as a first step, on one hand, to organise seminars on marketing management and international trade as a general overview, on the other hand to organise a case-by-case technical audit.
We do recommend as a second step, to organise a case-by-case audit to set up a specific strategy for each selected enterprises.

ANNEXE

1- 001 - Activity: Production of canned food

PRODUCTION FACILITIES	To be up-graded to fit with standards
EXISTNG MARKETS *	Seg B,C and E
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information on potential markets
PRODUCTS	To be adapted
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	To move from ethnic food to Mediterranean food as a concept to achieve Seg F

* According to segmentation set up in the survey page 7

2- 002 - Activity: Canned food

PRODUCTION FACILITIES	Investments are necessary
EXISTNG MARKETS	Seg B,C and E
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information
PRODUCTS	To enlarge the range of product
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	To move from ethnic food to Mediterranean food as a concept to achieve Seg F

3- 003 - Activity: Production of canned food

PRODUCTION FACILITIES	To modernise some process lines
EXISTNG MARKETS	Seg B,C and E
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information
PRODUCTS	To be adapted
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	To move from ethnic food to Mediterranean food as a concept to achieve Seg F

4- 004 - Activity : Production of canned food

PRODUCTION FACILITIES	To modernize some process lines
EXISTNG MARKETS	Seg B,C and E
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information on potential markets
PRODUCTS	To be adapted
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	To move from ethnic food to Mediterranean food as a concept to achieve Seg F

5- 005 - Activity: Production of potato chips

PRODUCTION FACILITIES	To up grade the frying technology
EXISTNG MARKETS	Seg B,C and E
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information
PRODUCTS	Product must be oil less
PACKAGING	According to legislation
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	Concept of international product

6- 006 - Activity: Production of industrial Bread.

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg A.B
POTENTIAL MAKETS	Seg C by selling know how or to invest locally
MARKETING CAPACITY	Lack of information on potential markets
PRODUCTS	According to local needs
PACKAGING	According to local needs
DISTRIBUTION	According to local needs
COMMUNICATION	

7- 007 - Activity : Production of chocolate

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg B,D
POTENTIAL MAKETS	Seg E
MARKETING CAPACITY	Good knowledge of potential markets
PRODUCTS	According to local needs
PACKAGING	According to local needs
DISTRIBUTION	To select importers in relation with the proper distribution channels or approach supermarkets for private labels.
COMMUNICATION	According to local needs

8- 008 - Activity: Production of Arabic confectionery

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg B,D
POTENTIAL MAKETS	Seg D
MARKETING CAPACITY	Lack of information on regional markets
PRODUCTS	According to local needs
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the proper. Distribution channels
COMMUNICATION	According to local needs

9- 009 - Activity: Herbs

PRODUCTION FACILITIES	No visit
EXISTNG MARKETS	Seg A,B
POTENTIAL MAKETS	Seg E
MARKETING CAPACITY	Lack of information
PRODUCTS	According to local needs
PACKAGING	According to local needs
DISTRIBUTION	To select importers in relation with industrial users
COMMUNICATION	

10- 010 - Activity: Dairy products

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg A,B for fresh milk
POTENTIAL MAKETS	Seg C, E for cheese
MARKETING CAPACITY	Lack of information on potential markets
PRODUCTS	To be adapted
PACKAGING	To be adapted
DISTRIBUTION	To select importers in relation with the modern distribution
COMMUNICATION	To communicate on Lebanese origin

11- 011 - Ativity: Production of syrups, juice and vinegar.

PRODUCTION FACILITIES	To be modernized
EXISTNG MARKETS	Seg B,C and E
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information
PRODUCTS	To be adapted
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	

12- 012 - Activity: Production of beverages and canned food.

PRODUCTION FACILITIES	To be up graded
EXISTNG MARKETS	Seg B,C and E
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information
PRODUCTS	
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	To move from ethnic food to Mediterranean food as a concept to achieve Seg F

13- 013 - Activity: Production of nuts

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg B and D with J.V. in Kuwait
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information on potential market
PRODUCTS	
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution or find appropriate partner for J.V.
COMMUNICATION	

14- 014 - Activity: Production of spices and already made dishes

PRODUCTION FACILITIES	To be rationalised
EXISTNG MARKETS	Seg B, D
POTENTIAL MAKETS	Seg E
MARKETING CAPACITY	Lack of information on potential markets
PRODUCTS	According to local needs
PACKAGING	According to local needs
DISTRIBUTION	To select importers in relation with industrial users. Or find appropriate partner for J.V.
COMMUNICATION	

15- 015 - Activity: Production of flours

PRODUCTION FACILITIES	Modernisation on the way
EXISTNG MARKETS	Seg B
POTENTIAL MAKETS	Seg C with specialities
MARKETING CAPACITY	Lack of information on potential market
PRODUCTS	To be adapted to local needs
PACKAGING	According to local needs
DISTRIBUTION	According to local needs
COMMUNICATION	

16- 016 - Activity: Production of flour

PRODUCTION FACILITIES	No visit of facilities
EXISTNG MARKETS	Seg B
POTENTIAL MAKETS	Seg C with specialities
MARKETING CAPACITY	Lack of information
PRODUCTS	To be adapted to local needs
PACKAGING	According to local needs
DISTRIBUTION	According to local needs
COMMUNICATION	

17- 017 - Activity: wine

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg B,C and E
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Good knowledge of potential market
PRODUCTS	
PACKAGING	
DISTRIBUTION	To select importers in relation with the modern distribution or catering
COMMUNICATION	

18- 018 - Activity: Wines & spirits

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg B,C and E
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Good knowledge of potential market
PRODUCTS	
PACKAGING	
DISTRIBUTION	To select importers in relation with the modern distribution or catering
COMMUNICATION	

19- 019 - Activity: Fresh chickens

PRODUCTION FACILITIES	To invest in a frozen line
EXISTNG MARKETS	Seg B
POTENTIAL MAKETS	Seg D
MARKETING CAPACITY	Lack of information
PRODUCTS	To set up a range of frozen chicken
PACKAGING	

DISTRIBUTION	To select importers in relation with the modern distribution
COMMUNICATION	

20- 020 - Activity: Frozen chickens

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg B,
POTENTIAL MAKETS	Seg D
MARKETING CAPACITY	Lack of information
PRODUCTS	
PACKAGING	
DISTRIBUTION	To select importers in relation with the modern distribution
COMMUNICATION	

21- 021 - Activity: Production of instant drinks

PRODUCTION FACILITIES	No visit of the facilities
EXISTNG MARKETS	Seg B,C
POTENTIAL MAKETS	Seg C
MARKETING CAPACITY	Lack of information
PRODUCTS	End of the life for western markets
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution on regional basis
COMMUNICATION	

22- 022 - Activity; Production of juices

PRODUCTION FACILITIES	To modernise some process line
EXISTNG MARKETS	Seg B,D
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information
PRODUCTS	To be adapted to potential markets
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	

23- 023 - Activity: Production of juices

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg B,D
POTENTIAL MAKETS	Seg F
MARKETING CAPACITY	Lack of information
PRODUCTS	To be adapted
PACKAGING	To be redesigned
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	

24 – 024 - Activity: Mineral water

PRODUCTION FACILITIES	OK
EXISTNG MARKETS	Seg B
POTENTIAL MAKETS	Seg C & F
MARKETING CAPACITY	Lack of information
PRODUCTS	
PACKAGING	
DISTRIBUTION	To select importers in relation with the modern distribution or approach supermarkets for private labels.
COMMUNICATION	

Selected Enterprises According to their supporting needs

Co. #	Technical Needs	Marketing Needs	Int'l Trade Needs
001	T		I
002	T	M	I
003	T		I
004	T		I
005	T	M	I
006	T	M	I
007			I
008			I
009		M	I
010			I
011	T		I
012	T		I
013		M	
014	T	M	
015		M	
016		M	
017			I
018			I
019		M	I
020			I
021		M	
022	T		I
023	T		I
024			I