IDAL
INVEST IN LEBANON

AGRO-FOOD INDUSTRY

FACTSHEET

CONTENT

SECTOR OVERVIEW

The Agro-Industrial sector is one the major contributors to the Lebanese economy. In 2015 (latest available figures) it generated an estimated 32.03% of the Industrial sector output and around 2.66% of the country's GDP[1], with an estimated size of 1.98 Billion USD[1].

As per the latest survey by the Ministry of Industry, the sector currently employs an estimated workforce of

20,607[2]

Accounts for

25%

of the Industrial sector workforce[3]

The largest employer in the industrial sector

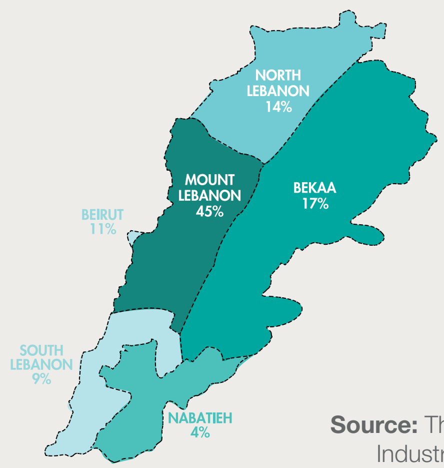
1st

21.8%

of industrial enterprises are involved in agro-industrial activities[4]

In addition to its significant employment generation potential, the sector benefits from a well-trained labor base.
A considerable number of students graduate yearly with specialized university degrees as well as vocational training in agro-industrial processing and food quality management. Agro-food enterprises account for the largest share of industrial establishments in Lebanon, with 21.8% of enterprises or around 963 companies involved in agro-industrial activities. The sector is predominantly composed of small family owned enterprises, employing 6 workers on average. Agro-food activities are mostly concentrated in Mount Lebanon where 45% of agro-industrial enterprises are located. The Bekaa region ranks second in terms of concentration of establishments (17%), followed by North Lebanon (14%), Beirut (11%), South Lebanon (9%), and finally Nabatiyeh (4%) **(Figure 1).**

Figure 1: Distribution of Agrofood Companies by District **% | 2015**

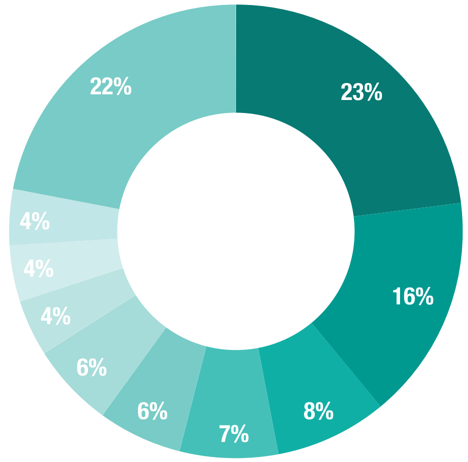


Source: The Directory of Exports and Industrial Firms in Lebanon, 2016

The highest share of agro-food establishments is involved in the production of baked goods with nearly 23% of total enterprises. Baked goods occupy a significant share in the diet of Lebanese households, and therefore form the vast majority of agro-food companies.

Other sectors of activity with a high share of enterprises include confectionary with 16% of agro-food establishments, followed by dairy products with 8% of establishments as well as the processing and preservation of grain and starch products with 7% of total agro-food establishments **(Figure 2).**

Figure 2: Agro-food Enterprises in Lebanon by Type of Production **% | 2016**



Source: The Directory of Exports and Industrial Firms in Lebanon, 2016

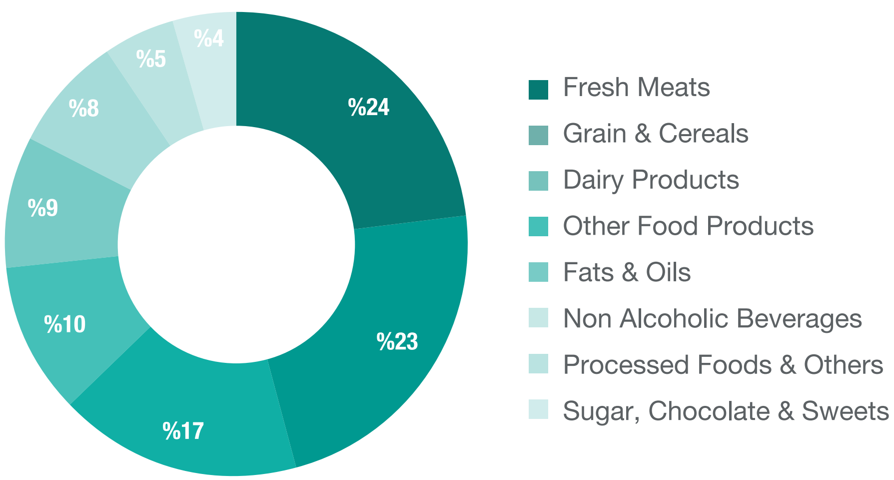
1 Lebanese National Accounts, 2004-2015, March 2017
2,3, Ministry of Industry (2010), The Lebanese Industrial Sector Facts & Findings 2007
4 The Directory of Exports and Industrial firms in Lebanon, 2016

Nearly 24% of total household consumption goes to food products, and 65% of this share is allocated to agro-food products.

Within this category, fresh meats occupy the highest share with 24% of total consumption, while grains and cereals rank second at 23%, and the share of dairy products stands at 17% **(Figure 3)**. On another level, processed foods witnessed a sharp increase in consumption levels throughout 2010, growing at a rate of 21% from 2009 levels[5]. The steady rise in local market demand offers promising prospects for producers within the sector. It is important to note that the positive economic growth the country has witnessed over the past 4 years was able to sustain an improved purchasing power, and a resulting increase in consumer spending.

From a development perspective, agro-industrial activity is crucial for the Lebanese economy. Not only does it establish backward linkages with the agriculture sector, but it also has the potential of creating employment opportunities, particularly for women and rural communities, thus directly contributing to an improvement in their livelihoods. The sector moreover ensures the creation of higher value added through the production and export of processed goods.

Figure 3: Household Consumption of Food in Lebanon by Type of Product **% | 2010**



Note: Latest available figures.

Source: Lebanese National Accounts **2010**

5 National Accounts (2010)

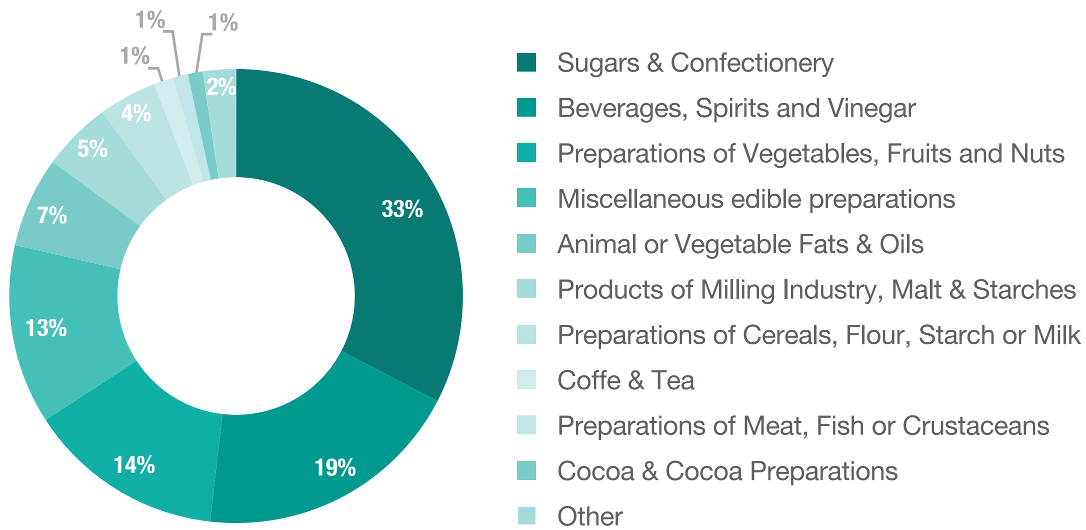
EXPORT PERFORMANCE

Agro-food products accounted for 21.2% of total exports and for 17.9% of total industrial exports in 2016. Exports grew at a CAGR of 7.6% between 2012 and 2016.

Agro-food exports have continued to grow steadily despite the general decline in industrial exports.

Key exported agro-food products include Sugars & Confectionary at 33% of total agro-food exports. Beverages, Spirits & Vinegar occupy the second largest share at 19%, followed by Prepared Vegetables, Fruits, and Nuts at 14% **(Figure 4)**.

Figure 4: Agro-Food Exports **% | 2016**



Source: Lebanese Customs

INVESTMENT OPPORTUNITIES IN THE SECTOR

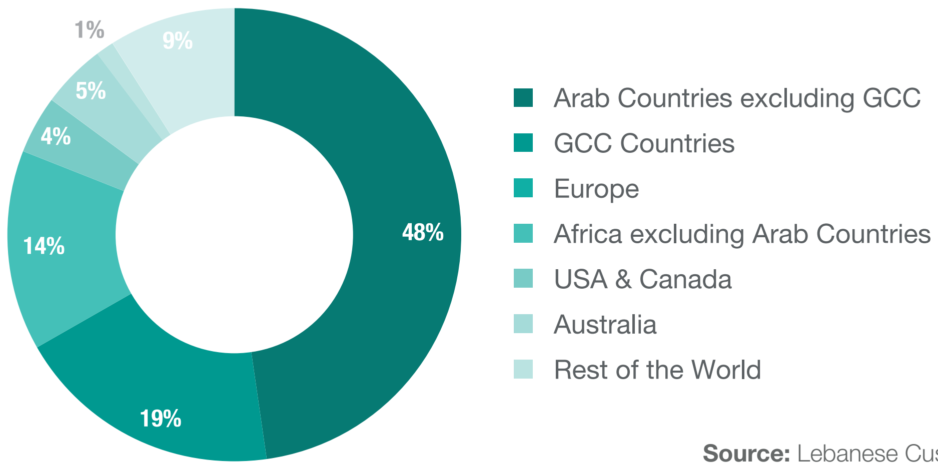
EXPORT DESTINATIONS

The largest share of Lebanese agro-food exports is destined to Arab Countries (excluding GCC Countries), at 48% of total exports. Syria, Iraq and Egypt rank first, second and third respectively within this category.

GCC Countries rank second amongst country groups and occupy around 19% of total exports, with Saudi Arabia, UAE and Kuwait as main destinations.

Europe ranks third with a share of 14%, While USA and Canada occupy the fourth place, lower volumes are exported to North Africa, Asia and Australia[6] **(Figure 5)**. Between 2012 & 2016 exports to Syria have been increasing at a CAGR of 27.3%. This indicates that while the Syrian crisis has had its share of negative impact on the Lebanese economy, it has allowed for increased demand for Lebanese products to compensate for the decrease of Syrian exports to these markets.

Figure 5: Export Destinations for Agro-Industrial Products % | 2016



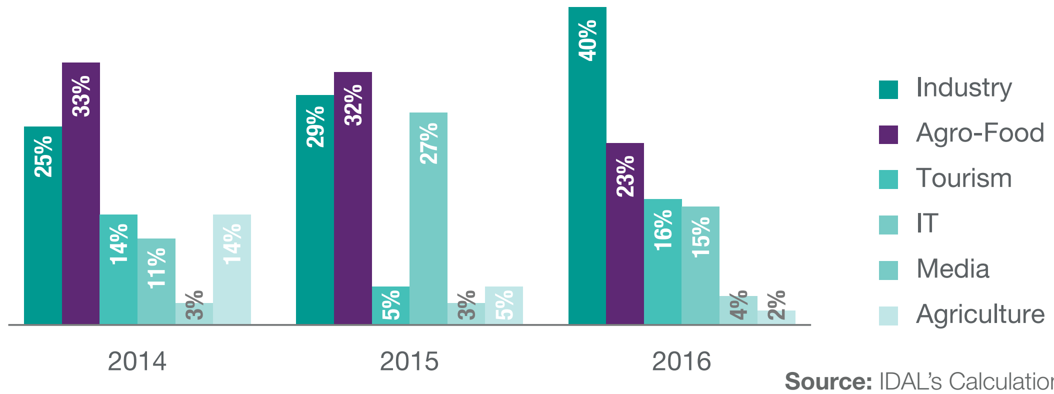
Source: Lebanese Customs

6 Lebanese Customs (2016)

LOCAL INVESTMENTS

With the increasing demand for Lebanese Agro-Food products, an increase in investment in this sector has been noted over the last three years **(Figure 6).**

Figure 6: Distribution of Local Investments by Sector % | 2014 - 2016

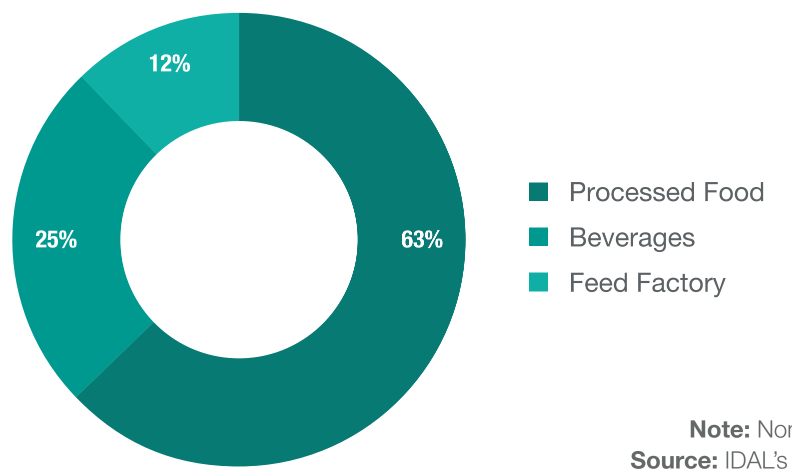


Source: IDAL's Calculations

The majority of the projects in the Agro-Food sector in 2016 were Processed Food and Beverages **(Figure 7).**
The processed food subsector has experienced a significant growth view its potential to offer specialized exports.

In fact, processed food companies have tapped into international food markets with high quality products like canned hummus, olives and pickles targeting the Lebanese diaspora, specifically Lebanese restaurants in Europe and USA.

Figure 7: Distribution of Agro-Food Projects by Sub-Sector % | 2016



Note: Non-Exhaustive
Source: IDAL's Calculations

Note: These figures are based on projects processed by the One-stop Shop Directorate and does not represent all investments in Lebanon.

FOREIGN INVESTMENTS

Foreign companies operating in the agro-industrial sector include Swiss food and nutrition giant Nestle. Also producing in Lebanon is General Mills (USA), Coca Cola (USA), Unilever (UK / Netherlands), PepsiCo (USA), Bel (France) and Japan Tobacco International (Switzerland). Most of these companies have manufacturing plants in Lebanon through which they serve the local market.

PROJECTS PROCESSED BY IDAL

Since 2005, IDAL has mediated several investments in the agro-industrial sector. 8 agro-industrial enterprises with a total investment value of 127.2 Million USD have benefited from IDAL's incentives allowing for the creation of more than 1000 job opportunities.

Master Potato Chips was established with the assistance of IDAL in 2005. The company has greatly expanded ever since, and now not only produces potato chips for the local market but for foreign destinations as well. In 2009, the enterprise expanded its operations into frozen fries and again with the assistance of IDAL was able to branch out into the Master Fried Potatoes, generating nearly 120 new employment opportunities.

120 new jobs

Poppin's Cornflakes is a project in the Bekaa area specializing in the production of cornflakes cereals. The project benefited from IDAL's Incentive Package and generated 256 job opportunities.

256 new jobs

Cedar's Beverage is a newly established enterprise for the production of beverages. It has benefited from IDAL's Package Deal contract in 2010 to establish its enterprise in the caza of North Lebanon, and currently employs 63 workers. The company has considerable export activity and is looking to expand into the production of food products.

63 new jobs

Castania is an expansion project for the production of mixed nuts, located in Housoun-Byblos. The project benefited from IDAL's Incentive Package and generated 75 additional job opportunities.

75 new jobs

OMRAN

Omran is a Lebanese owned company located in the Bekaa region and specializes in the manufacturing of confectionary more specifically biscuits, chocolate, wafers, juices, sweets, cake, bakery and the like. The company serves both the local and Middle East markets and is planning on expanding to Arab markets in the near future. The project benefited from IDAL's Incentive Package and generated 62 new job opportunities.

62 new jobs

Rifai is an expansion project for the production of mixed nuts, located in Hallat-Byblos. The project benefited from IDAL's Incentive Package and generated 97 additional job opportunities.

97 new jobs

Hawa Chicken is a Lebanese poultry company offering high quality poultry and eggs. With the increasing demand for its high quality products, Hawa Chicken has decided to expand its production capacity by establishing in Anfeh, North Lebanon a new slaughterhouse with further processing of poultry products in addition to a rendering plant and a pet food industry. The expansion of the project benefited from IDAL's Incentive Package and generated 238 new job opportunities.

238 new jobs

Wilco PM was founded in 1958 and specializes in poultry production. The project is part of Wilco PM's expansion of its poultry production chain to replace the old poultry slaughterhouse. The expansion entails the construction and operation of a new poultry slaughterhouse, processing lines and rendering plant in the Chekka industrial zone, Batroun Caza, North Lebanon. The capacity of the slaughterhouse will reach around 6,000 chickens per hour. The expansion involves three processed items line: cooked nuggets, partially fried boneless chicken fillet, and canned luncheon meat. The project benefited from IDAL's Incentive Package and generated 58 new job opportunities.

58 new jobs

INVESTMENT OPPORTUNITIES

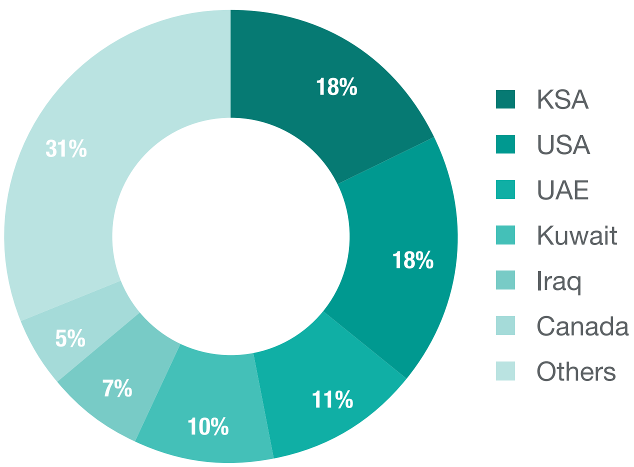
OLIVE OIL

- Most prominent Agro-Food product.
- Exports reached **30.1 Million USD** in 2016, and increased by **10.4%** between 2013 & 2016, with **USA & KSA** topping the destinations **(Figure 8)**.
- Olive groves are grown in six major regions extending from North to South: Batroun, Koura, Zgharta, Akkar, Rashaya El Foukhar, and Hasbaya, in addition to several other subordinate areas.
- Olive oil productivity in Lebanon ranges between **18 and 25%.**
- There are growth opportunities in the production of extra virgin olive oil from new varieties of olive such as **Barnea (Senolia), Frantoio** and other olive varieties obtained through new breeding techniques.
- **Flavored olive oils** with different herbs and spices are becoming popular and represent a good investment opportunity in the Lebanese market.

DAIRY PRODUCTS

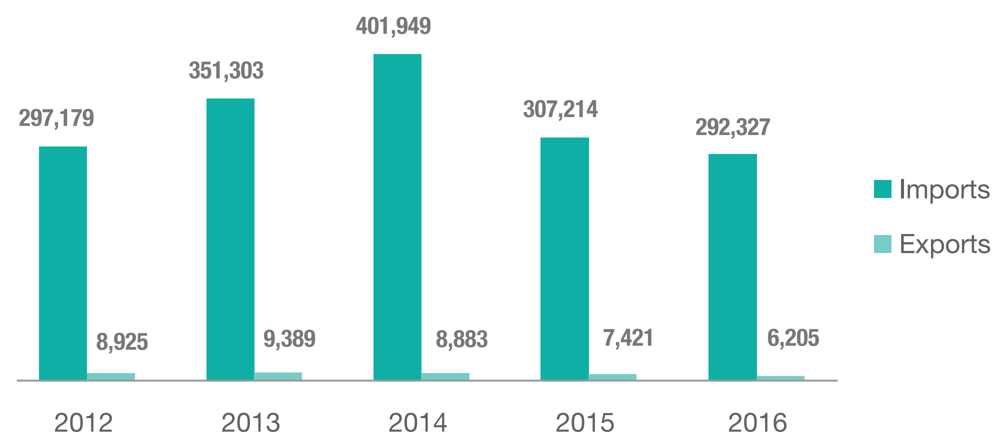
- Large number of players: Liban Lait Dairy Khoury & Co, Skaff Dairy, Jaber & Sons, Taanayel Les Fermes and Hawa Dairy.
- Exports reached **6.2 Million USD** in 2016 **(Figure 9)**.
- New opportunities exist for manufacturing organic dairy products like: Flavored milks and Dairy Snacks.
- The dairy sector in Lebanon is still in the infancy stage but there is a great potential for growth opportunity given the availability of farming locations in Bekaa and North Lebanon.

Figure 8: Top Destinations of Lebanese Olive Oil Exports **% | 2016**



Source: Lebanese Customs

Figure 9: Lebanese Dairy Products Trade **USD Thousands | 2012-2016**



Source: Lebanese Customs

WINE

- Industry estimated at **41 Million USD.**
- Exports have been increasing at CAGR of 4% between 2012 & 2016 and reached **16.6 Million USD** in 2016, with the **UK & France** topping the destinations **(Figure 10 & 11).**
- **40 wineries** that produce around **8.5 million bottles/year.**
- Investment opportunities exist in **Wine Tourism** activities.
- The future success for the Lebanese wine industry dictates a shift towards **high quality wines** catering to a sophisticated wine audience.

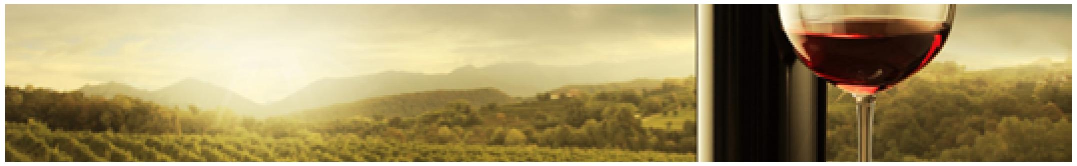
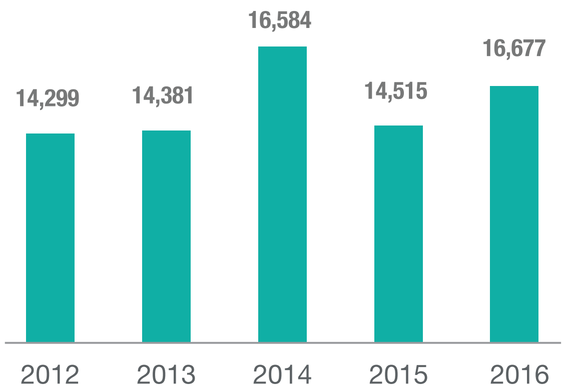
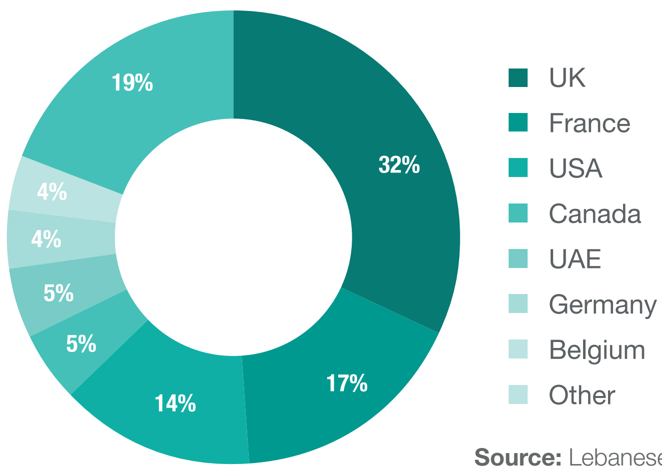


Figure 10: Lebanese Wine Exports **USD Thousands | 2012-2016**



Source: Lebanese Customs

Figure 11: Lebanese Wine Export Destination **% | 2016**

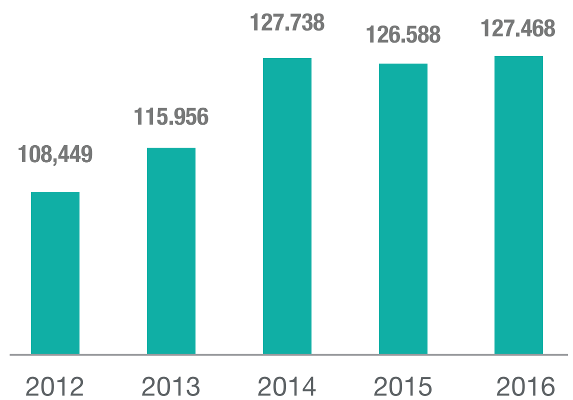


Source: Lebanese Customs

DRIED FRUITS & NUTS

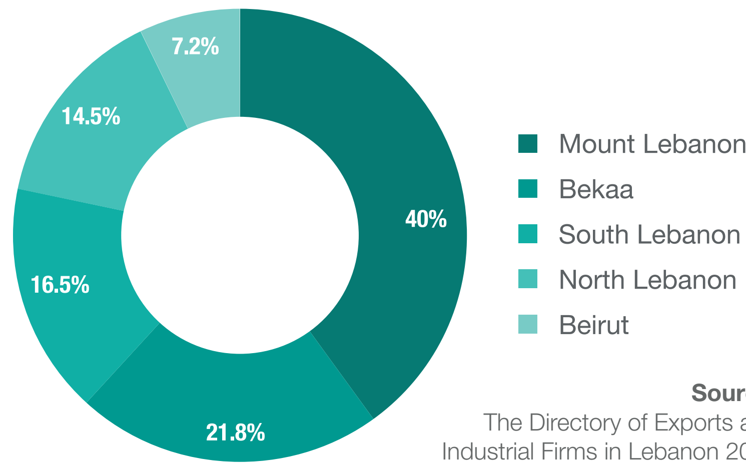
- **55 roasteries** are available in Lebanon with 40% of total roasteries located in Mount Lebanon.
- Exports have been increasing at a **CAGR of 4.1%** during the period of 2012-2016 **(Figure 12).**
- Opportunities: Dried fruits and nuts value chain in Lebanon can be **reshaped to create higher value** and become a consistent supplier to regional markets after addressing the EU quality certification requirements.

Figure 12: Exports of Dried Fruits & Nuts **USD Thousands | 2012-2016**



Source: Lebanese Customs

Figure 13: Regional Distribution of Roasteries in Lebanon **% | 2015**



Source: The Directory of Exports and Industrial Firms in Lebanon 2016

SUPPORT TO THE SECTOR

Established companies and SMEs in the sector can benefit from a wide range of public and private initiatives including fiscal incentives, financing options and technical support.

1. Fiscal Incentives

IDAL offers tax breaks on corporate income tax for up to 10 years, as well as other incentives to local and foreign companies operating in the agro-food sector and meeting specific investments requirements.
You can check out IDAL's full range of incentives on **www.investinlebanon.gov.lb**

2. Financial Support

Kafalat provides guarantees for loans (up to USD 400,000) granted by commercial banks to the SMEs operating in the agro-food sector.

3. Export Promotion Support

IDAL, through its "Agri-Plus" program, provides exporters with financial incentives to export their products and to participate in international fairs.

4. Technical Support

- **USAID** LIVCD Project is a five-year program aimed at improving the competitiveness of Lebanese products through providing technical assistance for SMEs and Lebanese farms.

- **The Agricultural Research Institute of Lebanon** (LARI) is a governmental organization under the Minister of Agriculture supervision that has eight experimental stations and conducts applied and basic scientific research for the development and advancement of the agricultural and agro-food sectors in Lebanon.

USEFUL ADDRESSES & CONTACTS

Various public and private actors play a major role in shaping the agro-industrial sector; these main stakeholders are listed below.

Ministry of Industry-MoI
www.Industry.gov.lb

Ministry of Agriculture-MoA
www.agriculture.gov.lb

Ministry of Economy & Trade-MoET
www.economy.gov.lb

Investment Development Authority of Lebanon-IDAL
www.investinlebanon.gov.lb

Syndicate of Lebanese Food Industries-SLFI
www.slfi.org.lb

Association of Lebanese Industrialists-ALI
www.ali.org.lb

Syndicate of Agrifood Traders in Lebanon
www.agrifood.org.lb

The Federation of the Chambers of Commerce Industry and Agriculture in Lebanon
www.cci-fed.org.lb

- **Beirut and Mount Lebanon**
  www.ccib.org.lb
- **Tripoli and North Lebanon**
  www.cciat.org.lb
- **Saida and South Lebanon**
  www.ccias.org.lb
- **Zahleh and the Bekaa**
  www.cciaz.org.lb

Industrial Research Institute-IRI
www.iri.org.lb

Quality Programme-QUALEB
www.qualeb.org

Euro-Lebanese Center for Industrial Modernization-ELCIM
www.elcim-lb.org

Lebanese Cleaner Production Center-LCPC
www.lebanese-cpc.net

Lebanese Standards Institution-LIBNOR
www.libnor.org

KAFALAT s.a.l
Loan guarantee company
www.kafalat.com.lb

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If you require any further information on investing in Lebanon or on the services IDAL can offer you, please do not hesitate to contact us at the following:

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