

IDAL

INVEST IN **LEBANON**

AGROFOOD INDUSTRY

➤ 2018 FACTBOOK



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ALL YOU NEED TO KNOW ON LEBANON

Invest in Lebanon and enjoy the most hospitable MENA destination for business, culture and leisure with a Mediterranean climate, cosmopolitan lifestyle and a variety of touristic attractions and activities across breathtaking natural landscapes. Strategically located at the intersection of Europe, Asia and Africa, Lebanon can provide companies easy access to regional and global markets. Lebanon also boasts state-of-the-art health care services, internationally renowned for the quality medical centers and staff. A historic melting pot for multiple civilizations, Lebanon is a small, multilingual haven of culture and diversity that is worth the journey.

Lebanon, with its official non-interventionist stance toward private investments, offers one of the most liberal investment climates in the Middle East. The economic openness of the country is harnessed through the absence of legal restrictions on the entry or exit of many firms, encouraging free market competition and furthering the development of the private sector. Liberal trade and investment policies have allowed foreign direct investments to account for a considerable share of Lebanese GDP.



ECONOMIC PROFILE AND SYSTEM

GDP at current prices (2017): USD 52.7 Billion

GDP/Capita (2017): USD 11,680

Real GDP growth (proj-2018): 2.0%

GDP composition by sector (2015):

Agriculture: 3.5%

Mining, Manufacturing, and Utilities: 11%

Financial Services: 8%

Professional and Administrative Services: 7%

Education and Health Services: 11.5%

Real Estate: 14%

Public Administration: 9.3%

Trade: 13%

Current Account balance (Sept. 2017): USD -0.72 Billion

Balance of Payments (2017): USD -156 Million

Domestic credit to private sector (2017): 102.8% of GDP

Corporate tax rate: 17%

Main Import Partners (2017): USA, Greece, Russia, Italy, Spain, Ukraine

Main Export Partners (2017): Turkey, Syria, KSA, Egypt, Kuwait, UAE, Iraq

FDI inflows (2017): USD 2.62 Billion

Airport passengers (2017): 8.24 Million

Source: International Monetary Fund (IMF), World Bank, Bank Audi, Central Administration for Statistics (CAS), Ministry of Economy and Trade, Lebanese Customs Administration

Note: Latest available figures in the time of publication.



SECTOR OVERVIEW

The agrofood sector is one of the major contributors to the Lebanese economy. In 2016 (latest available figures) it generated an estimated 35% of the industrial sector output and around 32% of the country's GDP, with an estimated size of 2.33 Billion USD¹.

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

20,607²



Accounts for **25%** of the Industrial sector workforce³



The largest employer in the industrial sector

1st



22.6%



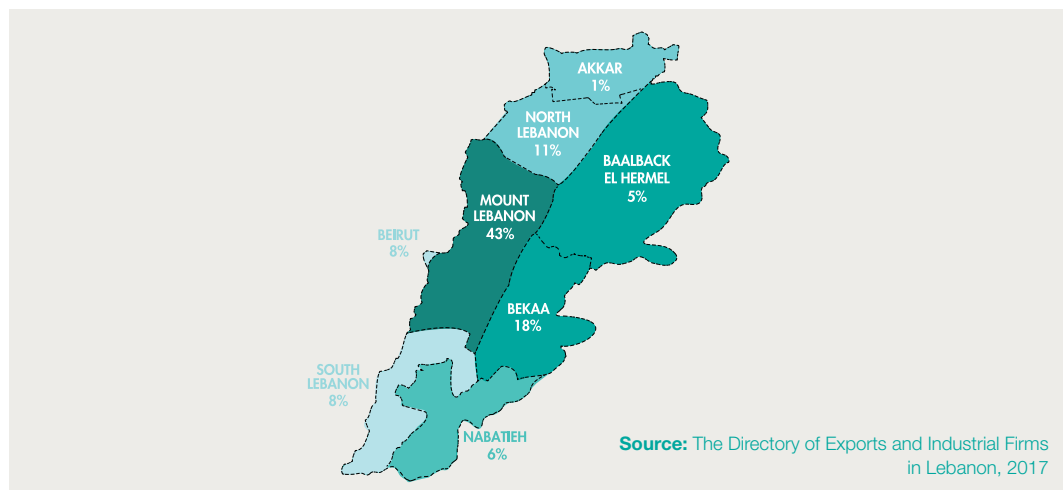
of industrial enterprises are involved in agro-industrial activities⁴

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. Agrofood enterprises account for the largest share of industrial establishments in Lebanon, with 22% of enterprises or around 1401 companies

involved in agro-industrial activities⁵. Agrofood activities are mostly concentrated in Mount Lebanon where 43% of agro-industrial enterprises are located. The Bekaa region ranks second in terms of concentration of establishments (18%), followed by North Lebanon (11%), Beirut (8%), South Lebanon (8%), Nabatiyeh (6%), Baalback El Hermel (5%) and finally Akkar (1%) (Figure 1).

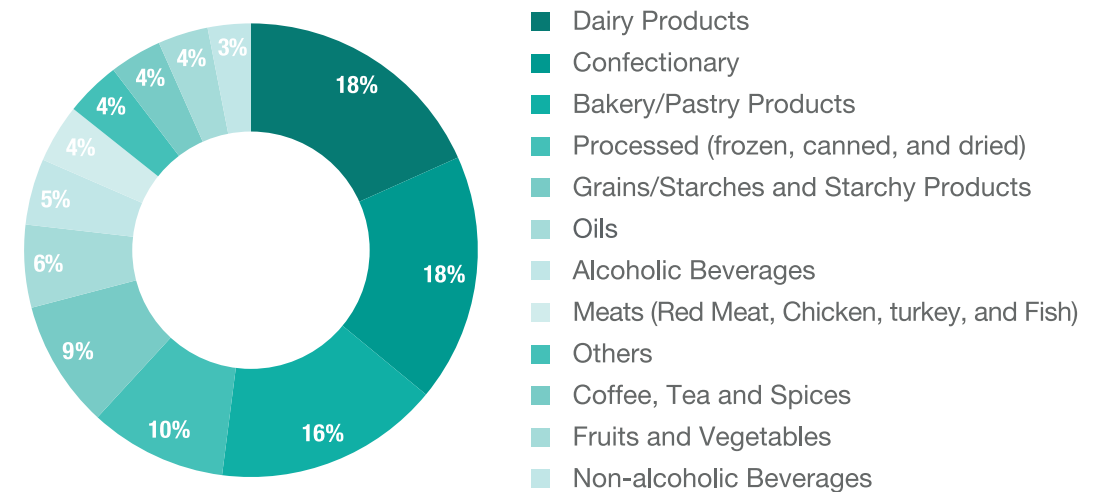
Figure 1: Distribution of Agrofood Companies by Governorate % | 2017



The highest share of agrofood establishments is involved in the production of dairy products and confectionary with nearly 18% of total agrofood enterprises for each sector. Baked goods occupy a significant share in the diet of Lebanese households, and therefore bakeries are accounting for 16% of total agrofood companies.

Other sectors of activity with a high share of enterprises include processed food with 10% of agrofood establishments, followed by the processing and preservation of grain and starch products with 9% of total establishments (Figure 2).

Figure 2: Agrofood Enterprises in Lebanon by Type of Production % | 2017



Source: The Directory of Exports and Industrial Firms in Lebanon, 2017



1 Lebanese National Accounts, 2004-2015, March 2017

2,3 Ministry of Industry, The Lebanese Industrial Sector Facts & Findings 2007

4,5 The Directory of Exports and Industrial firms in Lebanon, 2017-2018

TRADE STATISTICS

EXPORT PERFORMANCE

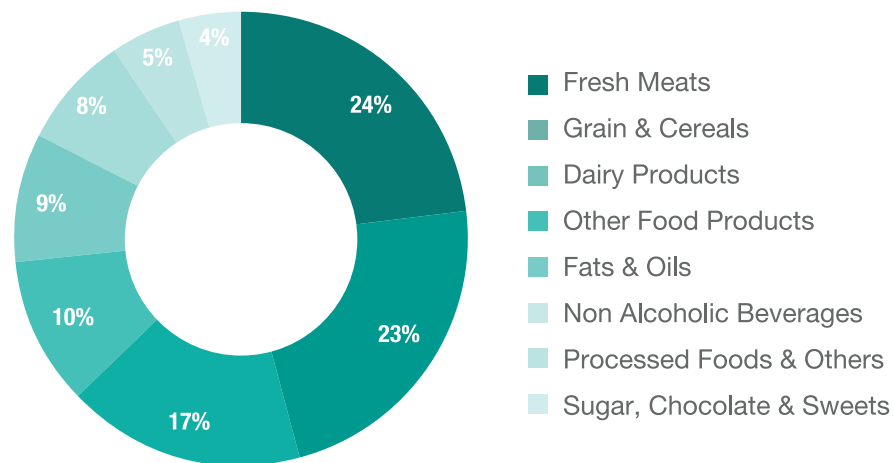
Nearly 24% of total household consumption goes to food products, and 65% of this share is allocated to agrofood products⁶.

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).

Agrofood products accounted for 16.9% of total exports and for 21% of total industrial exports in 2017⁷. Key exported agrofood products include sugars and confectionary at 32.2% of total agrofood

exports. Beverages, spirits and vinegar occupy the second largest share at 19.7%, followed by miscellaneous edible preparations at 15.6% (Figure 4).

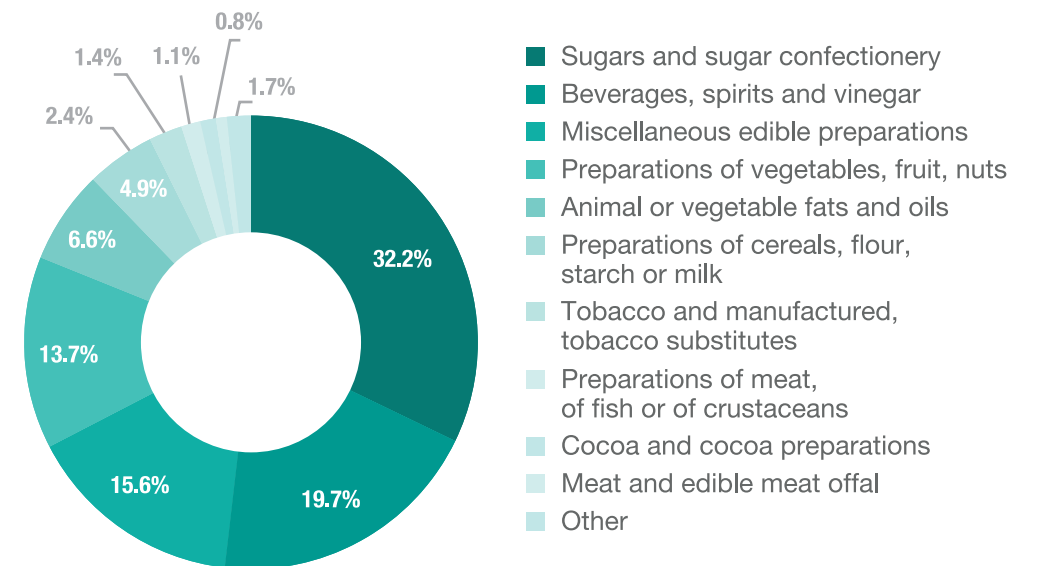
Figure 3: Household Consumption of Food in Lebanon by Type of Product % | 2010



Note: Latest available figures.

Source: Lebanese National Accounts 2010

Figure 4: Agrofood Exports % | 2017



Source: Lebanese Customs, 2017

⁶ National Accounts, 2010

⁷ Lebanese Customs, 2017

SUPPORT TO THE SECTOR

EXPORT DESTINATIONS

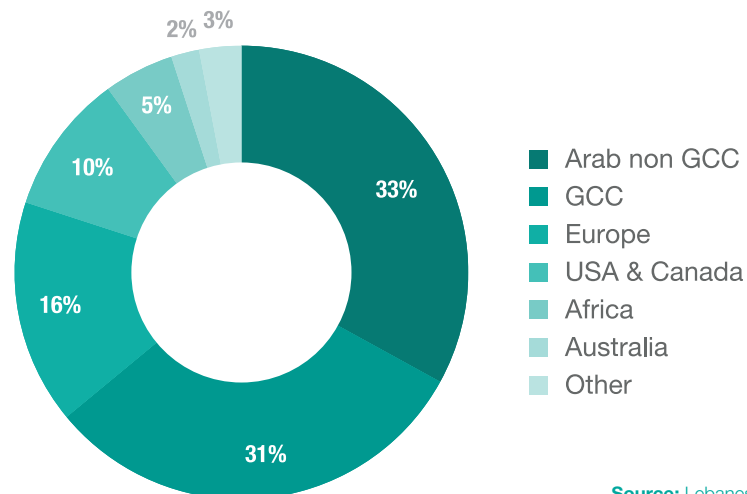
The largest share of Lebanese agrofood exports is destined to Arab Countries (excluding GCC Countries), at 33% of total exports. Syria, Iraq and Jordan rank first, second and third respectively within this category⁸. GCC Countries rank second amongst country groups and occupy around 31% of total exports, with Saudi Arabia, Qatar and UAE as main destinations.

European Union countries rank third with a share of 16%, While USA and Canada occupy the fourth place, lower volumes are exported to Africa, Asia and Australia (Figure 5).

Between 2014 and 2017 exports to Syria have increased at a CAGR of 2%⁹.

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 % | 2017



Source: Lebanese Customs, 2017

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. AGRITECH INCUBATOR

Founded in 2017 and managed by Berytech, it is the first incubator providing business coaching, technical & financial assistance and industry connections to new and existing businesses that are operating in the agrotech sector. It is funded by Berytech and the Embassy of the Netherlands.

www.agrytech.org

2. THE BUSINESS SUPPORT UNIT (BSU)

Founded in 2018, BSU is a new unit by the Investment Development Authority of Lebanon (IDAL) that provides startups operating in productive sectors including Agrofood with market information, free legal and tax/accounting advice as well as licensing support in order to help them establish and grow their company in Lebanon.

www.investinlebanon.gov.lb

3. THE AGRICULTURAL RESEARCH INSTITUTE OF LEBANON (LARI)

LARI is a governmental organization under the Minister of Agriculture supervision that conducts applied and basic scientific research for the development and advancement of the agricultural and agrofood sectors in Lebanon (food quality control, trainings field days, extension booklets, soil analysis, feed composition plant protection, production of quality seeds, diagnosis of animal diseases, and others).

www.lari.gov.lb

4. USAID

Is a five-year program aimed at improving the competitiveness of Lebanese products through providing technical assistance for SMEs and Lebanese farms.

www.dai.com

5. THE INVESTMENT DEVELOPMENT AUTHORITY OF LEBANON (IDAL)

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 agrofood sector and meeting specific investments requirements

www.investinlebanon.gov.lb

6. KAFALAT

Kafalat provides financial guarantees for loans (up to USD 400,000) granted by commercial banks to the SMEs operating in the agrofood sector

www.kafalat.com.lb

7. ECONOMIC AND SOCIAL DEVELOPMENT FUND

Economic and Social Fund For Development: program funded by EU and the Lebanese Government that provides loans up to 50,000 for SMEs in the agrofood sector

www.esfd.cdr.gov.lb

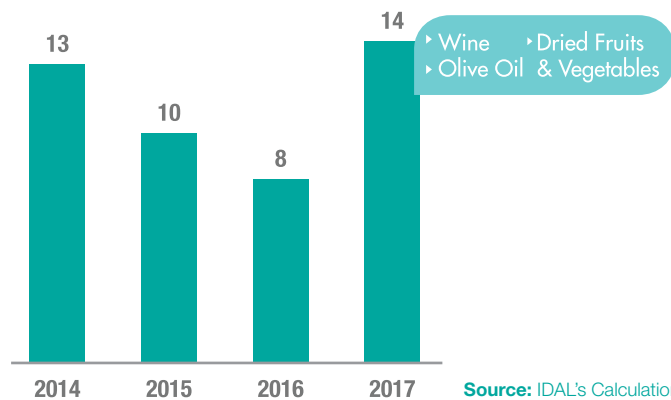
8,9 Lebanese Customs, 2017

INVESTMENT OPPORTUNITIES IN THE SECTOR

LOCAL INVESTMENTS

With the increasing demand for Lebanese agrofood products, investments in the sector have increased over the last four years (Figure 6).

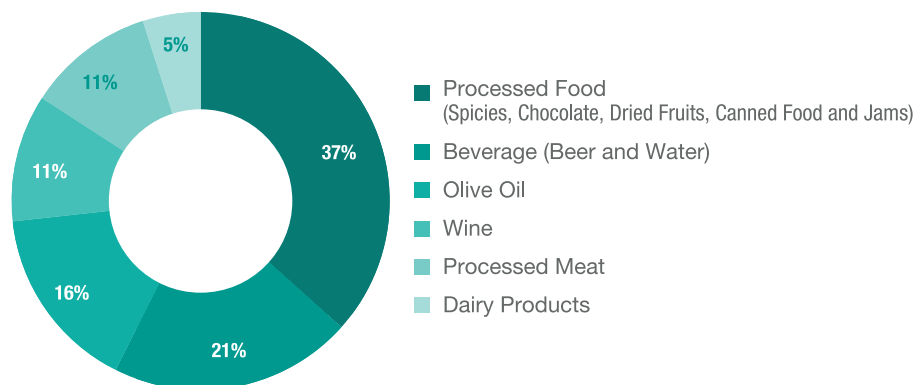
Figure 6: Number of Agrofood Projects Processed By IDAL | 2014 - 2017



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

The majority of the projects in the agrofood sector were processed food (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 jams, dried fruits and canned food targeting the Lebanese diaspora, specifically Lebanese restaurants in Europe and USA.

Figure 7: Distribution of Announced Agrofood Investments By Product % | 2016-2018



Note: These data are based on announced projects, verified through direct contact with IDAL (face to face meeting, phone call, email), press release, and data provided by the FDI Markets - The Financial Times.

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. 15 agro-industrial enterprises with a total investment value of USD 229 Million have benefited from IDAL's incentives allowing for the creation of more than 1000 job opportunities¹⁰.



Global Snacks is a subsidiary of Daher Investment Holding – a major agro-food processing company – specialized in the production of savory snacks. Investment in the project is estimated at \$20 million with total built up area of the factory is 23,000 square meters. Production is expected to start end of 2018 with capacity reaching 20,000 tons per year. Around 50% of the production is expected to be exported. The company benefited from subsidized loans to finance the project as well as from IDAL's Incentive Package.

200 new jobs



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

INVESTMENT OPPORTUNITIES

OLIVE OIL

- ▶ **113 oil mills** of which **27% are located in North Lebanon¹¹**.
- ▶ **Exports reached 7,703 tons in 2017**, with USA & Kuwait 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.
- ▶ As mid-life consumers are increasing globally and regionally, there are growth opportunities in the production of extra virgin olive oil, the highest quality of olive oil produced without any solvents or noxious methods of re-esterification.
- ▶ **New varieties of olive such as Barnea (Senolia), Frantoio and other olive varieties** obtained through new breeding techniques as well as flavored olive oils with different herbs and spices are becoming popular and represent a good investment opportunity in the Lebanese market



¹¹ The Directory of Exports and Industrial firms in Lebanon, 2017-2018



Cedar's Beverage is a company involved in the production and sales of fruit juices, carbonated fruit drinks and dairy products. 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.

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 is a Lebanese-owned company located in the Bekaa region and specializes in the manufacturing of confectionary food. The company serves both the local and Middle East markets. 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, benefitted from IDAL's incentives when it developed a new slaughterhouse in Anfeh, North Lebanon. The project generated an additional 238 new job opportunities.

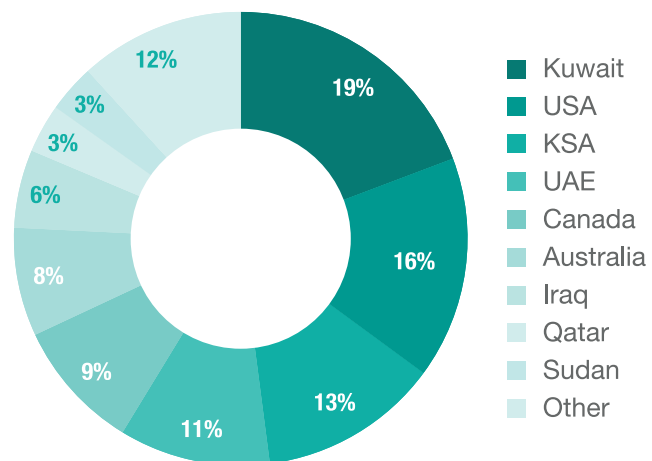
238 new jobs



Wilco PM is a Lebanese poultry company benefitted from IDAL's incentives when it expanded its operations and replaced its oil poultry slaughterhouse. The expansion entailed 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 is expected to be around 6,000 chickens per hour. The project generated around 58 new job opportunities.

58 new jobs

Figure 8: Top Destinations of Lebanese Olive Oil Exports % | 2017



Source: Lebanese Customs, 2017



DAIRY PRODUCTS

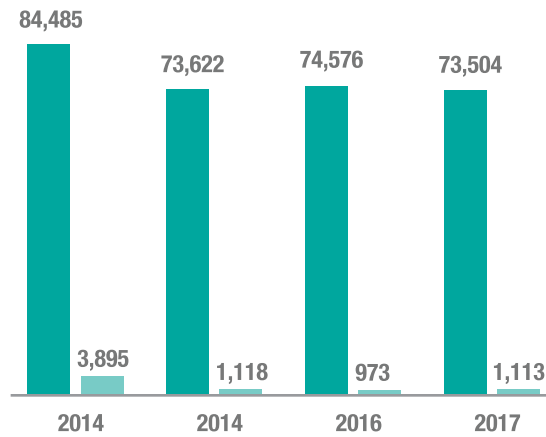
- ▶ **167 dairy factories** mainly concentrated in Bekaa and Mount Lebanon¹².
- ▶ The dairy sector in Lebanon is still in the infancy stage but there is a great potential for growth opportunity given the availability of farming locations in Bekaa and North Lebanon.
- ▶ Large number of players: Liban Lait Dairy Khoury & Co, Skaff Dairy, Jaber & Sons, Taanayel Les Fermes and Hawa Dairy.
- ▶ **Dairy products exports reached 73,504 tons in 2017 (figure 9)**
- ▶ The nutritional package in dairy products and the continuous innovation of organic producers are driving the sector towards potential growth
- ▶ **New opportunities exist for manufacturing organic dairy products** like flavored milks and dairy snacks as **the global market is growing at a CAGR of 14.25%** during the forecasted 2016-2022 period¹³.



¹² The Directory of Exports and Industrial firms in Lebanon, 2017-2018

¹³ Allied Market Research

Figure 9: Lebanese Dairy Products Trade Tons | 2014-2017



Source: Lebanese Customs, 2017

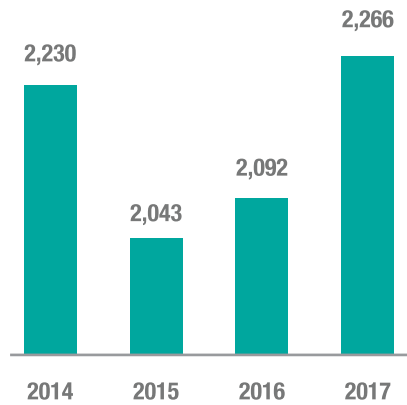


WINE

- ▶ **59 wineries** of which **47% are located in Mount Lebanon**
- ▶ Wine exports have increased slightly during the 2014-2017 period with the UK & France topping the destinations (**Figure 10 & 11**)
- ▶ **Investment opportunities exist in wine tourism activities.** While wine tourism is booming globally in recent years, investment opportunities exist in wine related activities such as wine countries, traditional vineyards, wine festival and tasting tours
- ▶ The future success for the Lebanese wine industry dictates a shift towards high quality wines catering to a sophisticated wine audience

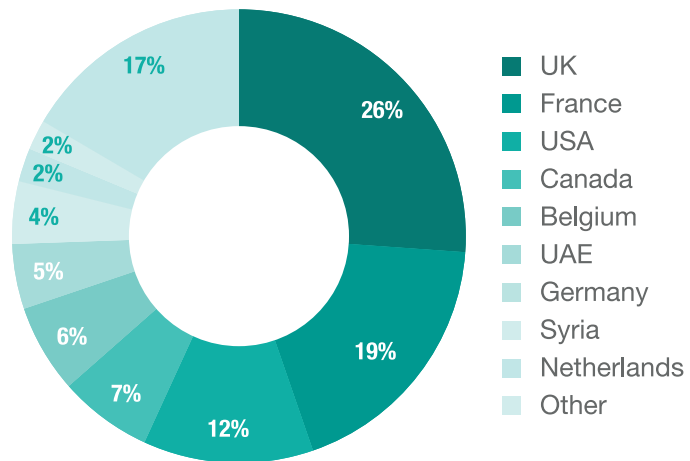


Figure 10: Lebanese Wine Exports Tons | 2014-2017



Source: Lebanese Customs, 2017

Figure 11: Lebanese Wine Export Destination % | 2017



Source: Lebanese Customs, 2017

DRIED FRUITS & NUTS

- ▶ **130 roasteries** are available in Lebanon of which **40% are located in Mount Lebanon** (figure 12).
- ▶ **Exports of dried fruits and nuts reached 196,975 tons in 2017** and valued at USD 66 million (figure 13)
- ▶ **Global dried fruits and tree nuts production have increased 16% and 24% respectively in 2017 compared to 10 years ago¹⁴**. Meanwhile in Lebanon, the market has a potential to expand if the local dried fruits and nuts value chain is reshaped to meet the EU quality certification requirements while creating higher revenues.

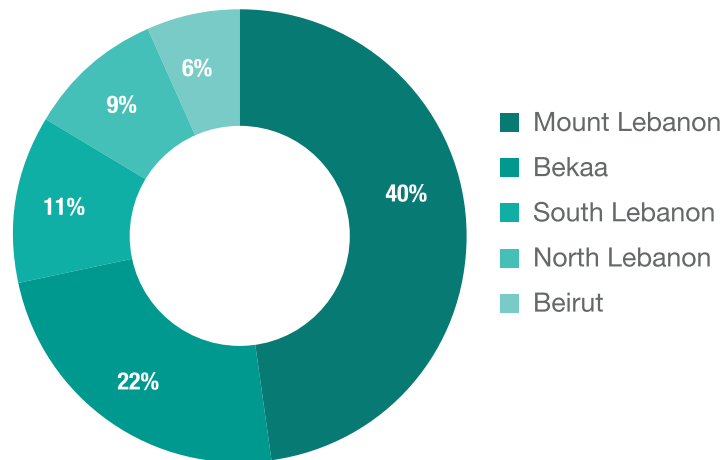


¹⁴ International Nut and Dried Fruit Council

USEFUL ADDRESSES & CONTACTS

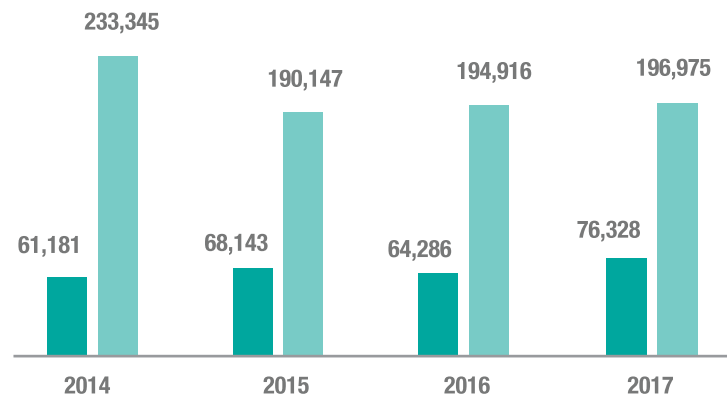
Various public and private actors play a major role in shaping the agro-industrial sector; these main stakeholders are listed below.

Figure 12: Regional Distribution of Roasteries in Lebanon % | 2017



Source: The Directory of Exports & Industrial Firms in Lebanon, 2017-2018

Figure 13: Exports of Dried Fruits & Nuts Tons | 2014-2017



Source: Lebanese Customs, 2017

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**
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www.cciat.org.lb
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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

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www.libnor.org

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www.kafalat.com.lb



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