Lebanon's Organic Food Industry: A Growth Opportunity

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Abstract

This study aims to shed light on the organic food industry in Lebanon and infer its positive contribution to the Lebanese economy on the medium and long- term. The growing industry will also entail socio-economic changes linked to consumer tastes and the national food and beverage (F&B) industry. The market research collects, assimilates, and cross-verifies primary data from 8 key market players in the Lebanese organic food industry who were interviewed or/and phone interviewed to share insights, know how, and industry expertise .

The interviewees include: *Lebanese Ministry of Agriculture*, the only 'organic' certification body in Lebanon *CCPB Middle East control and certification* affiliated to Italian-based CCPB; *Biomass*, among the growing producers of organic agricultural & animal produce, processed organic and a distributor; *Jbeily Farm* producer of organic agricultural products; *Le Potager* producer & distributor of organic agricultural and animal produce (affiliated organic shop *La Vie Claire*); *Organic Taste of Life* (or El Solh farms) and *Olive Trade*, two producers of organic agricultural & processed produce; and lastly, *Better Life Market* online & in-store organic shop.

Key findings reveal the market for organic food can be a window of opportunity for the Lebanese "youth" to invest and engage in the national economic cycle. The industry may also become an additional tool to nurture Lebanon's growth driver, the tourism sector, via agro tourism.

Organic Food Market in the World

"The organic food market continues its positive trajectory, with global sales reaching $97B in 2017". The IFOAM Organics International report including statistics and emerging organic trends of 2019, revealed the USA's organic market is the largest in the world, hitting $45.2B. The European market for organic food followed, worth $39.6B in 2017. Exponential growth was recorded in France and Denmark. Lastly, the combined value of organic market in other regions, including Asia, Africa, Latin America, and Australasia added up to $8.7B in 2017. However, some of the challenges ahead entail supply shortfalls as "*organic food sales rose 4-fold between 2003-2017, while organic land area increased less*", as per the report.

Globally, organic foods gained momentum as consumers prioritized healthy and nutritious choices. The prime factor driving the upward trend for organic food worldwide is "*healthier, safer and more nutritious*" for consumption, compared to conventional foodstuffs according to a recent 2018 study by the University of Belgrade. Concerns about the environment may have also contributed to the uptick.

What is "Organic"? Myth v/s Truth

Truth: Organic is a lifestyle that cares for nature, not merely a 'cool' trend. Being an "organic" farmer, distributor, or even consumer relies on the player's respect to nature's finite resources and his/her genuine concern for the food security of their families and thus, the future generations. An "organic" product or operator also grasps the importance of organically-grown produce from farm to fork. The 8 interviewed market players presented the above take when asked about the importance of being organic. In its turn, the Food and Agriculture Organization of the United Nations (FAO) states that,

"***Organic agriculture is a system that relies on ecosystem management rather than external agricultural inputs.*** *It [...] considers potential environmental and social impacts by eliminating the use of synthetic inputs, such as synthetic fertilizers and pesticides, veterinary drugs, genetically modified seeds and breeds, preservatives, additives and irradiation. These are replaced with site-specific management practices that maintain and increase long-term soil fertility and prevent pest and diseases."* This basically also means that any organic operator understands and appreciates the non-renewable resources of nature, cares about the sustainability of food production and provision to mankind as well as the preservation of the biodiversity at large, within a balanced, safe ecosystem.

Myth: Many consumers on the bandwagon of health-conscious choices think organic food is "diet food". Not quite. As per the definitions provided above, organic may be grown naturally and not contain traces of synthetic harmful chemicals or preservatives, but the product may have some sugar content for example, as Operations Manager Ms. Boutchakdjian at *Better Life Market* store explains. In his turn, Mr. Massoud, Commercial Director at *Biomass,* makes an interesting distinction. He identifies the top three industry trends to be: the "sugar free", "vegan", and "organic" products. He explains that people nowadays are less willing to buy animal products, while he suspects an important upcoming trend lies in organic food products that offer for example “organic & sugar free”, or for instance “organic & animal-free”.

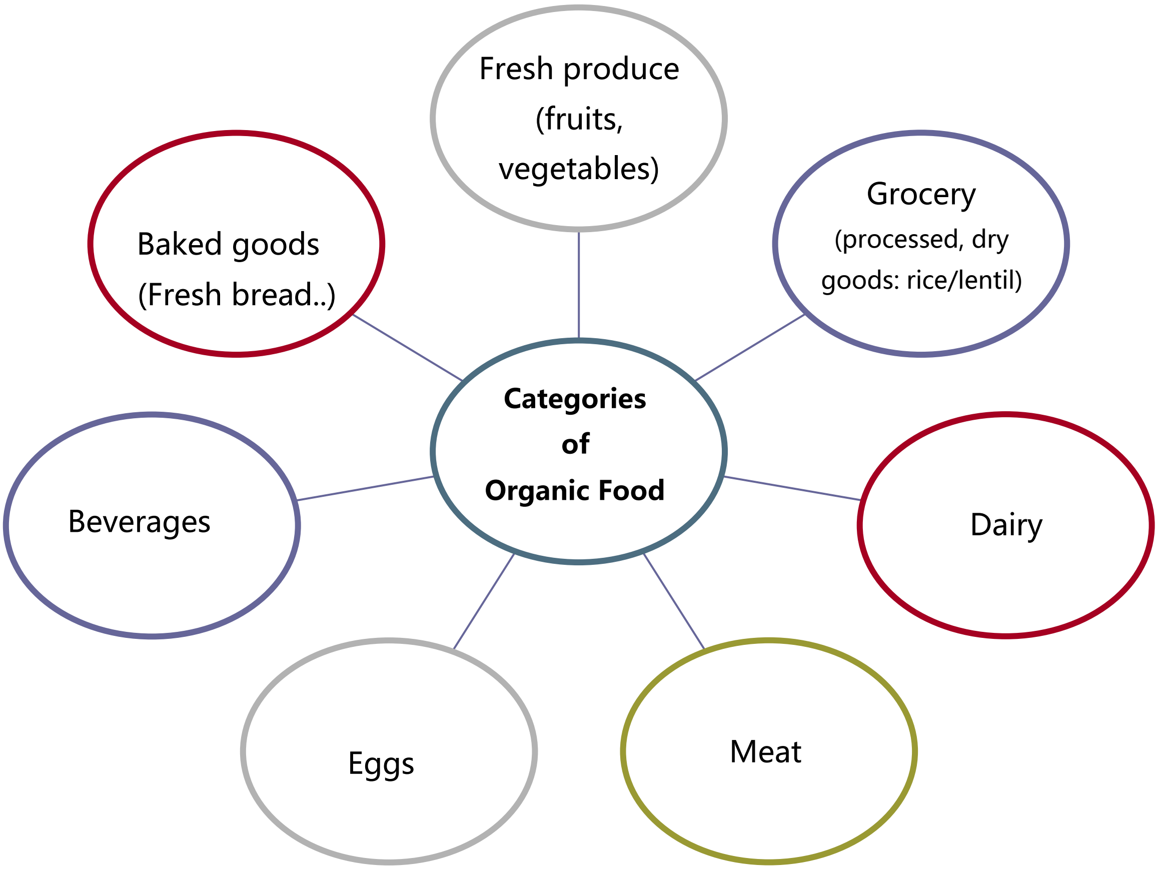
The label of “organic” on many goods produced in Lebanon is sometimes fake or misused. The lack of a main authority in Lebanon to fight abuse of this label being slapped around on food packages renders this a main challenge for the industry. Lebanon’s does not yet have a stand-alone department for organic agriculture, nor a committee or official body of authority for the industry. For that reason, all 8 players confirmed there are many products/brands of organic that have never undergone verification of the manufacturing process or the end-goods, nor are certified in any form. This causes confusion and harm to the unaware consumer and also to authentic organic producers whose organic techniques are costly. Mr. Massoud of *Biomass* clarifies that any organic product distributed has: "*an organic label on it, a certification code, the certifying body and inspection report.*"

A quick way of eliminating a fake “organic” at first sight is to look for these certification credentials on the packaged product. Mr. Al Khoury Hanna, General Manager at CCPB Middle East complements Mr. Massoud’s view, explaining that the body certifies separate items per player. One player may supply a wide range of foods, but every one item must be certified separately and have its own code, paperwork, fee, and monitoring tests and audits. For example, a farmer can only get the CCPB organic certified seal on their packaged tomatoes if CCPB edits his organic protocol (use of friendly chemicals, the water, soil, etc.), the raw materials, all the way to the packaging and distribution of product to the consumer. However, our market survey shows these clues alone cannot guarantee 100% authenticity of the organic product.

The players who are organic, choose to be organic. Players (farmers/producers or distributors mainly) "*... must believe in being organic*" says Mrs. Eid, Head of the Organic Agriculture Technical Committee in Lebanon and an Agriculture Engineer at the Ministry of Agriculture (MoA). More often than not, these follow the organic methodology and practices to grow organic produce for their own consumption to obtain safe foods for their own families. During seasons of oversupply from a certain crop or the other, they may either use the excess to produce processed organic goods (pickles, jams, dried greens, tomato pastes, etc.), or sell to another producer/distributor of organic to avoid waste.

A key monetary aspect is also involved in choosing to be an “organic” operator. Applying for an official organic certification comes from the players’ own free will to sponsor and apply for the organic certification in Lebanon. The only current certification body in the country is CCPB Middle East s.a.l. (Control and Certification), which is an Italy-based company that certifies organic and eco-friendly sustainable products all over the world. CCPB Middle East can provide willing players with certifications that open the markets of the EU, USA, and/or Japan to their products depending on where and how they aim to position themselves.

Organic foods can be classified in 7 categories. As per Mr. Massoud, the main categories to classify 'organic produce' are the below:

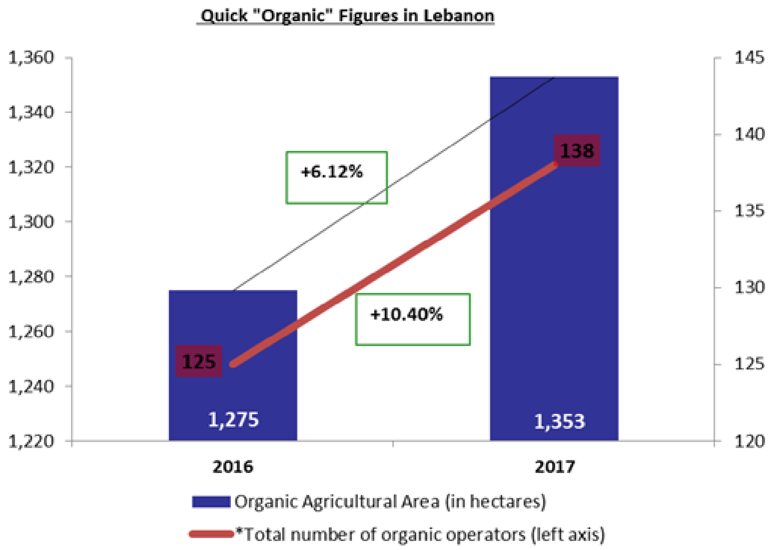


According to Mr. Fares owner of *Olive Trade,* Ms. Eid from the MoA and *Biomass*'s Mr. Massoud, the top demanded organic goods from Lebanese consumers are "organic fresh produce". In fact, *Biomass* and *Le Potager's* main sales seem to be organic: cucumbers, lettuce, tomatoes, carrots, rocca leaves, kale, mint, coriander, persil, cabbage, radish, apples, watermelon, strawberries, melon. This comes as no surprise as modern consumers' concerns on what their families eat is growing, especially when it comes to the heightened correlation between toxic pesticides and cancer or other diseases.

Organic Players: Who they are, What they do

The organic industry is still a niche in Lebanon, but the potential to grow is big. Unlike most neighboring countries in the MENA region, the country's plan for organic industry is to boost supply locally rather than empower the export of organic food, confirms Mrs. Eid at the MoA. Mr. Al Khoury Hanna of CCPB Middle East agrees, as he explains countries like Tunisia and Egypt for instance aim to export up to 90% of their organic produce to EU markets, while their local market demand for such goods is subdued. On the counterpart, Lebanon finds more value in engaging local market entities in the value chain of organic food.

The growing demand and humble supply of organic food keep prices high, but eases barriers to entry. With the organic industry still not mature yet, the demand from Lebanese consumers jumping on the bandwagon of "organic" remains much larger than the supply. As verified by all players interviewed, this partly affects pricing (detailed next), pushing prices up, but it also reveals the easy market entry of new, educated players to the niche industry of 'organic'. Mr. Massoud and Ms. Eid both believe that this helps expand the product offering in Lebanon's organic industry, even though the supply is still not growing as rapidly as the demand.



Source: Lebanese Ministry of Agriculture; BLOMInvest Bank

An organic farmer incurs additional cost by following organic standards. With demand exceeding the supply of organic, prices of these goods remain higher than their likes obtained of conventional agriculture. According to Mr. El Solh, owner of *Organic Taste of Life* (company's main farms and orchards in the South and summer farms in Sannine & Zaarour),

"*A credible organic farmer producer incurs an additional 30% cost compared to conventional agriculture. The costs of organic certification audits and registration with the EU organic standards add up, in addition to the required manual labour and the restricted use of pesticides which is substituted by certified biological fertilizers and methods to protect the loss of yield.*"

Organic "operators" in Lebanon include: producers, processors, retailers, and importers. The ministry of agriculture classifies Lebanese operators in the organic food industry into 4 categories of operators who may conduct one or multiple activities. It is interesting to build a distinction among the type of operators to understand their respective role(s) and importance in the supply chain of organic food.

Organic food operators are still small businesses. It is worthy to note that only 7 of the 138 organic food operators in 2017, as per the ministry of agriculture (MoA), are involved in 3 or more organic activities:

- Animal Produce
- Processed food
- Trader
- Exporter
- Point of sale (retailer, wholesaler)
- Importer
- Plant (agricultural) produce

This may reflect to a certain extent the involvement, the size and capacity of operations that the market's main providers are able to lead.

- ✓ ***Producers: 122 in Lebanon in 2017, up from 110 in 2016***

The producers can also be considered the essential player, the organic farmer. They own a plot(s) of land and/or the cattle, say in Akkar, Kobayyat, the Bekaa, Sannine, Batroun, or other regions usually a bit farther away from people clusters. These players therefore provide "organic" animal and/or plant produce in the Lebanese market, examples: fresh fruits and vegetables; dairy; meat products. However, owning such a land must also come with the proper, full-fledged capacity building and understanding of what and how "organic" is.

Optimally, the land must have never been cultivated or used for conventional farming before. Ideally, the land would have a natural undisrupted spring flowing to help irrigate it, for example that ensures the water for irrigation is clean. For instance, Le Potager & La Vie Claire owner and manager Mr. Daoud explains his concern if this water spring is disrupted by neighbors' conventional farming. Otherwise, they may need methods to purify the water. Such is the case actually for organic producer Mr. Al Solh who installed his own costly water purification systems & equipment to ensure authenticity of organic produce by *Organic Taste of Life*. Absent such critical conditions, these eminent "producers" in the organic value chain risk not being 100% organic.

Most organic operators in Lebanon started organic production for personal & family-safe consumption. For instance, *Jbeily Farm* in Aandqet, Akkar is run by Mr. Jbeily, who is Technical Director at the International Association of Cereal Science and Technology (ICC) & Head of Cereal Science Laboratory at IRI. The certified organic farm started, like almost 80 of the 122 other producers in Lebanon, as a small scale production until it began distributing "organic apples and pears" only to different retailers when supply of those fruits was in excess due to seasonality or other natural factors. Nonetheless, Mr. Jbeily shares, "*Our future plans involve expanding on the production and commerce side. Exporting fresh produce to Greece for example, where the organic market is big, may become a gateway to position our organic produce in the EU.*"

Producers of 'fresh' produce offer *"an organic basket to your door" or agree to "contract – farming"*. Some organic farmers engage in on-farm selling of their own produce directly to clients, while some go the extra mile and send out an organic basket per week that carries whatever organic available. Also, some of these producers such as *Biomass* are involved in "contract-farming", a term that refers to some farmers who agree to plant and sell their produce (or a category of it) to bigger organic distributors in the market. Then, other marketing channels flew open like specialized stores: *La Vie Claire,* which is affiliated to Le Potager, "*souk el tayyeb*", and farmers' markets.

- ✓ ***Processors: 61 in Lebanon in 2017, up from 52 in 2016***

Some local producers may export ‘processed’ organic items. These include producers of organic ‘processed’ goods, such as grains like rice and lentils, tomato paste, pickled cucumbers, dry mint &/or other greens. Mr. Fares explains that "*Olive Trade* is "*specialized in organic olive oil production and exports around 50% of total produce to the EU, Dubai, USA, Japan..*" This may further reveal that demand in Lebanon is lower on ‘processed’ organic goods like olive oil v/s higher preference for “fresh” organic produce. In his turn, Mr. Daoud, owner of Le Potager who owns farms in Aana and Ammiq (Bekaa) began to produce "‘processed organic” from his fresh produce to better meet customers’ wider demand.

Processors are also a crucial player in the value chain of organic. According to Mrs. Eid, Head of the Organic Agriculture Technical Committee in Lebanon and an Agriculture Engineer herself, processors are a crucial player because "*processing some of the remaining crops which may have been n excess, or remained unsold as ‘fresh’ produce, maximizes the value of agricultural products*". Processors therefore utilize imperfect or remaining fresh produce to create an organic, store-able version of the product in consumers’ kitchens (tomato paste, jams, and the likes).

- ✓ ***Retailers: 8 in Lebanon in 2017, up from 7 in 2016***

These are distributors or stores selling organic products across Lebanon, includes supermarkets (large retail), specialty stores, health shops/pharmacies.

- ✓ ***Importers:***

These are not the focus of this study, but because some fresh organic crops face seasonality or other natural limitations facing the organic protocol, Lebanon imports some fresh organic goods and many other day-to-day and processed products to meet the market’s growing demand.

Trade of Organic Food

Trade of Organic Goods in Lebanon	
Top Organic Exports	(1)Fresh fruits & vegetables, (2) Eggs, (3) Olive oil, (4) Thyme, (5) Seedlings of aromatic plants

Top Organic Imports	Among others: (1)Salty snacks, (2) Beverages, (3) Wine, (4) Grains, (5) Rice, (6) Pastas, (7) Jams, honey & syrups, (8) Poultry meat, (9) Milk, (10) Dairy products, (11) Flakes & cereals, (12) Canned vegetables, (13) Spices & peppers

Source: Lebanese Ministry of Agriculture; BLOMInvest Bank Survey with 8 operators

No trade figures are available on exchanged Lebanese “organic” products. The Lebanese Customs database does not separate between organic & non-organic traded goods in its accounts. According to the interviewed market players, the goods imported (and thus exported) by organic food operators are added to the non-organic category of the same good. A simplified example would be: exported organic cucumbers and non-organic cucumbers are all part of the same account in customs database: cucumbers. This renders industry data, figures availability & item-specific data collection on the entire sector quite challenging and thereby dependent on the analyses of the individual market players.

The ministry of agriculture requested the Customs support to track the organic produce within the trade channels. While market players create and keep their own market analyses and records mainly based on their client demand/or confidential sales figures, the ministry in its turn has attempted to demand the Customs to capture a clear classification of organic produce per item. Such data can surely help future development and growth strategies in the promising sector. However, the Customs for now can only add a few items to their databases, but this may not be enough for the specificity of the sector and for identifying and tracing the growing demand on a wide range of organic products.

The overall consumption of organic in Lebanon remains low. The size of the organic food industry in Lebanon, including processed and imported organic, roughly stands at $10-15M according to some market sources interviewed. However, the lack of historical data as well as any trade value and volume figures of organic produce renders international or regional benchmarking difficult. In fact, Mr. Solh, owner of *Organic Taste of Life* believes that, "*The demand for organic in Lebanon remains inconsistent, given the organic market is still a niche market. Not everybody can afford it, especially given the lack of consumer awareness which we hope will be tackled.*" In parallel, the budget allocated to the ministry of agriculture also remains low and currently awaits the new draft budget to move forward, including plans for the ‘organic’ sector.

Main Challenges, Growth Strategies & Final Thoughts

Organic farming and provision of 100% organic remains a challenge. Lebanon offers no subsidies for organic, unlike abroad where the industry is subsidized for farmers to receive the needed capacity building and monetary support to work ethically and enhance their production volumes as well as their product offerings.

Having more than one organic certification body may incite producers to trust the process, join the organic industry because they believe in its benefits. Multiple certifying entities may also help the consumer, producer, distributor and importer of organic to identify, report, and hold accountable any "fake" organic which competes with the high costs incurred by ethical organic farmers, given these last lose more than 30% of their produce.

The seasonality of fresh organic produce makes it difficult for producers to commit with local or international buyers. The produce of a particular farmer following the organic ecosystem may often vary in volume, or turn out imperfect in size or appearance of the fruit/vegetable. This challenge is faced by most organic players who are limited by the natural resources, their land, and weather and therefore cannot rely entirely on the organic business as a living. To-date, most export deals of organic fresh produce to the GCCs for instance consist of exporting the range of products that a particular season offers.

The lack of consumer awareness about what "organic" is or can be is a major setback. Mr. Daoud, owner of Le Potager and sister store La Vie Claire (French franchise for organic products), explains some clients don't know what they are buying or asking for, but rather imitate other buyers of organic foods. This is due to the "lack of consumer awareness regrading such products". Campaigns to raise consumer awareness about organic and about what to ask for, or pick, and how to know what is and what's not organic are key. Across the world, organic farming is growing. The industry's players are also supported and subsidized. Governments believe organic can create more jobs and integrate the youth especially in rural areas, let alone enhance the biodiversity and diversify the products offered to meet the growing demand.

As such, organic food in Lebanon today can engage the educated and creative youth. This modern industry is especially "becoming a growth opportunity especially for the youth of Lebanon", confirms Mrs. Eid and Mr. El Khoury. In his turn, CCPB GM Mr. El Khoury Hanna explains that the organic food market is also creating momentum in Agro-tourism.

Organic farming, distribution, and consumption can nurture agro-tourism in Lebanon. Some organic producers or distributors established their own restaurants and on farm-concepts of serving daily produce. By doing so, they may better introduce and engage the consumer to the organic experience and ultimately nurture the country's agro-tourism, which emphasizes sustainability of living, health improvement, and environmental biodiversity.

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