Organic Agriculture in Lebanon and Market Opportunities

November 19, 2010
Senigallia, Italy

Country Overview

biomass Organic Products

Socio-Economical Facts:

- **GDP (PPP):** $ 53.98 Billion
- **GDP Growth:** 6.9%
- **GDP/Capita (PPP):** $13,200
- **GDP Composite by Sector:**
  - Agriculture: 5.4%
  - Industry: 16.7%
  - services: 77.9%
- **Currency:** LBP (1$ = 1507LBP)
- **Unemployment:** 9.2%
- **Inflation Rate:** 3.4%
- **Population:** 4.1 M, 1.5M in Beirut (Capital)
  - **Age :** 29.4 years Media Age
    - 0-14 years: 25.8%
    - 15-64 years: 67.1%
    - 65 years & Above: 7.1%

Source: CIA World Factbook, 2010

A small yet complex country with a growing young population, Lebanon has always been a link between Europe and the Middle-East region.

Organic Farming Environment

- **Organic farming, in Lebanon, was initiated in the past decade. And fuelled by international aids to sustainably develop rural areas:**
  - The main project already resulted in the establishment of a Lebanese Organic Cooperative

- **Demand for organic products is relatively small, but has been exponentially growing. We expect a sizable growth of the sector in the years to come:**
  - Local supply of organic products hardly meets demand, both in terms of varieties and quantities
  - While also, unlike neighboring countries, Lebanese outputs are depleted in the local market

- **Organic farming development, conducted on small farms was limited in its consideration to production scale and input supply:**
  - Today, conventional operators are willingly investing into the conversion of their own farms

- **No legislation currently regulates the organic farming sector, in Lebanon:**
  - Nevertheless, growing concerns over food safety (milk, meat and wheat scandals) have recently led the Ministry of Agriculture to promote the development of organic farming
  - The MoA is calling for supply of input bids with the intent of subsidizing farmers, in part

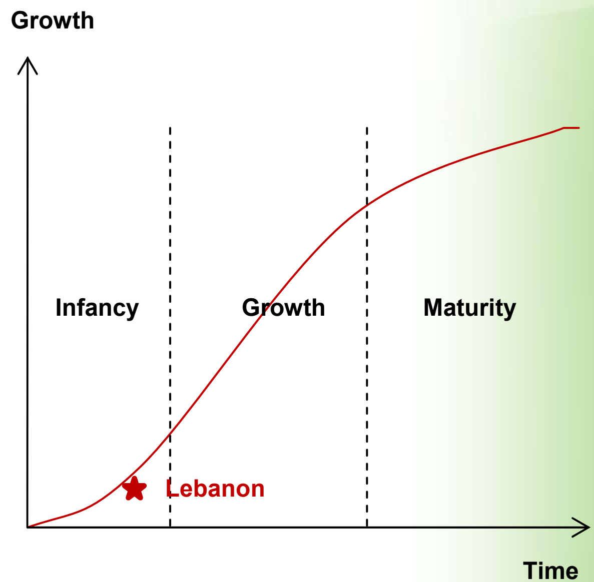
Organic market in Lebanon is still niche, but its growth potential has clearly been expressed at both consumers and local authorities.

Industry Evolution
Organic Farming's S-Curve

Key Industry Problems
Industry Assessment

- Demand is there but unfortunately supply is dragging behind
  - Conversion to organic faming is a costly and slow process
- Local production remains expensive, directly correlated to input prices
  - Lack of availability of inputs makes products more costly, hence less affordable to end-consumers
- Organic farming suffers from a lack of awareness among consumers
  - Awareness has been increasing due to food scandals (high in residues)

Organic Sector Evolution
S-Curve



The organic sector, still in infancy in Lebanon, suffers from standard problems common to this stage of evolution; high cost of production, low awareness, etc.

Market Potential

Key Industry Facts		Implications / Comments
The industry is expanding and demand is growing faster than supply. Prices of organic produces remain high.	▶	The industry is clearly expanding, with opportunities for local and international players to play a key role in its development to go mass market.
Demand for organic product is local, unlike neighbouring countries who outsource production for European countries, relying on export.	▶	Demand for organic products, in Lebanon, is small but expanding. Demand for organic Italian products, well appreciated among Lebanese consumers, is also expected to grow.
Retailers, mainly specialized stores, have increased in number. Large retailers are also dedicating in-shop organic corners, while HORECA is promoting organic food in menus.	▶	Increasing point -of-sales would help increasing awareness, presence (distribution) and demand for organic products, in Lebanon.
Conversion of operators is increasing, IMC (leading certification body) already account for a 15% increase in 2010.	▶	Growing interest of local operators to convert to organic farming even though the industry severely lacks elements with regards to inputs.
Lebanon has limited agricultural capacity. According to the MoA, 85% of the country's agricultural (conventional) needs is imported.	▶	The ratio will be higher for organic produces. Today a wide variety of organic products (meat, wheat) are not available and could hardly be produced locally.

Market Opportunities

biomass
Organic Products

Key Industry Facts	Opportunities
Lack of inputs is clearly an issue for local operators. These inputs would range from, seeds, animal feeds to crops protection products.	Italian companies specialized in inputs production would be interested to exporting these products to Lebanon. Especially, that the MoA will be subsidizing these costs to farmers.
Price of local produces remain high, driven by the lack of production scale (small farms) and the absence of inputs.	Little price differentiation with imported organic products. Also, Italian products could very well be competitive. *NB: assuming a fair Euro / USD rate.*
Pregnant women, women with newly born babies and children of low age are driving the demand for organic products.	Many products targeting this segment are not available in Lebanon (e.g. organic baby food) and need to be imported.
PoS (small and large) have already initiated the import process. Retailers are directly importing products not available in the country.	First mover advantage would be key for importers / distributors to mass market organic produces, driving prices down.
Slow, long and costly process impacting directly the scarcity of local production.	Imported products would help regulate the availability of products, in terms of both varieties and quantities.

What is Interesting about Lebanon?

Key Industry Facts	Implications / Comments
Lebanon is a window to the Arab World. A platform for export in Arabic countries, where Lebanese expatriates are established in important communities and are leading businesses.	Export of Lebanese organic products has already started in the Gulf region often through Lebanese entities operating regionally.
Lebanon and Italy are historically strong economical partners. Italy ranks #4 in imported products, accounting for 7.01% of Lebanese imports.	Lebanese consumers appreciate Italian products, which are well distributed in the market. There are little organic Italian products imported in Lebanon e.g. organic pasta.
The Italian certification body - Mediterranean Institute of Certification (IMC) - already certifies 75% of organic produces in Lebanon.	Italians already lead the organic industry in Lebanon, facilitating the development of Italian companies in the local market.
Italian products would benefits the several agreements in place between the two countries e.g. Euro 1	Italian products would benefits from a reduction in import tax and simpler import procedures, especially when organic products as part of MoA efforts to promote the organic sector

Biomass s.a.l

Biomass, SAL
Introduction

- **Established in 2007, by Mr. Joseph Massoud, Biomass has rapidly evolved into the leading grower and provider of organic fruits, vegetables and farm products, in Lebanon.**
  - It has been the sole producer of organic eggs for the past three years
  - It is now leading the sector in fresh organic fruits, vegetables and herbs

- **In 2010, Biomass has ventured into large scale projects, in organic farming. Teaming with key industry experts, professionals and partners:**
  - Increasing production scale of fresh produce, notably in organic fruits, vegetables and herbs
  - Establishing a manufacturing facility for the production of fresh local yogurts and cheeses
  - Increase production line into organic chips, olive oil and olive based products

- **Biomass already accounts for a large team of professionals, from production and technical experts to quality and commercial managers.**

- **Finally, Biomass is certified according to the European Regulation for Organic Farming, by he Italian certification body - Mediterranean Institute of Certification (IMC)**

Biomass has been very active in the organic sector in Lebanon over the past 3 years. It operates across all the value chain and caters a well diversified portfolio of products .

Biomass, SAL
Portfolio Overview

Not yet launched

Biomass s.a.l. (Product Lines)

Plants
- Fruits & Vegetables
- Fresh Herbs & Dried Herbs
- Cultivated Mushrooms
- Ready-to-Eat Salads
- Organic Flowers (e.g. Lavender)

Animal Products
- Hen Eggs
- Dairy Products (e.g. Cheese, Butter, etc.)
- Honey

Processed Products
- Variety of Jams
- Olive Oil
- Potato Chips
- Essences (e.g. Rose Essence)
- Variety of Breads
- Pickles
- Dried Herbs

B2B Products
- Dairy Cattle Feed
- Poultry Feed
- Plant & Crops Control Products
- Organic Seeds & Seedlings

Biomass has expanded into several consumer products in the past year. It is looking at potential partners to further expand the portfolio in new local and imported products.

Biomass, SAL
Potential Collaboration

	Description	Biomass Objectives
Seeds & Seedlings	Seeds and seedlings ,conform with EU regulation. And valid (tested) for the region	Looking for a collaboration to import and commercialize organic seeds , in-house (to our farm), to partners and organic operators
Animal Feed	Animal feed is required for dairy cattle (organic milk) and poultry (organic eggs) and meat (calves and poultry)	Establiosh a collaboration to help reduce feed cost imported into Lebanon (contracts, joint venture, etc.)
Crop Control / Protection	Crop control products are not readily avaible in the market nor feasible to import by small farmers	Import and distribute organic crop control products to our own farm, our partners and Lebanese organic operators
End-products	Products targeting woman and children. Italian specialties, especially those well introduced to lebanese consumers	Import and distribute labeled producrts, such as oragnic powder milk, chocolat, baby food, etc.
Ingredients	Required for processed products such as sugar, vegetable oil, rennet, starter, flour, etc.	Also to import and distribute locally these ingredients.

Biomass is looking to developing partnership with operators in Italy to improve its existing business and develop into new categories.

Biomass, SAL
In Pictures

Olives (Biomass Farm)

Green House (Biomass Farm)

Dairy Cattle Farm

Product Brochure (Biomass)

Biomass, SAL
Contact Us

Contact Person 1:	
Name:	Joseph Massoud
Function:	Chairman & CEO
Mobile:	+961 (0)3 320 100
Fixed:	+961 (0)1 446 556
Fax:	+961(0)1 581172
Email:	joseph.massoud@eamlb.com

Contact Person 2:	
Name:	Mario Massoud
Function:	Business Development
Mobile:	+961 (0)3 336 200
Fixed:	+961 (0)1 446 556
Fax:	+961(0)1 581172
Email:	mario.massoud@biomasslb.com

Company Contact Details	
Name:	Biomass s.a.l.
Telephone:	+961 (0)1 446 556 / +961 (0)3 622 120
Fax:	+961(0)1 581172
Email:	info@biomasslb.com

THANK YOU!