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Ministry of Social Affairs

FREEKEH IN LEBANON

VALUE CHAIN ASSESSMENT AND ANALYSIS

Executive Summary and Recommendations

LIST OF ABBREVIATIONS

ALI	Association of Lebanese Industrialists
BDS	Business Development Services
CNRS	National Council for Scientific Research
GMP	Good Manufacturing Practices
GHP	Good Hygienic Practices
GAP	Good Agricultural Practices
HACCP	Hazard Analysis and Critical Control Point
IDAL	Investment Development Authority of Lebanon
IRI	Industrial Research Institute
LARI	Lebanese Agricultural Research Institute
LIRA	Lebanese Industrial Research Achievement
LSFI	Lebanese Syndicate of Food Industrialists
LCRP	Lebanon Crisis Response Plan
LAFT	Lebanese Association of Food Technologists
MOA	Ministry of Agriculture
MOI	Ministry of Industry
MOET	Ministry of Economy and Trade
MSMEs	Micro, Small and Medium Size Enterprises
NGO	Non-Governmental Organization
RBM	Results-Based Management
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
VCI	Value Chain Index
VASyR	Vulnerability Assessment of Syrian Refugees

UNITS AND MEASURES

Dunam (du)	1000 m^2
1 USD	1500 Lebanese Pounds (Lira)
Metric Tonne (MT)	1000 Kg

Data treatment and analysis were carried out using Excel statistics

Executive Summary

Freekeh (sometimes spelled *freek* or *farik*) is a cereal type of food made from green durum wheat (*Triticum turgidum var. durum*) that is traditionally dash-burnt and rubbed to create its unique flavour. It is an ancient dish derived from Levantine and North African cuisines, remaining popular in many countries of the eastern Mediterranean Basin where durum wheat originated.

Based on market studies, mainly by the LIVCD program of USAID, it was determined that FFreekeh had a high market demand locally, regionally, and in developed markets such as the US and Europe where Freekeh is recognized for its superior health benefits. Following a comprehensive survey on Freekeh production and marketing, it was observed that its production is mainly concentrated in South Lebanon.

Value chain actors and stakeholders expect promising future development for Freekeh due to its high profitability and job creation opportunities. These two drivers carry together the majority of the socio-economic weight (66%). Although export is a highly appreciated target in the economic balance, its expectation weight was modestly low (15%). This is mainly due to the fact that the internal market is still thirsty for Freekeh and demand is much higher than supply; hence, imported volume is higher than what is locally produced. The majority of Freekeh quantity sold in Lebanon is imported mainly from Syria and other countries such as Egypt and Turkey, representing about 66% of the total market. About 31%, or about 100 MT, are produced locally by individual farmers and/or organizations such as agro-food cooperatives dominated by house-wives.

The target market of Freekeh is diverse, informal, and governed by availability and concentration of customers, particularly Southerners - inhabitants of South Lebanon - who are more familiar with the product than other Lebanese. The largest selling platform of Freekeh (over 80%) is controlled by exporter and wholesalers, whereas, the villagers'[1] share is about 3%, and cities buyers[2] are just below 8%. The marketing system in Lebanon is not well defined and channels are hidden away from small producers, particularly farmers who are too busy with their land work operations and are not capable of hiring experts. Centralisation of Freekeh marketing (capital-oriented) is still very effective by all means and dimensions in Lebanon, and therefore, a service provider organization in Beirut should be utilized to facilitate access to marketing and distribution channels. Although export of Freekeh is a significant economic target, however it is still very limited mainly due to a small volume of production (about 100 MT) and inferior quality due to lack of mechanization, microbiological and physical contaminants, and a poor marketing strategy.

Quantitative data of Freekeh (market volume, position in the market life cycle, saturation of the market, Growth rate, partial market, stability of demand) is not border clear. The total volume of Freekeh does not exceed a few hundred tonnes (less than 300 MT), the vast majority of which is imported (about 200 MT). The general estimate of production by ***individual farmers*** - i.e. farmers not incorporated in cooperatives or other associations - reaches 23 MT from a potential capacity of 25 MT. Their marketing platform is mainly sold to villagers (locally) and to individuals and families who are living in cities, mainly Beirut, but originally from South Lebanon. It is quite clear that target customers are mainly Southerners and target regions where Southerners reside. Qualitative data (structure of customers' needs, purchasing motives, purchasing process and attitude, and intensity and strength of competition) are also short. The only selling factor is the traditional legacy.

Competitors are mainly foreign producers relying on national traders or establishments which import Freekeh out of need and market satisfaction. The estimated volume of imported Freekeh is about 120 – 200 MT compared to about 100 MT that is locally produced. Competitors, mainly Syrian, are attracted by high prices on the Lebanese platform and relatively high power of purchase, especially since their cost of production is much less than that of Lebanese mainly due to labour and raw materials cost.

Farmers (16.8%) are the only group that handle Freekeh production up to a bulk end product,

1 Habitants of farmers villages or surrounding who buy from a farmer or cooperative producing Freekeh

2 Cities habitants originated from villages and buy their Freekeh from the source i.e. farmers or cooperatives

with villagers - and to a lesser extent city customers - as their target market, whereas, cooperatives (mostly women) may be involved in further processing to packaging and marketing, with wholesalers or business enterprises are their main target market.

To date, Freekeh production in Lebanon is still mostly bound to farmers and cooperatives in particular. The average production per farmer is about 0.5 - 1.5 MT, whereas cooperatives (mainly women) production ranges from 0.5 – 10 MT. Most of the producers belong to the poor segment of rural society.

Cost analysis revealed that the highest cost was consumed by labour work which is due to inferior standards of technology. This can be reduced significantly if technology is developed to meet requirements. Also, the difference between Bekaa and South Lebanon is mainly the production capacity, both the potential and actual. Unlike Bekaa, in South Lebanon most of the wheat grown for Freekeh is rain-fed and therefore, productivity is lower with inferior quality (small grains size). As a result, the net-income of southerners is reduced by about 50%.

Taking into consideration the mapping practices and the overall techno-economic assessment, a market-driven network formulation with strengthened interactions between vertical and horizontal chains should be formulated. The value chain upgrading vision focuses on the objectives of direct relevance to the operators, especially value creation (increased sales volume and cost differentiation). This will lead to enhanced value captured or job created for the benefit of the poor. The expected impact is ***"to improve socio-economic livelihood of Freekeh farmers, chain operators, and the rural community through an upgraded value-added chain with higher real incomes."***

Recommendations

Due to the time-limited season of Freekeh production and the embryonically traditional process which is still practiced by the majority of producers, reorganisation/establishment and upgrading of the value chain structure should be established to reduce costs, ensure high quality, and improve productivity. This includes: (1) bringing chain actors together in any legitimate grouping form such as cooperatives to organize themselves and take action, (2) a transparent and continuous flow of information and results being achieved, (3) facilitating resolutions of conflicts and nurturing a common understanding of expectations, (4) building on existing initiative such as that of LIVCD-USAID and focusing on implementing quick start activities, and (5) introducing Freekeh production in North and West Bekaa regions.

Recommendations are proposed pragmatically to suit the formulation of a development project(s) for the Freekeh value chain.

1. **Value chain of Freekeh is proposed to be upgraded through investment in new technologies**

Regional and local institutions would be strengthened and the value chain optimized by the provision of equipment and support services. Speeding up the processing by introducing new automated equipment (wheat seeding machine, harvester, cutter, roaster, thresher, dryer, cooler, grinder, distoner, vacuum) is vitally important to succeed in, not only boosting production, but also reducing production costs. This equipment should be provided to cooperatives but also to regional clusters that could collectively handle all the production of that region.

2. **Technical aspects and capacity building required for the upgrading of Freekeh value chain are provided.**

Introduction of quality management systems - particularly starting with Good Hygienic and Manufacturing Practices (GHP/GMP), Hazard Analysis and Critical Control Process (HACCP), ISO 22000 where applicable, and Good Agricultural Practices (GAP) which include traceability systems – is essential. Improved technical aspects of production to avoid volatility of market and environment, including engineering, maintenance and verification procedures is also important. Providing research and development trials to optimize new technologies, as well as agricultural inputs specific for ideal Freekeh production, science-based standards for optimum quality, and market studies should be in place

3. **Facilitate and improve accessibility to financial and business services**

Farmers generally hesitate and are not capable most of the time of accessing financial and business services due to their economic status. Facilitation of such access to soft and subsidized loans will encourage them to better invest and develop quicker. On the other hand, organizations such as cooperatives face legal constraints when trying to access financial services. Therefore, it is important to negotiate certain procedures specific to those entities, or through creating linkages between farmers and Micro Financial Institutions.

4. **Creation of regional clusters, at least in South Lebanon and in Bekaa, through the establishment of service providing centres (two per each region), and at a later stage, in other areas (North and West Bekaa regions)**

Service providing centres are effective tools in maintaining continuous flow of information and communication regarding the value-chain activities, particularly

with regard to technical aspects, marketing channelling, and inter-firm linkages. The Freekeh specialized service centres would provide cooperatives and farmers in the region with agricultural services, processing services, and packaging. These regional clusters are key to strengthening inter-farmers and inter-firm linkages, in a market driven approach, to investigate upgrading requirements and interventions of Freekeh value chain, identify necessary technical and technological support at the micro, meso, and macro levels. This in turn will sustain chain development, and enhance and promote employment and income generation particularly for vulnerable groups.

5. **A self-sustained national bureau "Freekeh Marketing Bureau" is suggested to be established in coordination with the chamber of commerce of Beirut and Mount Lebanon, the Lebanese Association of Food Technologists (LAFT), the Association of Lebanese Industrialist (ALI), and others.**

The establishment of a holistic market-driven network/cluster on a regional basis is vital to respond to informal and non-identified markets and market platforms. Inter-firm linkages between actors is necessary to harmonize operations, standards, and prices, and improve negotiations power of farmers and small producers. Providing regional service centre(s) specialised to establish, maintain, and sustain communication, integration, and marketing information is a corner stone in the up-grading process. This service would also coordinate with dedicated institutions to improve Freekeh standards at the national level - notably with LIBNOR- by raising Freekeh standards to Codex Alimentarius.

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