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International Overview

The “five a day campaign” is shifting modern consumption towards “natural” foods and drinks. The World Health Organization (WHO) in collaboration with the Food and Agriculture Organization of the United Nations (FAO) endorsed and launched the “*Five a Day*” campaign that encourages the intake of 5 fruits and vegetables per day. The initiative is at the core of global efforts to reduce the risk of non-communicable diseases and improve overall health.

In fact, the modern consumer began to actively compare the calories and content of soft drinks, juices, and other products. Today, it is interesting to distinguish between two worldwide trends affecting food and beverage (F&B) producers and their clientele. Some consumers jumped on the bandwagon of “low calorie” foods or drinks, while others are becoming proponents of “only consume healthy and natural” ingredients.

Both trends brought forward a modern controversial question: Is the future of soft drinks threatened vis-a-vis fruit drinks or healthier beverages? People’s global awareness on the low nutritional value of soft drinks and on the calorie intake from energy and other drinks is increasing. In fact, the WHO in 2015 highlighted that consuming more fruits and vegetables (high in fiber content) can slash the risk of developing heart problems and cancer. This stands in comparison to “*a 330ml or 12oz portion of sugar-sweetened carbonated soft drink [that] typically contains some 35g (almost nine teaspoons) of sugars [...], generally with little other nutritional value*”, while the recommended sugar intake stands at less than 10% (roughly 6 teaspoons) of total energy intake per person.

Therefore, most F&B producers were compelled to accommodate whilst consumer habits slowly shift. In order to maintain their market positioning, corporations, manufacturers, and horeca establishments had to change strategies and accommodate to clientele’s changing tastes and preferences of “a healthy diet” with a variety of super foods, fruits, and vegetables. Thus, businesses began to partially shift production lines, or to introduce new ones that can produce “healthier” food choices and varieties of “organic” end products.

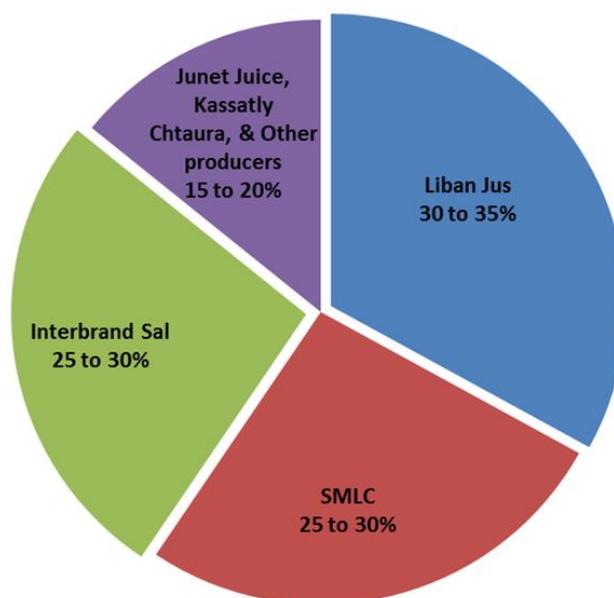
Lebanese Fruit Juices: Players, Brands, and Differentiation Strategies

In Lebanon, the size of the fruit juice industry ranges between \$130 to \$150M. Data compiled from BLOMInvest’s market research on the juice market allowed to estimate that 1 liter(L) of juice costs on average approximately \$1.20, which translates into a total juice market volume in the range of 108M liters to 125M liters. In fact, estimated volume is in line with some of the main market players’ input, which estimated the total size market at approximately 100M liters.

Three main players, other producers, and a niche market player altogether constitute the dynamics of the Lebanese juice industry. The results compiled from the market research revealed that the top 3 players in the local market in terms of volume of sales are: *Liban Jus*, *SMLC* (agent of PepsiCo in Lebanon), and *Interbrand SAL*. In addition, *Junet Juice* follows, however with a much smaller share. The remaining market shares, they include but are not limited to the stakes of other Lebanese juice producers, such as: *Kassatly Chtaura*, *Cedar’s juices*, *Liban Lait fruit juices*, *Super Jus Chtaura*, *Rawabi*, *Parad’ Ice*, among others. Meanwhile, the business concept of *Balkis* also meets a portion of the local fruit juice and lemon juice demand, but it operates within a completely different culture and production process.

The niche market player is *Balkis* and has different manufacturing techniques and raw materials. The company targets consumers in Lebanon who prefer juices made from “fresh fruits” rather than from “fruit concentrate”. The distinction between these two production processes is elaborated later in the report.

Estimated Market Shares of Juice *Producers (in % of sales volume)



Source: BLOMInvest Market Research

*Shares exclude “BALKIS” detailed in a separate section.

However, the producer's market share does not necessarily reflect the stake of each brand. Lebanese fruit producers cater to three classes of clientele via multiple juice brands. In fact, Interbrand, SMLC and Liban Jus all cater for the needs and preferences of clients in: premium, mainstream, and affordable/low end juice markets. In details, Liban Jus offers the three brands of Maccaw (high end product), Uno (the mainstream juice), and Top Juice (traditional pyramid-shaped juice container serving the affordable juice market). Interbrand SAL is renowned for its three brands: Libby's premium juice, X-tra the mainstream juice, and Bonjus (pyramid-shaped; affordable juice market). In its turn, SMLC distributes the Tropicana premium juice, Tropicana Slice, and Mr. Juicy with this last being its affordable brand.

It seems that the most consumed brands by Lebanese are X-TRA, TROPICANA, MACCAW, Mr. JUICY, and UNO. BLOMInvest's market study concluded that every brand has a differentiation strategy that drives the sales volume. In details, Interbrand's X-TRA juice seems to be grasping the largest share in the market among its peers. However, it is closely followed by SMLC's TROPICANA and Liban Jus's MACCAW. All three brands trade in the market within the same margin more or less, each grasping a share of 15 to 20%, followed by the two affordable brands: *UNO* and *Mr. Juicy*, and a number of others with shares below 10% of sales volume.

X-TRA is characterized by a high presence outside greater Beirut area and in traditional trade channels, while other brands adopt different strategies. According to Mr. Chartouni, General Manager of Sales, Marketing, & Logistics at Interbrand, "*Fruit juices tend to be consumed on-the-go, which makes small retailers as well as groceries in remote areas our main target clients.*" In fact, Mr. Chartouni's argument was complemented by the statement of Wissam Fahed, Chairman/CEO of Fahed Retail Holding, who confirmed that, "*the share of traditional trade (small retailers and groceries in cities and remote areas) is still very high today compared to modern trade (mini and super-markets)*". As SMLC does not disclose any business data, market player's input on TROPICANA's market share revealed that the brand's quick jump in the juice market is attributed to the existing distribution channel of Pepsi which strengthened its visibility in supermarkets and groceries, given that "*SMLC has the largest distribution network in Lebanon*", as per Mr. Fahed. Meanwhile, market players unanimously agreed that MACCAW relies strongly on intensive marketing campaigns and strong exposure in supermarkets and hypermarkets, whilst its presence is mostly remarkable in the greater Beirut Area. Moreover, it's worthy to note that MACCAW is a premium brand selling like the mainstream brands in volume.

Interestingly, some brands share a common feature that distinguishes them further from other juice producers and brands. For instance, Libby's, Tropicana, and Candia brands are produced "under license" in Lebanon, which means that their sales could be boosted because of the caliber and reputation of the multinational companies (MNCs) they represent: Libby's Brand Holding, PepsiCo, and Candia, respectively. Many consumers and namely Arabs, tend to be more affiliated with international brands. Moreover, consumers of these brands may also better trust the quality of ingredients, the production techniques, and the mixes used by those juice brands because MNCs are renowned for imposing their own food safety standards, hygiene requirements, in addition to conducting periodic spot checks, factory- and recipe-audits which are all part of manufacturing locally "under license".

Meanwhile, other producers like *Kassatly* and *Junet* limit their provision to one juice brand. Kassatly manufactures one juice brand: *Fruitastic by Kassatly Chtaura*. According to Mrs. Kassatly Boulos, Marketing Manager at ***Kassatly Chtaura***, “*We are currently focused on the production of Beirut Beer and maintaining the trendy, star items: FREEZ and previously produced BUZZ drinks.*” Nonetheless, *Fruitastic* is a rebranding of the existing juice production line and it was recently relaunched with colourful glass bottles which are also now available in 250mL instead of 300mL, to suit consumers’ depicted preferences. Rebranding albeit keeping the traditional recipes, Kassatly now provides customers with the choice to pick: a 100% juice with no additives (tomato, orange, pineapple, apple), 30% to 50% nectar (mango, pineapple, & the mix of juices like strawberry-banana..), or alternately opt for sugared drinks such as: “jellab”, rose syrup, lemonade among others.

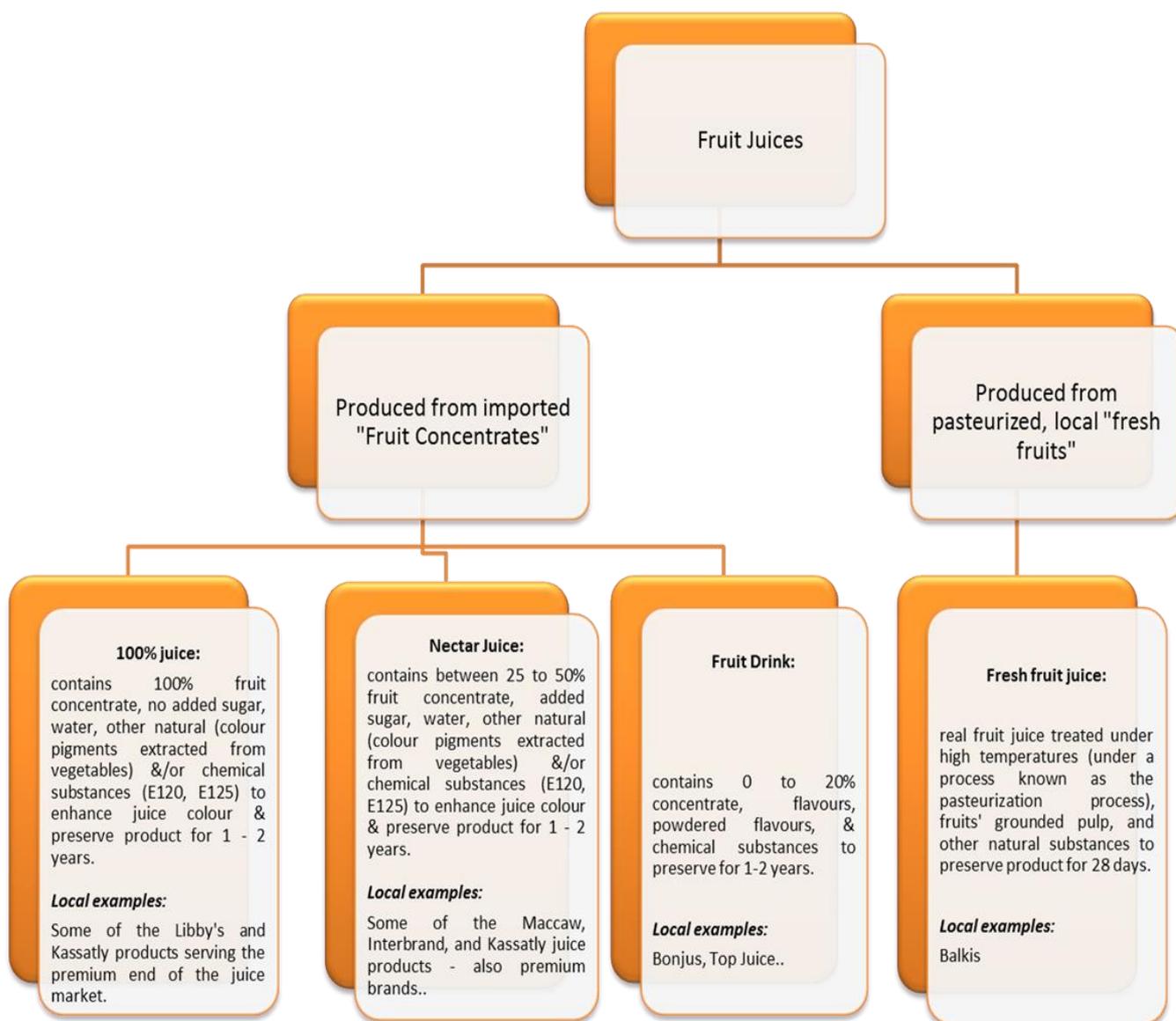
Junet’s juice differentiation strategy entails a change in some of its juice’s constituents. Junet had followed an export-only policy of its juice end products for years, exporting more than 80% of its produce to markets in Iraq and Angola. However, today, Mr. Stephan, General Manager at Junet clarifies that “*Junet is continuously experimenting and exploring new flavours to present to its clients, especially as it nurtures its presence in the local Lebanese market*”. This entails continuous experiments, tasting, waste products, but new attractive mixtures that may attract a tranche of clients. Moreover, Stephan explains they were one of the first juice producers to introduce the “natural colours” to their juice recipes in Lebanon, to replace the chemicals that were added to retrieve the decolorized ‘fruit concentrate’ used in the production of fruit juices.

There was a general consensus among the top players that the number one fruit juice product sold is pineapple juice. According to the market players in BLOMInvest’s market study, consumers tend to pick and prefer juices whose fruits are unavailable in their home country. For example, Lebanon has a lot of oranges which actually drives people away from picking another orange product. Instead, when it comes to purchasing a refreshing juice or drink, locals prefer to venture out, to exotic fruits like pineapple and mango. According to *Interbrand SAL*, the latter sells as second top product. Similarly, *Junet’s* exports to Iraq and Qatar revealed that the national dealers and supermarkets only bought the juices of fruit which do not grow in their country.

Overall, the juice market in Lebanon witnesses an environment of healthy competition. The fruit juice production industry is steady and price-sensitive. In fact, the market is quite competitive, with multiple players also supplying a wide array of brands to the same target consumers. Interestingly, the competition is not as much in the end product itself because all juices are made from concentrate – except for *Balkis* which uses pasteurized fresh fruits (not ‘fruit concentrates’). Therefore, the competition is mainly in terms of brand name (reputation) and to a certain extent, in the distribution or visibility of products across Lebanon. However, this context plays to the consumers’ advantage because the market forces push top players and the other existing ones to either maintain their share, or to expand by differentiation to meet the global trends. Nevertheless, it is important to note that juices are price-sensitive and while some consumers choose their preferred taste of juice, others only demand the cheapest drink that can hydrate and “cool them off”.

Industry Trends & Types of Juices

Two juice production techniques are currently utilized in Lebanon. Most of the explored market players manufacture their fruit juices and fruit drinks from imported orange, pineapple, grapefruit, mango, or apple concentrates (“fruit concentrate”). The FAO defines **fruit concentrates** as “*fruit juices [where] water has been physically removed in an amount sufficient to increase the Brix level...*”, knowing that Brix level is the concentration of sugar in the juice. In Lebanon, local market players play by the international rules too as Mrs. Kassatly-Boulos at Kassatly Chtaura confirms that, “[...] *no sugars are added to the concentrate imported and used by juice makers [...]*”. Accordingly, the shelf life of any final juice product in a bottle or Tetra Pak (carton) juice made from concentrate ranges between 1 to 2 years. Meanwhile, *Balkis*, whose production process uses pasteurized “fresh fruit” to meet the demand of its niche market, produces bottled juices that only last for 28 days – unopened- after which they go completely to waste.



Source: BLOMInvest Market Study

Lebanese producers began to feel the impact of the “healthy” & low calorie trends on the recipes and mixes of their end products. According to General Manager Mr. Stephan from Junet Juice, “..the final juice mix obtained almost always lacks the original colour and scent of the original fruit because of the complex pasteurization, dehydration, and other production techniques the fruit concentrates undergo. Therefore, producers add into the mix synthetic chemicals known as “E120” or “E125”, to retrieve the vivid colour of the fruit, and conserve the product better, thereby extending the juice’s shelf life.” However, in the past five years, consumers worldwide and in Lebanon jumped onto the bandwagon of “eat and drink healthy”.

Therefore, using “natural colours” in juices produced from concentrates is on the rise. Companies began to substitute the E120 or E125 with “natural colours” to pigment the final juice product by extracting the desired colours from vegetables. For example, red cabbage could be used for a juice with a vivid reddish colour, while black carrot used for a rich orange colour, and so forth. The fresh colour-effect seems to attract customers and play a certain marketing role. However, this pigmentation process is critical, and according to General Manager Stephan, “it may jeopardize the final product’s taste and the fruit’s scent if done inaccurately.”

In addition, some of the Lebanese industry experts believe that fruit juices may steal the market share of soft drinks in the next 10 to 20 years. Some industry professionals expect a reduction in the consumption of sodas in the coming years given the current trends in the local and international market. According to them, people are choosing to become more affiliated with “healthier, conscious, organic” choices of drinks, such as the manufactured fruit drinks, among other water based beverages.

In its turn, Balkis serves juice from “fresh” fruits rather than concentrates. In the lines of modern consumption patterns and affiliations, the Lebanese juice producer **Balkis** seems to offer a distinguished product of “fresh juice” to a niche market in Lebanon, knowing that all aforementioned suppliers produce juice from “concentrate”. Mr. Hammouche, Sales Manager at Balkis, clarifies that, “[Balkis] owns around 100,000sqm of land planted with oranges. These account for 60% of the raw materials used to produce the Balkis fresh juice.” Therefore, the company does not import concentrates. The brand is self-sufficient using its own fruits plantations and it imports few fresh fruits when it faces a shortage. However, its production is jeopardized by seasonality, as most trees bear fruits during the winter while the consumption of fruit juice rises in the spring and hot summer seasons. However, Balkis’s revenue composition reveals two sources of income. In addition to fruit juices destined to customers in high end supermarkets and some groceries, **Balkis** serves horeca clients fresh ready-to-use lemon juice across Lebanon.

Balkis’s top sold product is orange juice, and its new pomegranate product is in-line with international trends. In concentrate juices, customers shy away from orange or traditional fruit juices, while Balkis clients mostly demand orange juice. While lemonade is the only brand’s product that contains sugar in its mix along with other added substances that come from “natural” sources, Balkis recently introduced pomegranate fresh juice, knowing that the fruit has come to the forefront of the healthy and beneficial foods platforms in the past five years.

Import and Export Destinations & Top Products

Juice producers import around \$5.9M worth of pineapple and orange concentrates alone. According to the Lebanese customs, Lebanon imported 4,783 tons of fruit juices worth \$8.7M in 2017, of which 34% was “Pineapple concentrate”. Meanwhile, 32% of total imported concentrate was attributed to “orange concentrate”, and 13% of the total is imported “mixed fruit concentrate”. Others include mango, other citrus fruits’, and apple concentrates. These figures go hand-in-hand with the Lebanese consumer’s preference for pineapple juice, which is indeed the market’s top selling product.

Lebanese juice producers source their fruit concentrates from high end specialized suppliers around the world. All juice producers in the market study conducted shared that fruit concentrate suppliers are becoming more and more specialized. Today, every kind of fruit concentrate is only exported by the home country of the fruit itself. For instance, there was a general consensus that Dole pineapple concentrates, the high quality ones, are imported mainly from Thailand, the Philippines, and Turkey. Orange concentrates are mainly sourced from Brazil and sometimes the USA, while India is the key exporter of mangos. Concentrates of chiquita bananas are brought in primarily from Costa Rica.

The \$2.2M worth of juice exports are mainly brands of Interbrand SAL, and main export destinations include Africa and the Gulf countries. The demand for juice in Lebanon is mostly met by local market players. Moreover, the market study showed that Interbrand SAL grasps the lion’s share of total exports, with the three brands it offers. X-TRA finds a very strong market that amounts to approximately 21% of total fruit juice exports to Miscellaneous African countries. Meanwhile, LIBBY’s according to Mr. Chartouni is the number one Lebanese brand destined for GCC countries. In details, the Lebanese customs data shows that Qatar grasps 28% of total Lebanese juice exports, the African countries grasp around 20 to 21%, the KSA buys around 8% of the exports and Iraq 5%. Other producers export small amounts to the USA or Canada where expatriates demand the brands. In addition, niche producer Balkis in the recent years and in light of the diplomatic crisis in Qatar, has begun to export to Qatar a little bit less than 10% of its total production.

The Future Potential of the Lebanese Juice Industry

Overall, the Lebanese juice market is steady and price sensitive. It will therefore continue to be gradually affected by global industry trends, as well as adapt to the local consumer patterns and changes.

On an international level, Mr. Chartouni from Interbrand explains, “The main trends that impact the Lebanese industries propagate to the country mainly from Europe. Therefore, the two strong trends of ‘healthier choices’ and ‘less calorie foods’ will probably shape the future direction of the Lebanese juice industry in the coming years.” Thus, corporate adaptability and flexibility to external changes especially in consumer preferences is key to ensure sustainability and survival. In fact, according to Argana, the global market leader in the fruit segment for fruit preparations and the largest manufacturer of fruit juice concentrates in Europe, “organic concentrates” are the next big

thing as they are currently increasing, and the company expects this trend to drive higher demand on certified organic products or juices.

On a national and regional level, all Lebanese players have no limits to the diversification they can offer, in terms of new flavours, new juice mixtures, bottle sizes, on-the-go, easy, or colourful packaging, and new designs. Moreover, the study showed that marketing and advertising in the juice industry will continue to benefit several players, not only for sales but also for brand reputation and boosting the company image.

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