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Chicken, part of the large poultry family (duck, turkey goose), is present in almost every household's or restaurant's kitchen in Lebanon. In fact, consumption per capita is estimated by some at 30 kg per year. The size of the local market hovers around \$350 million while imports average \$17 million per year. The country is home to more than 10 large poultry producers and some 2,000 poultry farms. The Lebanese poultry producers have the capacity to tend to the entirety of local demand but they are calling for stricter protectionist policies to shield them from foreign competition.

The poultry industry houses four fully integrated producers which are amongst the largest in the business. Hawa Chicken (25-30% (*)), Wilco (12-15%), Tanmia (8 -10%) and they are followed by Shuman. Shuman believes it has a strong retail (supermarkets) presence which they themselves estimate at 60%. Lebanon produces 100 million birds per year, of which 40 to 45 million are provided by these four poultry producers. Being a fully integrated poultry producer means that they have their own feed mill, their own farms, their own slaughterhouses, their own distribution channels. They cover all the steps of the process: the breeding, the hatching of eggs, the raising of day old chicks and the slaughtering. Until now, with the exception of Wilco, they all offer processed foods such as nuggets, Cordon Bleu, Chicken Burger, Escalope...etc

There are benefits to being a fully integrated poultry producer. Full integration allows them to hedge; in the case where the sales of one sub-product are low they make their profits from another sub-product. The full integration also allows them to cooperate with small farmers by providing them with poultry feed and chicks. The fully integrated poultry producer leverages his large and fully established distribution channel to sell the small farmers' production and gives him a portion of the profits. There are around 2,000 farms in Lebanon, split evenly between independent farms and farms teaming up with fully-integrated poultry producers.

Live poultry is often seen as a marginal segment of the market. The majority of consumers are accustomed to seeing frozen chicken being sold in large supermarkets but the live poultry segment represents a sizeable 30% of the overall poultry market in Lebanon. The sales of live poultry are spread across the Lebanese territory.

There are different housing systems for poultry. The oldest technique is the free-range housing technique whereby the animals run free in the great outdoors, feeding on grass, insects etc. Unfortunately, this system is no longer optimal in our world today where demand for food is incessantly rising due to population growth and where agriculture already takes up 40% of the world's total land area. Farms today create a replica of the outside world for the animals all while controlling temperature, food and exposure to light.

(*): These shares represent the share of each poultry producer's production in total production

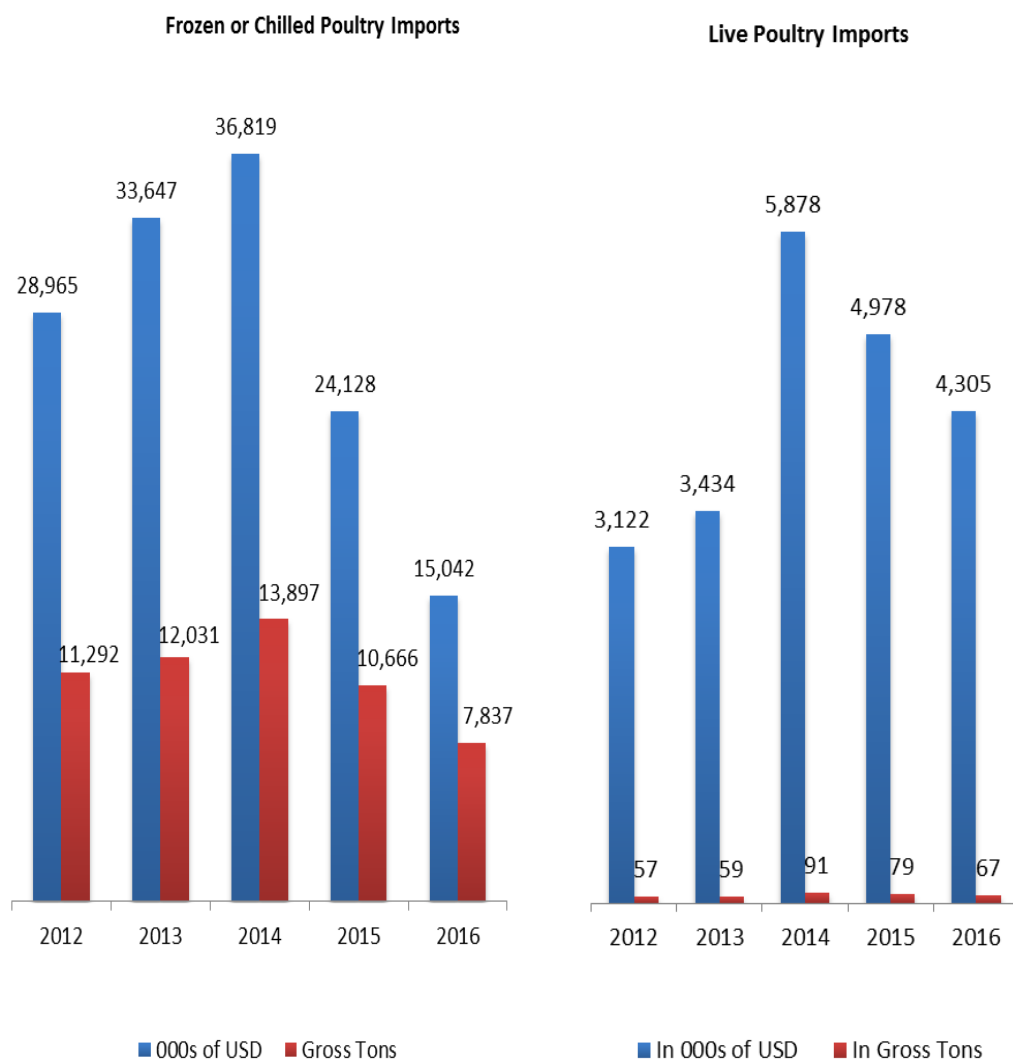
Today, we concoct a meal for our poultry in studied proportions. According to the Food and Agriculture Organization (FAO), feed represents up to 70% of the cost of poultry production. Market sources in Lebanon confirm that poultry in Lebanon is fed 95% grains and that the meals are free of antibiotics. Most of the grains imported by Lebanon are destined for animal feed. According to Lebanese customs, in 2015, Lebanon imported more than 500,000 tons of barley, oats, corn and soya beans with a value a little over \$100 million. The mixing of the animal feed occurs in Lebanon but the raw materials are imported from Argentine, Eastern Europe and the United States. Hawa Chicken is one of the largest grain importers in Lebanon; Hawa Chicken however differs from other grain importers since its grain imports are for the poultry producer's own use rather than for distribution purposes. *(Want to find out who are the top grain importers in Lebanon, read [The Lebanese Grain Importers: Opportunities Seized and Transformed into a Solid, Stable Market.](#))*

Lebanese poultry exports are low but imports are sizeable especially in the frozen or chilled segment. According to market sources, despite having the necessary know-how and quality to reach foreign markets, Lebanese poultry cannot compete on nearby foreign markets such as the GCC market only because it doesn't have a **price-advantage** over Brazilian products but also because the GCC offers direct subsidies on chicken feed and energy. Moreover, Brazilian poultry is more pocket-friendly than Lebanese poultry **only** because Brazil can realize economies of scale due to the large quantities it produces and since it doesn't import the raw material needed for feeding their poultry. According to the FAO, Brazil benefits from a surplus of maize or corn, which is the most widely used grain in poultry feed. Corn's main energy source is starch, a component that the poultry digest very well. In 2015, Lebanon imported 10,666 tons of frozen or chilled poultry worth a total of \$24.13M, down from 13,897 tons worth \$36.82M in 2014. In 2015, 75% of the value of frozen or chilled poultry originated from Brazil, 13% came from the United Arab Emirates, 6% from Ukraine and 2% from the United States.

Local poultry producers have all the means to fully satisfy the demand on the Lebanese market and that's why they are calling for a higher protection of the industry. According to market sources, large fast-food chains such as McDonalds import their own poultry instead of using locally produced poultry and some local poultry producers import chicken from abroad under the pretense of re-exporting but in reality sell the products on the local market. Currently, customs on a whole chicken amounts to LBP 1,000 per KG or 20% on the declared value, whichever is higher, and 2,000 LBP per KG or 20% on the declared value, whichever is higher, on chicken cuts. Market players believe these custom fees need to be properly enforced and even increased.

Market sources noted that chicken breast is the most popular chicken cut in Lebanon and that's where the poultry producer makes his gains. Unfortunately, imports of chicken breast are flooding the Lebanese market and hitting the poultry producers in the segment they rely on for gains especially that they sell other chicken cuts at a loss.

Imports are not only confined to chilled or frozen poultry but also encompass live poultry. Market sources clarified that live poultry refers to **breeders** which are then raised to become full grown chickens. (The full grown chicken then lays eggs which are hatched and in turn become a grown chicken.) In 2015, breeder imports amounted to \$4.98 million, the equivalent of 79 tons compared to \$5.88 million, the equivalent of 91 tons back in 2014. In 2015, 71% of breeder imports originated from France, 9% from Spain, 8% from each the United Kingdom and Iraq. In 2012, only 27% of the breeder imports were brought from France while 46% were brought from Syria. However, imports from the war-ridden country have been halted since 2014 and France became the main import source for breeders.



Source: Lebanese Customs
2016 data up to 31/10/2016

What's ahead for the Lebanese poultry industry relies heavily on consumer trends and habits. Today, the Lebanese consumer is more conscious about his health and demands transparency from every purchased product. This health consciousness was exacerbated by the Ministry of Health's nationwide initiative to clamp down on health-standards violations across the country. Businesses now understand that their products won't be picked off the shelves unless they clearly state that they are safe to consume.

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