John Paul II Foundation
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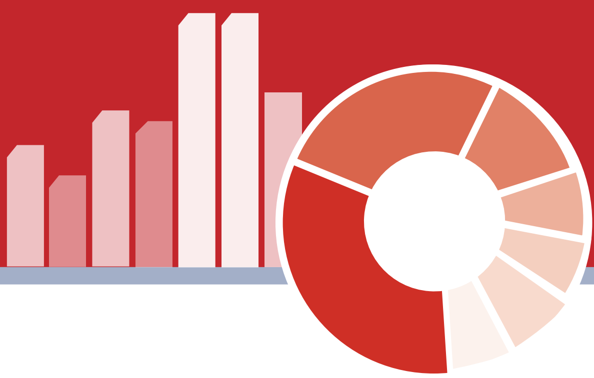
Report

INTERNATIONAL CHERRIES MARKET ANALYSIS



SMALL FARMERS

CHERRIES

Lebanon

REPORT

INTERNATIONAL CHERRIES MARKET ANALYSIS

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JOHN PAUL II FOUNDATION - Firenze 2019

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projects department **John Paul II Foundation**

The Foundation, with the financial support of the Italian Agency for Development Cooperation, coordinates a network of high-profile academic partners from the world of scientific research, large-scale distribution and national and international institutions and relies upon the work of a qualified team of economists, agronomists and market experts. It promotes a partnership-based approach supporting small farmers in reorganizing their production in a quality-oriented perspective to favour access to international markets.

REPORTS AND GUIDES

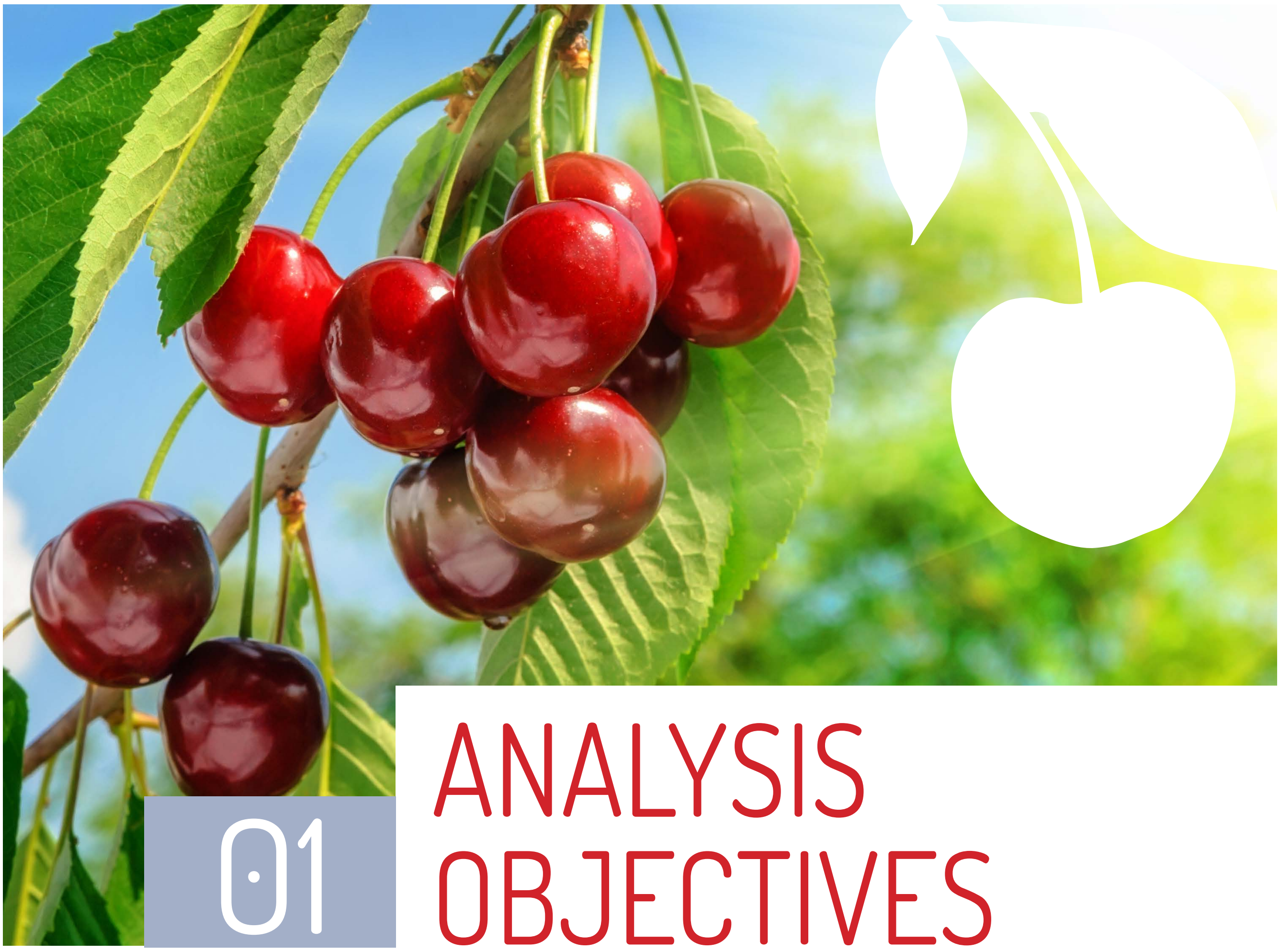
Reports Small Farmer is a series of publications edited by the John Paul II Foundation Projects department whose aim is to contribute to the knowledge and diffusion of the results obtained by the scientific-technical partners over their activities of technical assistance in the economic development programs of rural areas.
The series is aimed at a systematisation of both the theoretical and methodological aspects in order to support their replicability and it's intended for small producers, cooperatives, agricultural enterprises and stakeholders.
The Reports share a precious scientific-technical know how and they are intended to promote the human, social and economic development in the most disadvantaged communities around the world, thus supporting the fight to poverty.

Other series: Practical guides
Systematisation documents
Product promotional brochure

SMALL FARMERS Quality Management System

The Quality Management System is a system of quality standards applied to agricultural production from plant cultivation to post-harvest management.
The QMS is part of an overall framework aimed at promoting synergies among several products as Date, Cherry, Apricot, Aloe Vera and to facilitate network and cooperation between Small Farmers engaged in the application of a re-organization strategy.
The QMS is based on:

- An agro-ecologic production approach promoting a quality management system, which focuses on product quality enhancement to respond to the international market demand while protecting the delicate balance between trees and surrounding ecosystem.
- The promotion of cultivation-related traditions and local plant varieties, ensuring delivery of a high-quality and sustainable product.
- Ethical principles to enable an inclusive and efficient agricultural system for farmers and workers involved in the value chain, which aims at providing support for the access to more profitable markets by promoting economic and social development in the most disadvantaged communities.



01 ANALYSIS OBJECTIVES

The main objective of this report is to present an extract of the market analysis made to support the trade of the sweet cherries [1] cultivated in the Bekaa valley in Lebanon and, if significant, of some derived products traded by the targe farmers involved in the project "International net for a sustainable development and a productive, management and trading innovation of cherry small producers in the agribusiness production chain in Lebanon-AID 010933".

This analysis is intended to answer the following questions: who are our potential customers? Is there a demand for our product? Who are our competitors? At what price can we rate our product? How can we promote it?

The data analysed in this work are relative to the last years' trade flow and they come from a close and continuous cooperation with the main International Trade Agencies' traders and importers.

The sweet cherries import-export figures come from: Eurostat [2], ISTAT [3], International Trade Centre [4], FAO [5], USD [6], the Lebanese Ministry of Agriculture and several Universities.

The data relating to the product purchasing and selling costs come from importers, wholesalers and GDA [7]; the organic products consumption data come from different publications of: The World of Organic Agriculture, IFOAM EU [8].

1 Fresh cherry farming code 080929
2 Eurostat, a EC office that collects and elaborates the EU data for statistical ends.
3 ISTAT, National Statistics Institute, an Italian Public research authority.
4 International Trade Centre (ITC) the only development agency entirely dedicated to the internationalization of medium small businesses (PMI).
5 Food and Agriculture Organization, a United Nations Organization dedicated to food and agriculture.
6 United States Department of Agriculture, a Foreign Agricultural service.
7 Great Distributions Association.
8 International Organic Farming Federation, an International organization.

PRODUCT 02

Cherries facts

g 1,2 Protein
g 0,15 Lipid
g 1,95 Fiber
g 13,5 Total carbohydrates
mg 343,5 Total Potassium
mg 45 Calcium
mg 16,5 Vitamin C
Kcal 45

Nutrition Value per 100g

Cherries are a rich source of phyto-nutrients , essential for our health; , they are very rich in vitamins, a real eyesight booster , that also contribute to empower the immune defense system; they contain folates, calcium, potassium, magnesium, phosphorus and flavonoids, that have powerful antioxidant properties. Cherries have also diuretic, detoxifying, depurative and antirheumatic properties.

Cherries are the fruit of the cherry tre, a plant native to Asia, belonging to the Family Rosaceae and the genus Prunus (subgenus Prunoideae [1], the Prunus avium L., the sweet fruit and the Prunus cerasus L. , the acid fruit).Cherries are round shaped, usually red, but their colour can range from yellow to black depending on their variety The cherry tree presence was first reported in Egypt in the VII Century B.C., then in Greece in the III century B.C. and finally in Europe in the I century [2]. Today the cherry tree is grown in different parts of the world where the soil and the weather conditions permit its cultivation[3].

The sweet cherry variety include the 'tender' cherries, that have a soft and juicy flesh, ranging from a light red colour with an almost colourless juice to a black tone with a dark juice, and the 'hard ' cherries, that are bigger and have a compact pulp; they can be dark red with a red flesh, or light red with a pinkish yellow pulp. The acid variety, including the black cherry, the sour cherry and the Marasca are only a small part of the cherry market.

As cherries are a delicate and non- climacteric fruit[4], their market window is limited to a few days and for this reason during the post harvest phase they are water or air pre- refrigerated and then packed in modified atmosphere to preserve their quality [5].

These processes can keep the fruit fresh for a month, thus allowing the producer to longer bargain over the price on the international and national export markets.

After the harvest, if the cherries cannot be transported on freezer trucks, they have to be stored in refrigerating cells by the following 4 to 5 hours, in order to reduce the time gap between the harvest and the arrival at the cherries depot. A good preservation makes the cherry trading possible throughout the year.

Cherries can be packed in mesh bags, transparent plastic bags, wooden boxes with a hole to make the fresh air in or large polystyrene containers that can keep a low temperature during long air freights.

The weight of packages varies according to the country and the customer requirements.

1 Subgenus Rosaceae, characterized by an only carpel and an only drupe; they are woodlike plants, with simple leaves. The main genus is Prunus.

2 Valli E. (2001), "Il ciliegio: storia, coltivazione, ricette", Calderini edagricole, Bologna.

3 The cherry tree does not require any particular seasonal conditions, even if it better grows in temperate and not rainy weather; it loves neither dryness nor too high temperatures, but it has a high tolerance to cold temperatures.

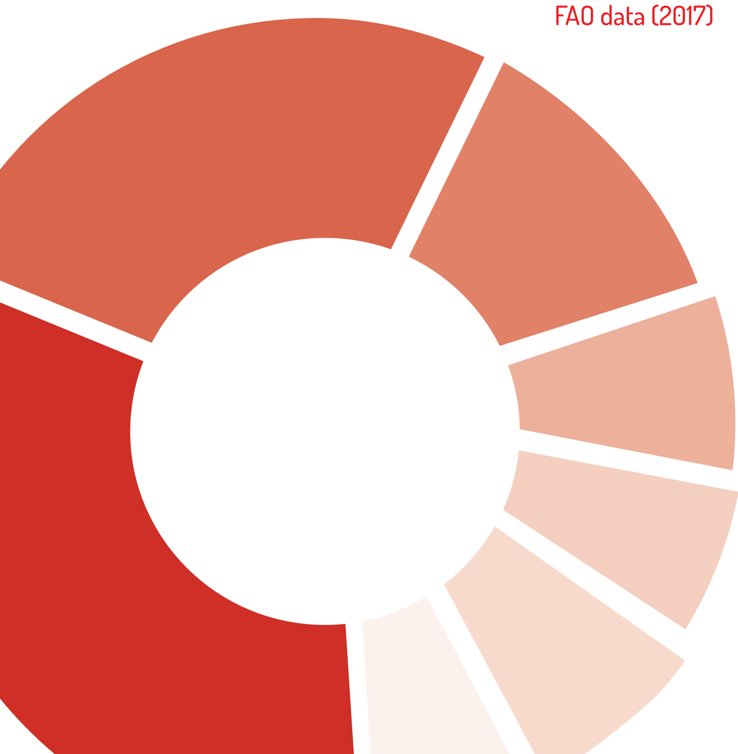
4 Non climacteric are those fruits that after picking ripen only if treated with exogenous ethylene. Climacteric fruits also ripen when they are off the tree.

5 Pre refrigeration: fast cooling within the first hours after the picking, in order to eliminate the heat absorbed in the field, to reduce both the transpiration and breathing of the fruits and to lengthen their after picking time. The low temperatures slow down the fruits degradation and the intensity of the infections. The best post harvest refrigerating processes are the forced air pre cooling and the hydro refrigeration.

THE PRODUCTION 03

According to the FAO data, the main producers of sweet cherries are Turkey, the USA, Iran, Uzbekistan, Chile, Italy and Spain. The harvest times vary from country to country.

FAO data (2017)



1 TURCHIA **627.132 t.**
Harvest: MAY-AUGUST

2 STATI UNITI D'AMERICA **398.140 t.**
Harvest: APRIL-AUGUST

3 IRAN **140.081 t.**
Harvest: JUNE-JULY

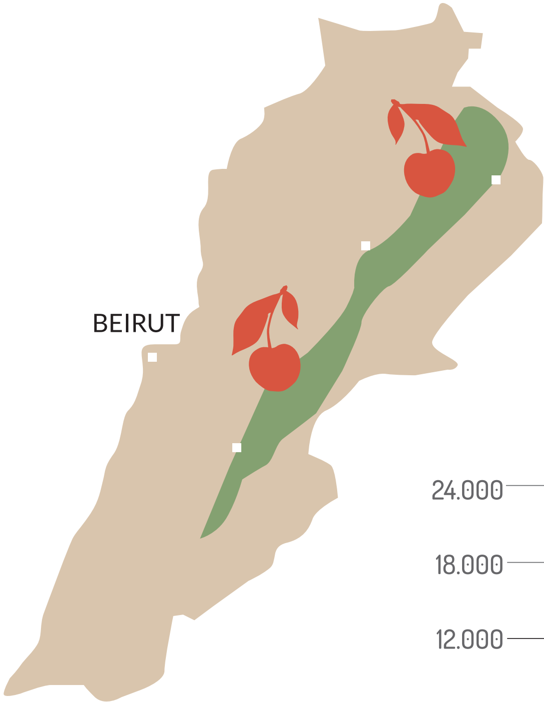
4 UZBEKISTAN **136.609 t.**
Harvest: MAY-AUGUST

5 CILE **126.642 t.**
Harvest: OCTOBER-DECEMBER

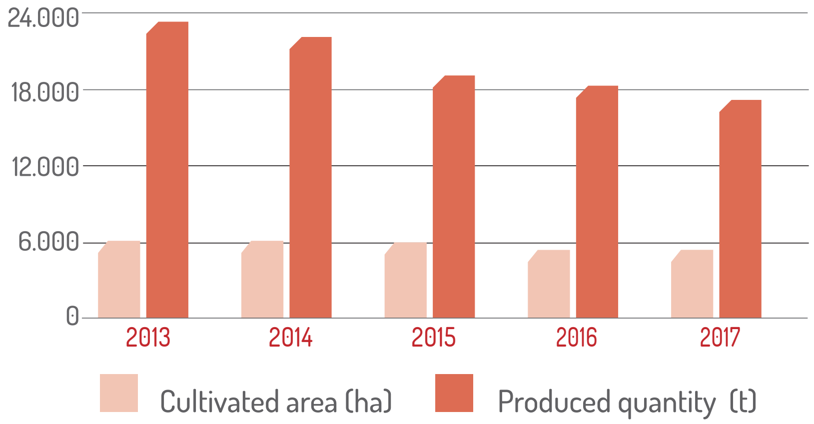
6 ITALIA **118.250 t.**
Harvest: MAY-AUGUST

7 SPAGNA **114.443 t.**
Harvest: APRIL-AUGUST

Production in Lebanon

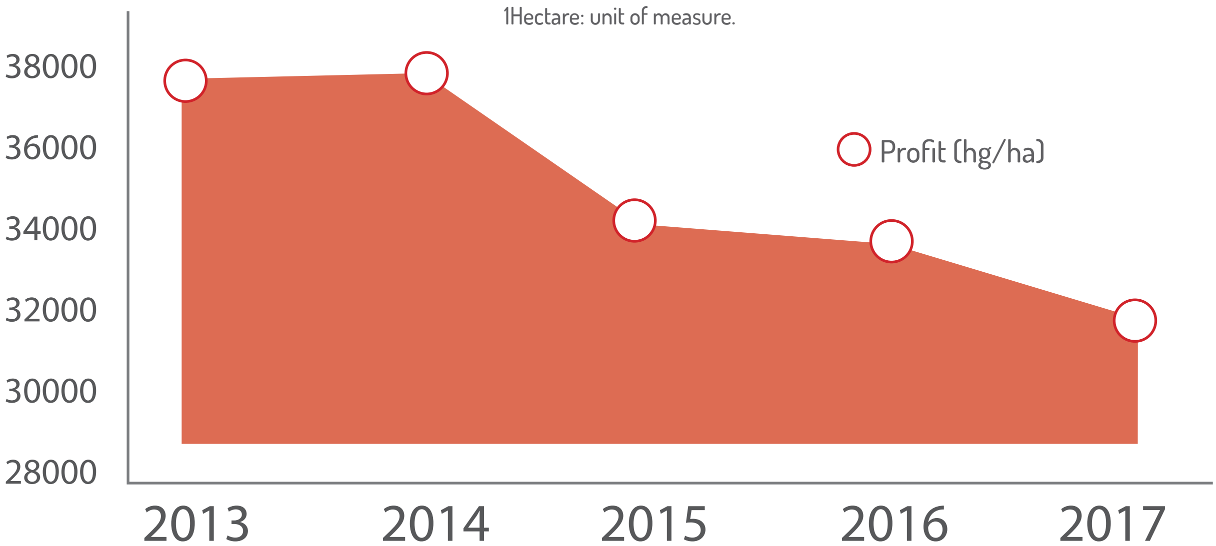


In some parts of Lebanon thanks to its weather conditions and altitude, there are several areas devoted to the cherry tree growing.



From the FAO statistics it is possible to highlight that: the total quantities of cherries produced in recent years have decreased compared to, approximately, 23,000 tons produced in 2013. In 2013, the total production area of cherries was around 6,000 hectares[1], decreasing to 5,400 hectares in about 2017, the decline occurred due to various reasons (tree diseases, problems with the land and the consequences of the Syrian crisis), as can be seen from the graph, the yield has also decreased over the last few years.

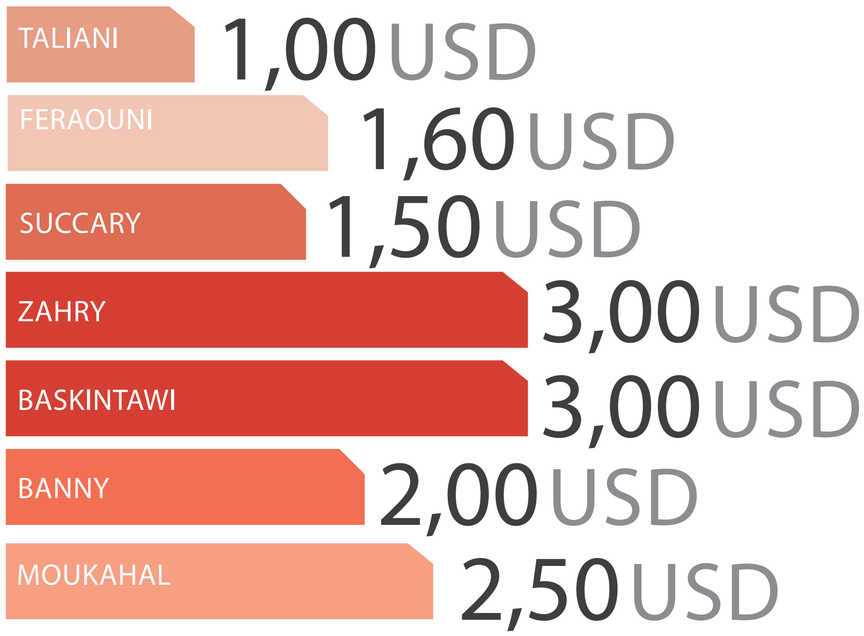
1Hectare: unit of measure.



FAO data

CHERRIES SALE PRICE PER KILO (2018)

Cherries sale price USD per kilo



Some of the numerous varieties of cherries cultivated in Lebanon have got specific characteristics such as taste, dimensions and hardness, that favour their trading in the Arabian, Asian and European markets: the Taliani [1], the Feraouni [2], the Succary [3], the Zahry [4], the Baskintawi [5] (it is like the Banny, but with a shorter stem) and the Moukahal (RainBow) [6].

The cherry price can vary depending on its quality and seasonality[7]: dimensions, freshness (based on the stem colour, the greener the better) and ripening, based on the skin darker colour.

1 Early variety, cracking keen, red flesh.

2 Big fruit, tasty, firm.

3 Savoury fruit, with medium berries.

4 Medium fruit, unstable.

5 Excellent taste, stable with big fruit, small produce, slow growth.

6 Good taste and dimensions.

7 The seasonality and the request are essential for the pricing. That means top quality cherries from June to the beginning of July and low quality after mid July.

LEBANESE
EXPORTS

4.000
2016

2.600
[Tonnellate] 2017

AVERAGE
+9%
[Purchasing price]

According to the Trademap data, the total Lebanese cherry exports were about 4000 tons in 2016, getting to 2600 in 2017; the export purchasing prices per ton have been increasing by 9% in the latest years, according to the FAO data.

The main countries that import the Lebanese cherries are:

Saudi Arabia, Kuwait, Jordan, The Emirates and Qatar.

In 2017 there has been a growth in the esports to Qatar and Oman and a fall in the exports to Egypt and Saudi Arabia

"Lebanon has adopted a policy of trade liberalization in its global economic strategy and has signed trade agreements with the Arab countries, the European Union and the EFTA, the European Free Trade Association. Lebanon is a member of GAFTA, the Greater Arab Free Trade Area it has signed bilateral free trade agreements with Egypt, Iraqi, Kuwait, Syria and the Emirates; it has also been a member of the OMC (World Trade Organization) since 1999. It has signed 54 bilateral agreements for the promotion and protection of fair trade investments and a complete protection of the foreign investments between each member state". [2]

2 Rivista telematica fisco oggi, Agenzia delle Entrate, January 2019.

WORLD MARKETS 04

Imports

In 2007 the Trade Map data, have recorded exports worth 530.412 tons, 13.000 tons less than in 2006.

In the last two years, China has been the main world sweet cherries importer, recording a slight downturn between 2006 and 2007 (the cherries demand is higher during the Chinese festivities in November, December, January and February.

Imports in Russia have risen in the last years, also considering its market low prices, about 1,50 USD per kilo. Russia imports most of its cherries from the Middle East countries, central Asia and West Europe.

UE-15 [1] is a big high quality cherry market; the wholesale import costs of the product decrease by around 25 to 35% during the European production time (with a peak in June and July) and rise again in August.

Turkey and Spain are the major suppliers on the European markets and in the last years they have incremented their exports to the EU 15. Furthermore the imports of the UE28 member states have deeply affected the world cherry market. The main cherries consumers in the UE28 are Italy, Spain, Portugal, France and Greece, with an internal consumption mainly based on the fresh fruit.

The biggest cherries consumers are the former USSR countries and the Eastern countries; these expanding markets are usually supplied by air freight and they consider cherries as a present for a celebration or a special occasion; so an "appealing" packaging could be a good strategy to enter these markets.

1 Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, the UK, Spain, Sweden. Some members of the EU 15, like Italy, Spain and the Netherlands import and export within the EU.

CINA RUSSIA

CINA 101.885 t.
HONG KONG CINA 88.478 t.
FED. RUSSA 61.586 t.
GERMANIA 51.370 t.
CANADA 32.631 t.
KAZAJSTÀN 21.635 t.
REGNO UNITO 17.020 t.

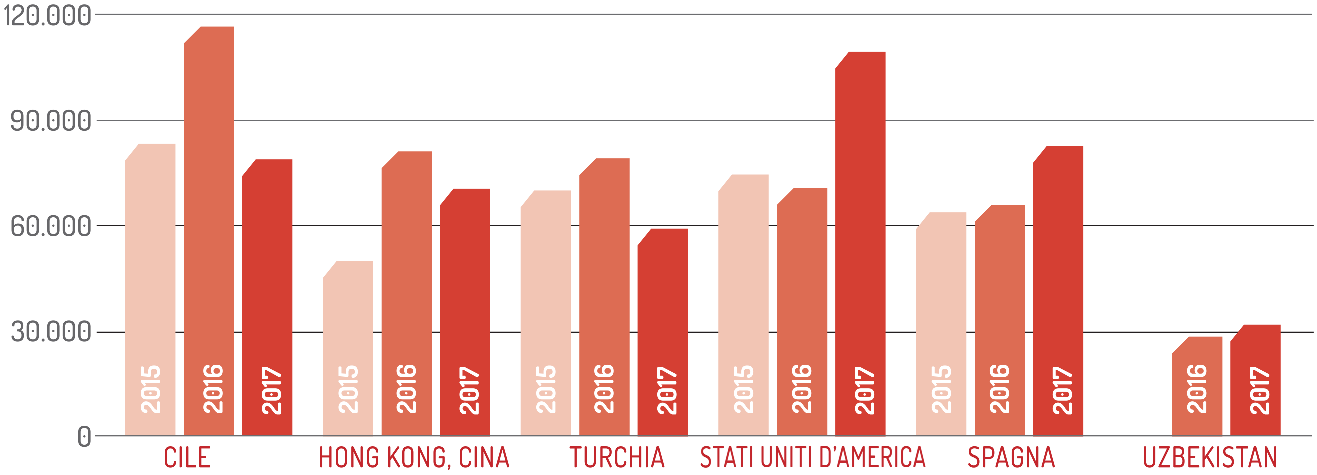
AREA UE

Exports

IN 2007 THE FIRST TEN CHERRIES EXPORT COUNTRIES REPRESENT ABOUT

85% of the volume

90% of the value



Over the last 5 years also countries like Azerbaijan and Uzbekistan have been increasing their cherry exports. The countries that have recorded a decrease in the cherry exports are Italy, the Netherlands, the USA, Poland, Spain and Austria. (the loss is mainly due to the weather conditions)

The exports have also increased in New Zealand, a country that like Chile has got long harvesting times.

(October to January) and they have been able to fulfil the market requests in different times (the Chinese and Russian markets are the main importers of these countries).

The USA and Chile cherry prices are quite high, on average 6,78 USD/ Kg and 5,69 USD/ Kg. Spain and Turkey usually export at 3,05 USD/Kg and 2,54 USD/Kg. Turkey supplies both high and low quality cherries: Germany and the UK, superior quality at about 4,02 USD/Kg, and Iraq, lower quality at about 0,73 USD/Kg.

The cherries price is based on their dimensions, their quality and the cost of transport. In Europe they are classified depending on their diameter and their packaging is usually 2 and 5 Kg. containers. First quality cherries range from 24 to 28 mm. The price doubles at 28 mm. In North America the cherries price depends on the number of pieces contained in a 7-8 kg pack.

05

REQUISITES TO ENTER THE MARKETS

Quality requisites: General Marketing Standard (GMS), stating the required characteristics of the product.

Dimension: the UNECE standards establish the guidelines on the minimum dimension of the product and the size uniformity depending on their quality class (20 mm “extra class”, 17 mm I e II class).

Labelling: the label must disclose consumer protection information, identification, product description, product variety, country of origin, trading specifications (class code, size, number of units, the last one is optional), traceability code, official control ‘s mark, (optional) . If it is a Global G.A.P. certificate, the GGN number is needed, too.

Shipping documents: for the European and Asian markets: customs declaration; (DAU); commercial invoice, certificate of origin, phytosanitary certificate, food quality and safety certification. The protocol is the l’HACCP (hazard-Analysis and control of critical points , aimed to prevent the possible food contaminations).

Administratively the food imports in China are regulated by the EEIQB, the Entry-Exit Inspection and Quarantine Bureau (websites depending on regions, e.g. www.shciq.gov.cn/english/ for Shanghai area), that is in charge of checking the imported products in conformity with the Chinese regulations and their customs clearance.

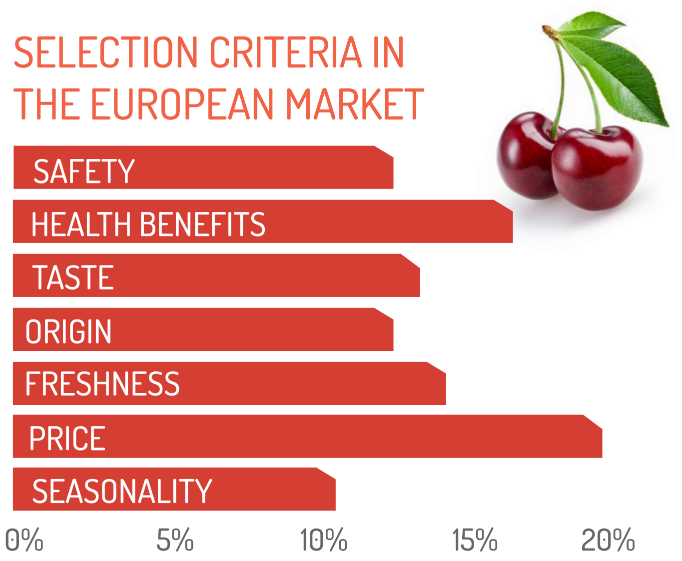
GETTING THE REGULATORY FRAMEWORK	
International requirements	http://www.fao.org/fao-who-codexalimentarius/standards/list-of-standards/en/
European requirements (fundamental for the exporters)	http://www.exporthelp.europa.eu https://ec.europa.eu/agriculture/fruit-and-vegetables/marketing-standards_en http://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:32011R0543 https://eur-lex.europa.eu/legal-content/en/TXT/PDF/?uri=OJ:C:2014:111:FULL
(UNECE standards)	http://www.unece.org http://www.unece.org/wp7-2015#/
Specific product requirements	http://ec.europa.eu/dgs/health_food-safety/index_en.htm
Packaging	http://ec.europa.eu/food/safety/labelling_nutrition/labelling_legislation_en
Labelling	https://ec.europa.eu/food/safety/chemical_safety/food_contact_materials_en
Organic certification	https://ec.europa.eu/agriculture/organic/downloads/brochures_en https://www.ifoam.bio/ https://ec.europa.eu/agriculture/organic/downloads/logo_en https://ec.europa.eu/agriculture/organic/organic-farming/what-is-organic-farming/international-trade-in-organics_en
Food safety	http://ec.europa.eu/food/safety http://eur-lex.europa.eu/legal-content/IT/TXT/?uri=LEGISSUM:f84001
Fair Trade certification	https://www.fairtrade.net/

Target customers

On the European and Eastern markets the agro-food products are grouped depending on their variety, quality and certifications. The organic products import prices can vary by around + 30% depending on their variety, origin, packaging and quality.

The European exports analysis documentation, clearly shows the situation of the agricultural market over the last years: customers look for "niche" and quality products, rather than industrial agricultural products. (the Organic products average expenditure per capita in the EU is about 60 USD per month)

Sociological studies on food consumption have highlighted the "social actor"'s interest in the Fair Trade sector: "The appeal to a sober , austere life and to responsible lifestyles are no more a prerogative of a radical intellectual entourage". In the last decade the European buyers have been developing a feeling for the socially responsible products, that nowadays can be bought also in the GDA and not only in "alternative" food distribution structures. But still there is a big gap between people who are in favour of a responsible consumption and people who regularly do buy ethical products and are willing to pay more for a same quality product.



CONCLUSION 06

This market analysis has pin-pointed some objective markets and has drawn some considerations.

The feeling for high quality products can enter the new European and Eastern markets.

To be competitive on these new markets, a product must have some peculiarities and be available in particular times throughout the year.

When there is a surplus request that cannot be fulfilled by the internal production, it is important to be always ready and mantain a good business relation with the importers, if you want to enter a target market. It is also essential to take part in International fairs like Fruit Logistica Berlin, if you want to find good business partners.

It is also important to spot those nations that are already trading with developing countries.

To be competitive in these new markets, it is fundamental to build long term relations with buyers, as a competition based only on the price and not on a remarkable quality product does not last long.

In the European and Eastern countries the food safety is a fundamental issue, so it is important to supply all the required certifications (and also additional if needed) for the import of the product. Always be informed about the potentiality of a new variety and the phytosanitary requisites of imports and food safety management systems [1]. It is also important to have a good post harvest net, including the cold chain, that permits to get a wider market window and an excellent preservation of the product.

The organic certifications that enable the access to some niche markets, can be expensive, so it is important to know well the potentiality of a market before investing in it.

Give value to the ethic component of a product in order to show immediately its distinctive and univocal value able to communicate and preserve the socio-cultural identity of the collectivity that makes it. The territory must be considered a patrimony of the community and aim for the "glocal".

In addition to the markets usually supplied by the cherry exports, Lebanon could also increment the exports to the Syrian market (at the moment the Syrian farmers cannot harvest from the orchards fallen into disuse during the war) and fill in the market gap created by Syria, mainly in Saudi Arabia and in the GCC countries [2]

In the present market the customer is not particularly attracted by traditional means of communication; it would be better to use brochures (to show the value and quality of a product and the social target of the project) or an accurate packaging that can identify a product in the market and influence the consumer's purchase.

1 The GlobalG.A.P protocol was created in 1997 by some of the most important European distribution chains. It was meant to offer the consumers and the market quality products, in particular eco- friendly and traceable fruit and vegetables produced with care for the workers' safety and health. The GlobalG.A.P. standard pertains to single companies (option 1) and groups of producers (option 2) like Cooperatives, Consortiums and producers organizations that are required a documented Quality management System.

2 Consiglio cooperazione del Golfo.

JULY
AUGUST

UE AREA

NOVEMBER
DECEMBER
JANUARY

CINA RUSSIA

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AGENZIA ITALIANA
PER LA COOPERAZIONE
ALLO SVILUPPO

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