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United Arab Emirates

Exporter Guide

Updated - For Bahrain, Kuwait, Oman, Qatar and the U.A.E.

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Report Highlights:

U.S. food exports to the GCC-5 totaled \$425 million in 2005, where consumer-oriented agricultural products represented about 60 percent of the total exports. The retail and HRI sectors are rapidly growing, offering U.S. food suppliers great opportunity to increase their market share in this market.

Includes PSD Changes: No
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SECTION I. MARKET OVERVIEW

The Gulf Cooperation Council-5 (GCC-5¹) countries covered by the Agricultural Trade Office are a relatively homogeneous group of small nations with a total population of 10.5 million. Oil revenues are an important source of revenue and per capita income levels are high (U.A.E. – \$28,500, Kuwait – \$19,200, Qatar - \$27,400, Bahrain - \$23,000, and Oman - \$13,200).

Of the five countries, the United Arab Emirates (U.A.E.) is the most significant market commercially and economically. Within the U.A.E., Dubai is the country's commercial center. Dubai is also the region's trade hub. Efficient infrastructure (sea and air ports), large free trade zones and a strong business orientation help provide the tools to make Dubai an important commercial center for the Middle East and beyond. Dubai derives sizable revenue from the re-export business and invests heavily in infrastructure development, while working to attract foreign investment and buyers. Other Emirates, particularly Abu Dhabi, the capital of the U.A.E, are adopting the methods started by Dubai by working to improve infrastructure and attract business interests.

The harsh climate, limited water resources and poor soil conditions limit options for increasing agricultural production in the GCC-5. Consequently, the countries must import 90 percent of their food and feed requirements. The collective annual food bill hovers in the \$9 billion range, of which the U.A.E. share is about 60 percent. GCC-5 food imports from the U.S have stagnated in recent years, but imports of consumer-ready food products are growing and now account for about 60 percent of U.S. food exports to the GCC-5. Accurate re-export trade data is not available but the prevailing wisdom is that 50 percent of U.A.E. food imports are re-exported to Middle Eastern, Asian and African countries. In 2007, consumer food import growth is projected at 5-percent given the growth in population, the growing business and tourism travel trade, and the growing number of foreign workers who are drawn to the region.

Most consumer demand for seafood products is met through local production and imports from Oman, Iran and India. Some high-end specialized items are imported from other countries, particularly the European Union.

Population growth rates across the region are estimated at 3.5 percent annually. An interesting aspect of the GCC-5 population is that in Kuwait, Qatar and the U.A.E., the local population is outnumbered by expatriates, the majority of whom are from the Indian subcontinent, and, to a lesser extent, from other Arab countries. These expatriate groups tend to perform manual labor and also occupy a sizable share of the clerical, technical and middle and upper management positions. A sizeable number of Western expatriates also work in professional positions. In Dubai, home to the regional headquarters of most multi-national companies operating in the Middle East region, the expatriate population comprises 80 percent of the population. The expatriate community throughout the GCC influences food product imports. Of the local population, a high percentage travel annually to the West and many obtain university degrees abroad, both factors expose these consumers to Western and U.S. food cuisine. With the spread of international television via satellites, consumers buying decisions are influenced more and more by region-wide advertising campaigns.

¹ Bahrain, Kuwait, Oman, Qatar, Oman and the U.A.E.

Table 1. U.S. Agricultural Exports to the GCC-5 Countries (Million U.S. Dollars, FOB)

Country	CY 2003	CY 2004	CY 2005	January – July Comparison	
				CY 2005	CY 2006
Bahrain	17.4	19.5	15.9	8.7	9.5
Kuwait	133.6*	81.7	83.5	47.2	49.6
Oman	15.1	21.0*	14.0	8.3	10.1
Qatar	14.2	11.5	15.8	8.4	9.5
U.A.E.	268.9	363.9*	296.3	166.3	153.1
Total GCC-5	449.2	497.6	425.5	238.9	231.8

*Record

<i>Advantages</i>	<i>Challenges</i>
<i>High quality image of U.S. products.</i>	<i>High price of U.S. goods</i>
	<i>Higher freight rates for U.S. foods compared to other suppliers</i>
<i>High regional per capita incomes.</i>	<i>Significant competition from producers in EU, Asia, Australia, New Zealand and, increasingly, from local and regional processors.</i>
<i>Broad familiarity with U.S. culture and desire to emulate it.</i>	<i>Large Indian subcontinent population with easy access to "home grown" products and modest income.</i>
<i>Increasing interest in U.S. products.</i>	<i>Lack of interest from some U.S. exporters who are not willing to entertain small orders, and meet local labeling requirements.</i>
<i>Increasing number of tourists to Bahrain, Oman and the U.A.E. in particular; U.S. military presence in Kuwait.</i>	<i>Importers often want to start with small quantities and consolidate shipments.</i>
<i>Relatively large young population that is open to new foods and tastes.</i>	<i>In most markets, finished products must carry production/expiry dating and arrive with ½ product shelf life or more in effect.</i>

SECTION II. EXPORTER BUSINESS TIPS

1. Study each market: This may seem like obvious advice, but importers often complain that U.S. suppliers are not well informed of local market conditions and requirements. Market information and trade data for the GCC-5 can be obtained from the Processed Products Division (PPD), FAS/Washington (Fax: 202-690-4374) or via Internet at <http://www.fas.usda.gov>. Information on ATO Dubai

activities as well as related useful links in the United States and the GCC-5 countries may be obtained via the Internet from the ATO Dubai Home Page at <http://www.usembabu.gov.ae/atodubai.htm>

2. Visit the region: Making personal contacts is the most single important action a U.S. company can take. Letters, faxes or e-mails alone will not suffice. Repeat visits are equally important as they show that you are serious about the market.

3. Participate in the Gulfood Show (GF): If serious about penetrating this market, attending the Middle East's largest food show, the annual Dubai-hosted Gulf Food, should be worked into your strategic plan. Nearly 70 percent of U.S. exhibitors return to participate in future Gulf Food shows. This event grew to be the most important food trade event in the Middle East and attracts trade visitors from Asia, Africa and Europe. Please contact ATO Dubai for more details on the February 19-22, 2007 exhibition. Note: Contact your State Department of Agriculture to learn if support can be provided for your participation in this show.

4. Exhibit at a major U.S. food show: If you cannot visit the region or attend Gulfood, notify potential customers of your participation in various U.S. food shows. Give your contacts plenty of advance notice so travel arrangements can be made. Each year approximately 40-50 major GCC-5 based food importers attend the FMI/NASDA exposition. GCC buyers show steady interest in many other U.S. trade shows such as the NRA, Private Label, Bakery Ingredients, SNAXPO and Fancy Foods, to name a few.

5. Target reliable importers: The PPD Division, FAS/Washington, can provide a list of local importers, by product. In addition, ATO Dubai (Fax: 971-4-311-6189; Email: atodubai@usda.gov) can provide a directory of GCC-5 companies known to be importing U.S. food products. This directory is classified by product category, brand and country.

6. Study the local food regulations and requirements and be prepared to discuss product price, preferably on a C&F basis: Be sure to include the cost of label modification to meet local regulatory requirements. The product's production and expiry dates are, so far, mandatory on the original package label, but that is expected to change for Bahrain and Oman and possibly some of the other GCC-5 markets during late 2007 or 2008. Arabic/English language labels or stickers are mandatory as well.

7. Bring samples and be prepared to discuss marketing strategy and possible promotional assistance: Samples are an important market introductory tool. To help encourage introduction of new-to-market products offering importers assistance with advertising, in-store displays and even price discounts may be necessary.

8. Help advertise: Print advertising is perhaps the most cost effective means of promoting a new product. Television advertising is quite effective if targeting a regional audience, but very expensive.

9. Provide website URL: Provide contacts and consumers with contact information through which they can submit queries on the products. Websites help importers to browse through your line of products and view your label.

10. Be willing to entertain smaller-than-your typical orders, to consolidate shipments, or to share a shipment with someone: Local importers will want to purchase small initial quantities, particularly for new-to-market products, to test the product's market potential and to develop the supplier/buyer relationship.

11. Be wary of agency agreements: These agreements have been virtually impossible to terminate without penalty in some of the GCC-5, even if the local company fails to comply.

Fortunately a relaxation in agency agreement law is underway in GCC countries. Legally it is no longer required in the U.A.E. and Oman.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

In 2005, U.S. agricultural, fishery and forestry product exports to the GCC-5 totaled \$425 million, of which 61 percent was consumer-ready foods and beverages. ATO estimates that 55 percent of this trade went directly to food retail. In the case of the U.A.E., 40-50 percent of food imported and locally produced was re-exported to other GCC countries, East Africa, Iran, Yemen, some Former Soviet Union countries, and the Indian subcontinent.

The Hotel, Restaurant and Institution (HRI) sector consumes about 40 percent of imported U.S. consumer-ready foods and beverages, particularly red and poultry meats. The HRI sector is expanding in certain GCC-5 markets as countries work to further develop their tourism and business sectors. Institutional demand is driven in large part by a large sub-continent expatriate-staffed labor camp component. Semi-processed commodities like frozen chicken and rice are more in demand in this sector as compared to more highly processed food products. The catering sub-sector that services the U.S. led coalition forces around the Gulf region and Afghanistan is flourishing and is consuming higher value food ingredients more typical to the Western diet. Kuwait has become an important re-export center for the military presence in Iraq. Products of particular demand in the HRI sector in the GCC-5 include red meat, poultry meat, dairy products, processed fruits and vegetables, snack foods, and shell eggs.

The food-processing sector is small, but growing. It consumes much of the intermediate and semi-processed products the United States sells to the region. The U.A.E. hosts the most developed food-processing sector, followed by Kuwait and Bahrain. In the food-processing sector, U.S. ingredients are mainly used in the following product categories - milled wheat, vegetable oil, canned beans, carbonated beverages, chicken franks, manufactured snack foods and reconstituted juice. Indian meat is used for processed meat, but this product serves the low-end retail market. U.S. beef is reserved for the high-end HRI sector. The U.A.E. recently added a major soybean crushing facility with a 4 million metric ton processing capacity. It is currently used for crushing rapeseed and soybeans for the production of oil and meals. Soybeans are sourced from the U.S. and Latin America. Local dairies and poultry farms are not large enough to meet local demand. A number of local companies reconstitute dairy products from milk powder, primarily sourced from Europe, New Zealand and Australia. It is expected that an increasing number of multinational food companies will look to tie up with local processors when opportunities present themselves.

More details on the food-processing sector in the U.A.E. are available in the Food Processing Sector Gain Report #TC2006, dated June 7, 2002.

Food Retail Consolidation: Like many developed countries around the globe, the food retail sector in the Gulf region is undergoing consolidation due to greater competition. Third country-origin hypermarkets are transforming the local retail sector by forcing local entities to expand and/or upgrade existing facilities to remain competitive. For example, a major U.A.E.-based importer, distributor and retailer is upgrading and expanding its hypermarket/mega store chain in the region. Several other local retailers are doing the same, targeting both upscale and more middle class consumers and trying to fill particular niches for premium foods. These retailers often rely on customer feedback in making purchasing decisions. Consumer cooperatives, a major part of the retailing sector in certain GCC-5 markets, are working to maintain their market share. In addition to their loyal local shareholders and customers, the coops attract a wide range of middle class retailers of Arab and Indian origin. Many of the above mentioned chains provide home delivery service to their customers.

The casualties of this competition will likely be small and some medium-sized groceries, depending on their locations. Most mom-and-pop stores, however, should survive given the multiple services they provide to their customers.

Tourism's Potential: The Gulf region offers business and casual visitors excellent wintertime weather, a long inviting coastline for water activities, and first-rate hotels with top quality food and services. In addition, the region offers some of the richest international events ranging from golf and tennis tournaments, formula 1 car racing (in Bahrain and UAE), horse-racing's largest purse (Dubai), power boat racing and a host of trade events that garner broad attendance from across the Middle East and beyond. The GCC-5 countries, Dubai, U.A.E. in particular, are working hard to make travel to this region more pleasurable.

Overall, ATO Dubai projects U.S. food export growth to the GCC-5 at 5-10 percent annually for the next few years.

Trends in promotion/market strategies and tactics: Promotions and aggressive product marketing are essential, in view of the intense competition between countries, companies and brands, not only to have but to also maintain a profitable market share. Newcomers to this market should be prepared to include product marketing and promotional support in their plan as the importer may not be prepared to invest in new-to-market products without initial support from the supplier.

While the spread of satellite channels are making multi-market advertising easier, the cost is expensive. Regular in-store promotions and newspaper ads are still the most commonly applied advertisement tools in this field.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

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|--------------------------------|---------------------------------|
| 1. Almonds (shelled) | 9. Condiments and Sauces |
| 2. Beef (chilled & frozen) | 10. Breakfast Cereals |
| 3. Poultry Meat (frozen parts) | 11. Confectionary Products |
| 4. Snack foods | 12. Frozen Vegetables |
| 5. Fresh Apples & Pears | 13. Pulses |
| 6. Edible oils | 14. Planting Seeds |
| 7. Cheeses | 15. Sweeteners & Beverage Bases |
| 8. Fruit and vegetable juices | 16. Pet Foods |

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE (ATO) - DUBAI
6020 Dubai Place, DEPARTMENT OF STATE (AGR)
WASHINGTON, DC 20521-6020

LOCAL MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE
U.S. CONSULATE GENERAL
P.O. BOX 9343
DUBAI, UNITED ARAB EMIRATES

TELEPHONE: 971-4-311-6183 OR 311-6100
FAX: 971-4-311-6189
E-MAIL: atodubai@usda.gov
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Pertinent Government Food Import Contacts:

Bahrain: Dr. Abdullah Ahmad, Head of Food & Water Control Section, Ministry of Health
Telephone: 973-17-273-683 Fax: 973-17-279-253
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Kuwait: Mr. Khaled Al-Zahmoul, Manager Imported Food Department
Kuwait Municipality
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Oman: Mrs. Aida Al-Riyami, Director, Specs. & Measure, Min. of Commerce
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