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**Prepared By:** Hussein Mousa

**Approved By:** Alan Hallman

**Report Highlights:**

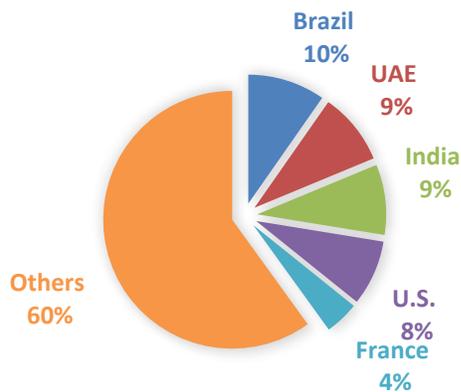
Saudi Arabia is a significant market for U.S. food and agricultural products, with direct U.S. exports estimated at \$1.39 billion in 2019. There are opportunities for a wide range of U.S. products, but there are also significant impediments to trade. These include several halal related requirements and restrictions on meat and poultry products. This reports highlights the potential of the market as well as issues that U.S. exporters should be aware of.

## Factsheet: Saudi Arabia 2019

### Executive Summary

Saudi Arabia is the largest economy in the Arab World. The Kingdom's GDP and per-capita income were estimated at US\$785 billion and \$22,953, respectively, in 2019. According to U.N. trade data, the Kingdom imported more than \$18 billion worth of food and agricultural products in 2018, and the U.S. market share was more than 8 percent.

**Total Saudi Food & AG Imports \$18.14 Billion In 2018**



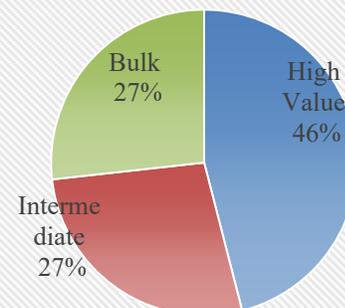
### Best Product Prospects

Diet, healthy and better for you food products, beef, poultry meat, beverage ingredients, non-alcoholic beer, tree nuts, dairy products, fresh fruit and vegetables, processed fruits and vegetables, fruits and vegetable juices, honey, snack foods, and organic foods.

### Strengths/Weaknesses/Opportunities/Challenges

<i>Strengths</i>	<i>Weaknesses</i>
Saudi Arabia is dependent on food imports	Freight costs from the U.S. are higher than competitors.
U.S. food products are perceived as high quality products	Smaller order sizes
<i>Opportunities</i>	<i>Challenges</i>
Demand for organic, diabetic, and better 4U products (low in salt, sugar, high in fiber or with added vitamins) is increasing.	Increased competition.
The retail, food service, and food processing sectors have been growing.	Regulators issue rules rapidly without considering input. Some unworkable regulations have been withdrawn. Trade is blocked in some cases.

**\$1.38 Bllion: U.S. Food and Ag Products Exports to Saudi Arabia in 2019**



## SECTION I. MARKET SUMMARY

The Kingdom of Saudi Arabia (Saudi Arabia) has a rapidly growing population and contains twenty percent of the world's known petroleum reserves. Its 34.2 million people (estimated 2019) make up more than half the population of the Gulf Cooperation Council (GCC). It has a young population – over half the population is under 25 years old – that is expected to exceed 40 million by 2030. With the exception of portions of the southwest, Saudi Arabia is a desert country. It imports approximately 70 percent of its food.

Saudi Arabia includes most of the Arabian Peninsula and has a land area more than three times that of Texas. It is the only country with Red Sea and Persian Gulf coasts – with one port on the Gulf and five on the Red Sea. The country also has the largest economy in the Arab world. Its 2019 Gross Domestic Product (GDP) and per capita income were estimated at \$785 billion and \$22,953 USD, respectively.

Per capita income is expected to fall this year due to low oil prices and COVID-19.

The COVID-19 stay at home orders and curfews closed most food service establishments and dramatically changed food consumption patterns. Consumers are now cooking at home more than prior to COVID-19 for safety and cost-saving reasons. As such, it is uncertain when and to what level the country's food service sector will recover.

The latest available U.N. trade data shows that Saudi Arabia imported about \$18.14 billion of agricultural and related products in 2018, an increase of 3.3 percent from 2017. The top five suppliers of food and agricultural related products to Saudi Arabia in 2018 were Brazil with 9.7 percent of the market (\$1.76 billion), followed by the UAE with approximately 9 percent (\$1.64 billion), India 8.8 (\$1.6 billion), United States with 8.2 percent (\$1.49 billion), and France with 4.3 percent (\$774 million).

Prior to COVID-19 demand for food products was growing. This was due to a population growing by approximately 3 percent, more religious pilgrims, and more tourists. Currently, there is no information as to when religious pilgrimage and tourism will resume. This year's Hajj pilgrimage to Mecca (Makkah) will be limited to Saudis and foreign nationals already residing in the kingdom. Traditionally, more than two million foreign pilgrims travel to the Kingdom for Hajj rituals and spend several weeks in the vicinity of the two holy masjids (mosques) in the holy cities of Makkah and Medina. Last year more than 8 million pilgrims spent several weeks in the Kingdom performing Umrah in Makkah and visiting the Prophet's Masjid in Medina. Domestic flights resumed on June 21; it is not clear when international flights will resume.

The Saudi government has been trying to diversify the country's economy and reduce its dependence on oil. The core of its efforts is a plan known as "Saudi Vision 2030." The Kingdom is trying to attract investment, and tourism. It is also introducing taxes, cutting subsidies, and building mega projects – such as the new city "Neom."

The country issued tourist visas for the first time in its history in September 2019. Tourist visas can be issued on arrival for citizens of 51 countries including the U.S., E.U., U.K., and Japan. They can also be issued for those with valid Schengen, UK, and US visas regardless of their nationality. Within three months of commencement of tourist visas issuance, more than 350,000 were issued. Several million visas were expected to be issued in 2020 before the arrival of COVID-19. Relaxation of restrictions on

activities and increased investment in tourist facilities may eventually lead to more domestic Saudi tourism. Saudi trade shows should also find it easier to compete for business. The eventual resumption of the Hajj, Umrah and tourism will support the country's food service sector.

### **Recent U.S. Food Exports to Saudi Arabia**

U.S. agricultural and related products exports to Saudi Arabia in 2019 reached approximately \$1.32 billion (FOB value), a decrease of 10 percent compared to 2018. According to U.S. Customs data, the decline was concentrated in U.S. bulk agricultural products, particularly feed corn and soybean exports to the Kingdom. The total value of U.S. bulk agricultural products decreased from approximately \$530 million in 2018 to approximately \$342 million in 2019. U.S. intermediate products exports to Saudi Arabia decreased by approximately 6 percent to \$348.2 million in 2019 compared to 2018. While both bulk and intermediate products exports were down, U.S. exports of consumer-oriented food products to the Kingdom were up by 11 percent. They reached a record high of \$588 million - accounting for approximately 45 percent of total U.S. agricultural and related products exports to Saudi Arabia in 2019.

### **Outlook for U.S. Food Product Exports to Saudi Arabia**

Saudi Arabia depends on imports to meet about 70 percent of its food security needs and it will remain a major importer of food and agricultural products. As such, the outlook for sustainable U.S. food product exports to the Kingdom is good. U.S. food products are generally viewed as meeting higher quality standards compared to food produced locally or imports from other countries. U.S. food products command higher prices and higher margins compared to imports from Asia and Arab countries, and demand for U.S. food products in the Saudi market has been increasing.

**Table 1 – Major Advantages and Challenges in the Saudi Market**

<b>Advantages</b>	<b>Challenges</b>
The U.S. is considered a supplier of quality food products.	Price competitiveness of local products and imports from EU, Brazil, Turkey, New Zealand and Asian countries has impacted U.S. market share.
Saudi Riyal (SR) is pegged to the U.S. dollar at the rate of \$1 to 3.75 SR.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
High per capita income and purchasing power help increase demand for health, organic and better for you food products.	Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
Hypermarkets have become popular destinations for shopping as well as family outings.	Saudi Arabia maintains dual date labeling system (production and expiration) for all food products.
The U.S. is recognized among the business community as a reliable supplier.	High markups, listing and other fees that major retailers charge significantly increase the cost of launching new products in the Saudi market.
Government regulations and awareness campaigns are driving more Saudis to opt for more diet and healthy and better for you food products.	Some food retailers return products that is not sold by the expiration date printed on the packages to suppliers and get reimbursed.
An increasing number of pilgrims and tourists come to Saudi Arabia every year creating demand for food products targeting institutional customers.	General lack of brand awareness and loyalty by most of the Saudi consumers.
The more than 12 million expats that live and work in Saudi Arabia create a strong demand for diversified and ethnic food imports.	Negative consumer attitude towards food containing or made from biotech products.
Saudi retail outlets are well equipped to carry all types of food products, including fresh as well as frozen items.	Some consumers perceive U.S. food products as promoting a relatively unhealthy lifestyle.
Major retail chains are constantly looking for new-to-market U.S. products.	The Saudi Food and Drug Authority (SFDA) has been issuing new regulations and standards at a fairly rapid pace that have closed or threatened to close the market to several products.

## **SECTION II. EXPORTER BUSINESS TIPS**

### **EXPORTER BUSINESS TIPS**

#### **A) *Local Business Customs***

There are dozens of food importers in the Kingdom, with approximately 40 accounting for the bulk of food imports from the United States. Below are the ways food products are imported to Saudi Arabia.

##### **1) Private labels**

Some large Saudi importers and supermarket chains pack food under their own brand in foreign countries. These firms have developed private labels, which appeal to Saudis and expatriates in the Kingdom. Hence, a jar of American peanut butter can be marketed in Saudi Arabia under several different labels:

Under an established U.S. brand such as Smucker's, AFFCO or, American Garden

Under a Saudi private label: like Goody and Freshly

##### **2) Agency Agreements**

Some importers are agents of major U.S. manufacturers of national brands, such as Kellogg's, Campbell Soup, and Florida Natural Fresh Juices. The Saudi importer will help build the brand but will request support from the U.S. Company. The U.S. manufacturer usually offers promotional and marketing assistance.

##### **3) Consolidation**

Some companies import a wide range of food products for mass distribution, employing the use of consolidators in the United States. Often, the consolidators are sole regional agents of major U.S. manufacturers or brand owners covering the entire Middle East and African regions. Most U.S.-based consolidators assist Saudi food importers by sourcing products from wholesalers, such as C&S Wholesale Grocers, Sam's Club and Costco Wholesale, and provide services such as placing stickers on labels. Current Saudi regulations allow U.S. suppliers to place an Arabic language sticker on the original English language label. The stickers translate key ingredient and product information into Arabic. Stickers are a laborious task and most manufacturers do not want to bother with this. U.S. consolidators are generally based in port cities that have large wholesalers like Houston, New York, and Miami.

##### **4) Direct Imports by Hypermarkets\Supermarkets**

Saudi based hypermarkets and major supermarket chains import part of their food products directly from suppliers. LuLu Hypermarket Group has a U.S. sourcing company called Y International based in Lyndhurst, New Jersey that is expanding to Texas and California. The company sources and exports U.S. food products and consumer goods to LuLu stores in the GCC, Asia and Egypt.

Saudi importers are constantly searching for new products, and often request support from suppliers for promotion and advertising. The Saudi consumer is a discriminating consumer, closely examining labels and looking for the best deal. Advertising is considered a necessity to win Saudi consumers. Two-for-one deals are very popular in large supermarkets to move items approaching their expiry dates. Major Saudi supermarkets have introduced category management and eliminated slow moving products.

Major supermarkets and hypermarkets request listing fees ranging from \$267 to \$17,067 per Stock Keeping Unit (SKU) from local distributors. The bigger the distributor, the more power it has to negotiate a lower listing fee. In addition to listing fees, distributors are asked to provide a specified percentage rebate on total annual turnover, contribute to advertising campaigns, carry out store merchandizing activities seven days a week, provide payment terms of at least 60 days, rent gondolas, and provide reimbursement for expired items. Distributors frequently authorize retailers to make special offers to consumers such as buy one and get one free, mainly for products with 60 days or less of remaining shelf life. Hypermarkets and supermarkets depend heavily on merchandising services offered by importers/distributors, i.e., stocking shelves and keeping inventory.

### ***B) General Consumer Tastes Preferences***

The Kingdom is a growing market for high-value food products, and consumers have an affinity for new food products - offering opportunities for new-to-market U.S. foods. Ready to eat foods, home meal replacements, fast foods and "take-away" foods are increasingly popular with the young Saudi population. The approximately 13 million expatriates who live and work in Saudi Arabia create demand for ethnic foods.

The high prevalence of obesity and diabetes in the country is driving increased health consciousness. Government regulations and awareness campaigns are encouraging Saudis to opt for more diet and health conscious foods, where the United States has many respected brands. Demand for natural, diabetic, organic, and better for you products ((low in salt, sugar, high in fiber or with add vitamins) is significant and growing. While supermarkets and hypermarkets are increasing the selection of these foods on their shelves, minimarket sized specialized health stores are also being established.

In the past two decades, Saudi Arabia has experienced rapid socio-cultural changes caused by the fast-growing economy. Higher disposable income allowed Saudis to travel to the West for education and tourism, and to learn more about western food and culture. The rapid expansion in western style retail outlets (supermarkets and hypermarkets) and fast food restaurants has changed Saudi consumer tastes and preferences. Increasing numbers of Saudis look for high quality foods and are willing to pay more for quality. Most major retail outlets are selling cooked meals, marinated meat, ready to go salad and chilled pizza to meet the growing demand for prepared foods.

One of the noticeable trends in the Kingdom has been the decline in consumers' preference for canned food products in favor of fresh or frozen food items. An exception to this statement is the continued popularity of canned beans and tuna. In general, frozen foods are perceived by consumers as being of better quality than canned foods.

Changing lifestyles and an increasing number of women entering the workplace are driving demand for prepared foods. Women's participation in the workplace has risen from 15 percent to over 25 percent in less than a decade. The Saudi government's decision in June 2018 to allow women in Saudi Arabia to drive increased demand in the food service sector. Dining at restaurants, going out for coffee, and ordering food for lunch became very popular among Saudi women. Eating out on the weekends has been very popular among both Saudi and expatriate families.

Some American fast food and casual dining chains and some local fast food chains import part of their supplies from the United States. Examples of this include KFC, Burger King, McDonald's, Chili's, TGI Fridays, Applebee's, Sizzler, Fuddrucker's, Herfy, and Kudu. Large catering companies, especially those serving Western expatriates, also buy a portion of their requirements directly from the United States.

Saudi Arabia and the other GCC countries allow the importation of biotech food products as long as products containing more than one percent genetically engineered content are labeled. U.S. biotech animal feeds such as yellow corn and soybean meal are freely imported. Despite the fact that Saudi Arabia has allowed the importation of biotech labeled consumer packed food products since 2001, no packaged foods with positive biotech labeling have been imported due to limited knowledge and negative attitudes towards foods containing or made from biotech products. Saudi importers of high-value food products do not import food products with biotech labels as they are concerned that biotech labeling could jeopardize their product image.

### ***C. Payment Method***

Most Saudi food importers are financially sound and usually do not default on payments. However, it is recommended for a new-to-market exporter to ask his prospective importer for an irrevocable letter of credit until close working relationships and mutual trust between parties are established to consider other payment alternatives that could reduce transaction costs.

## **SECTION III. IMPORT FOOD STANDARDS & REGULATIONS and IMPORT PROCEDURES**

The Saudi Food and Drug Authority (SFDA) is the only Saudi government entity that sets and enforces food products regulations and standards. It is also the main agency that conducts inspections of imported food products at ports of entry to determine if they meet established Saudi and/or GCC Standardization Organization (GSO) regulations and standards. The SFDA strictly enforces Saudi and GSO food import regulations, standards and circulars, particularly those related to Halal, allowable limits for food additives and labeling requirements. The Ministry of Environment, Water, and Agriculture (MEWA) inspects imports of live animals such as lobsters and horses.

Some of SFDA's regulations are not compatible with U.S. regulations or are costly to enforce or implement. Examples of this include the ban on animal protein in animal feed, and the ban on poultry stunning/immobilization. [This link](#) leads to recently published FAS GAIN Reports including to FAS Riyadh's Food and Agricultural Import Regulations and Standards (FAIRS) FAIRS Country Narrative

and Export Certificate Reports. The two reports discuss detailed information on Saudi food regulations and certification requirements.

[This link](#) takes you to an SFDA compiled list of approved, food, seafood and agricultural products technical regulations and standard specifications implemented in Saudi Arabia. The Saudi technical regulations and standards can be purchased from SFDA's [regulations store](#).

## **SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS**

In a normal economic situation, the hotel, restaurant and institutional (HRI) sector, as well as the retail and food processing sector present good opportunities for U.S. exporters. However, the HRI sector is currently struggling and the retail channel is stronger than normal.

### **Food Retail Sector**

In 2019, total retail sales in Saudi Arabia were estimated at approximately US\$37 billion. Of that amount, 59 percent was generated through traditional grocery stores and 41 percent through modern retail channels. Revenue in traditional retail channels has been declining due to rapid expansion of hypermarkets and supermarkets. The retail sector is expected to continue to expand with the creation of urban centers and sustained expansion of existing ones.

### **HRI Sector**

The HRI sector was expanding prior to COVID-19. However, demand is currently severely depressed, with fine dining restaurants being hit the hardest. In 2019, the HRI sector total revenue reached approximately \$22 billion, an increase of an increase of 30 percent compared to \$17 billion in 2014. The HRI sector depends on imported food products to meet approximately 80 percent of its ingredient needs.

### **Food Production Sector**

Saudi Arabia's local food processing is significant. In 2018, the country imported more than \$3 billion dollars' worth of intermediate food products, with the U.S. supplying approximately 12 percent. The Saudi government provides various incentives for the expansion of the local food processing industry to improve food security. As such, the prospect for increased expansion of the domestic food processing industry is good, increasing the demand for food ingredients.

## **V. BEST PROSPECTS**

Diet, healthy and better for you food products, beef, poultry meat, beverage ingredients, non-alcoholic beer, tree nuts, dairy products, fresh fruit and vegetables, processed fruits and vegetables, fruits and vegetable juices, honey, snack foods, and organic foods. [This link](#) provides data on U.S. Exports of Agricultural & Related Products to Saudi Arabia for the past five years.

#### **IV. KEY CONTACTS AND FURTHER INFORMATION**

FAS Riyadh maintains an extensive network of food and agriculture contacts in the Kingdom. We can provide lists of relevant Saudi food and agricultural product importers to U.S. exporters upon request. U.S. suppliers can also contact post for matchmaking services with prospective importers, to qualify prospective importers, for assistance resolving issues clearing consignments of U.S. food and agricultural products, and for information on the Saudi market and import regulations. FAS Riyadh also covers Bahrain.

##### **1. Post Coordinates**

Office of Agricultural Affairs

American Embassy

Tel: 966-11-488-3800 Ext. 4351

Fax: 966-11-482-4364

Internet E-Mail Address: [Agriyadh@fas.usda.gov](mailto:Agriyadh@fas.usda.gov)

##### **2. OAA Riyadh Reports**

OAA Riyadh reports on the Saudi food industry can be found at [this link](#)

##### **Attachments:**

No Attachments