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Report Highlights:

Saudi Arabia was the 22nd largest market (\$1.58 billion) for U.S. food and agricultural products in 2022, an increase of 18 percent compared to 2021. There are plenty of opportunities for a wide range of new-to-market U.S. food products; especially, healthier products aimed at a generation with more disposable income. Unfortunately, there are also significant impediments to trade including burdensome export facility registration requirements along with numerous halal related restrictions on meat and poultry. Despite these issues, U.S. food products are well-positioned to meet Saudi Arabia's changing dietary habits and food security needs over the next several years.

Market Fact Sheet: Saudi Arabia 2023

Executive Summary

Saudi Arabia is a significant market for U.S. food and agricultural products. In 2022, Saudi Arabia's Gross Domestic Product (GDP) exceeded \$1 trillion for the first time in history, positioning the country as the largest economy in the Arab world. Total investments in the Saudi food manufacturing sector are expected to exceed \$70 billion by the end of 2030, making it a major producer of high-value food products in the region. In 2022, the United States exported approximately \$1.58 billion in agricultural and related products to Saudi Arabia. The United States was the fourth largest exporter of agricultural products to Saudi Arabia behind the EU, Brazil, and India, respectively.

Imports of Consumer-Oriented Products

In 2022, U.S. exports of consumer-oriented food products to Saudi Arabia reached a historic high of \$655.8 million, an increase of 23% from 2021. Stronger demand was driven by the food service sector and rapid expansion of the retail food sector as well as availability of cargo ships and reduced freight costs from the United States.

Food Processing Industry

Saudi Arabia is home to a growing food manufacturing sector that benefits from population and income growth, life-style changes, state support, and favorable trade agreements. Demand for packaged foods is growing and more multinational companies are entering the market as a result. In 2022, Saudi Arabia imported approximately \$3 billion worth of intermediate food products, mostly for further processing. U.S. suppliers provided around 11%, or \$317 million.

Food Retail Industry

In 2022, total retail sales in Saudi Arabia were estimated at approximately \$50 billion, and 50% was generated through modern retail channels and traditional grocery stores. Traditional grocery stores are declining due to rapid expansion of new urban centers.

Quick Facts CY 2022

Imports of Consumer-Oriented Products (US \$7.8 billion)

List of Top 10 Growth Products in Saudi Arabia

- | | |
|-----------------------------|-------------------------------|
| 1) Processed Meat & Seafood | 2) Baby Food |
| 3) Baked Goods | 4) Ice Cream & Frozen Treats |
| 5) Breakfast Cereals | 6) Processed Fruits & Veggies |
| 7) Ready Meals | 8) Savory Snacks |
| 9) Fruit Pie Fillings | 10) Beverages |

Top U.S. Processed Foods Exported to Saudi Arabia

- | | |
|------------------------|-----------------------------|
| 1) Fats & Oils | 2) Processed Veggies |
| 3) Pulses | 4) Processed Dairy Products |
| 5) Condiments & Sauces | 6) Food Preparations |
| 7) Snack Foods | 8) Potato Chips |
| 9) Jams and Jellies | 10) Beverages |

Top 5 Suppliers of High-Value Food Products to Saudi

- 1) Brazil
- 2) India
- 3) The United States
- 4) UAE
- 5) Egypt

Top Host Country Retailers

Panda Retail, Othaim Supermarket Chain, BinDaWood Holding, Farm Superstores, Al Raya Supermarkets, Tamimi Super Markets, Lulu Hyper/Supermarkets and Carrefour Saudi Arabia

GDP/Population

Population (millions): 36.4
 GDP (billions USD): \$1.159 trillion
 GDP per capita (USD): \$31,850

Sources: UN Trade & Post Data

Strengths/Weaknesses/ Opportunities/Challenges

Strengths	Weaknesses
Dependent on food imports and U.S. food is considered high-quality	Freight costs from the United States are higher than competitors
Opportunities	Threats
Retail, food service and food processing sectors are growing	Increased competition and regulators routinely issue complicated rules

SECTION I. MARKET SUMMARY

Saudi Arabia is the largest economy in the Arab world with a GDP of nearly \$1.2 trillion and per-capita income of \$31,850. Saudi's population is currently 36.4 million, and it is expected to exceed 40 million by 2030. Saudi imports approximately \$20 billion worth of food and agricultural products annually, and the United States supplies roughly eight percent. The country has a growing population, a strong food service sector, a rapidly maturing food retail sector, a new and developing tourism industry, and hosts millions of religious pilgrims each year. Saudi Arabia imports most of its food and has become more open to business and tourism over the past several years. Post anticipates these factors will continue to increase the demand for imported food.

Over the past several years, the government has undertaken a broad range of economic reforms to improve economic stability. For example, to increase revenue, they eased restrictions on various social activities (e.g., opened cinemas, sponsored international music concerts, etc.), issued more visas, and invested in tourist facilities. They also reduced various government subsidies and continued adding a 15 percent value added tax on all products and services to reduce the government's dependence on income from oil. According to various experts, investments on several mega construction projects, valued at more than \$1.3 trillion, should diversify the country's economy and deliver positive results for several years. Some of the projects include Neom (a massive futuristic and fully automated business zone that will link Jordan and Egypt) and the Red Sea Project (a multibillion dollar luxury resort on Saudi Arabia's vast Red Sea coast).

In 2022, the United States exported \$1.58 billion (FOB value) worth of agricultural and related products to Saudi Arabia, which is an increase of 18 percent from 2021. There are plenty of opportunities for a wide range of new U.S. food exports to Saudi Arabia; especially, healthier products aimed at a generation with more disposable income. Unfortunately, there are also significant impediments to trade including several halal related restrictions on meat and poultry products as well as burdensome export facility registration requirements. Despite these issues, U.S. food products are generally viewed as a higher quality product and are well-positioned to meet Saudi Arabia's changing dietary habits over the next several years.

According to various experts, U.S. food exports to Saudi Arabia should expand as the country depends on imports to meet about 70 percent of its food security needs. Many anticipate Saudi Arabia will remain a major importer of food and agricultural products, especially as the tourism sector continues to expand. Since U.S. food is considered a higher-end product, many consumers are willing to pay a higher price for quality. That trend is expected to continue for the next several years. As a result, Post anticipates another record year in 2023 for U.S. agricultural exports to Saudi Arabia.

Table 1 – Major Advantages and Challenges in the Saudi Market

Advantages	Challenges
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 Riyadh (SR) is pegged to the U.S. dollar at the rate of \$1 to 3.75 SR, and historically favors U.S. exporters.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
High per-capita income and purchasing power has increased demand for healthier/organic type 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 Saudis to opt for healthier food products.	Some food retailers return products that are not sold by the expiration date and seek full refunds as a result.
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 rapid pace that has closed the market for several products.

SECTION II. EXPORTER BUSINESS TIPS

A. Local Business Customs

There are several food importers throughout Saudi Arabia and approximately 20 account 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. For example, a jar of U.S. peanut butter can be marketed in Saudi Arabia under several different labels: an established U.S. brand such as Smucker's, AFFCO, or American Garden; or a Saudi private label like Goody's and Freshly.

2. **Agency Agreements:** Some importers are agents of major U.S. manufacturers of national brands (e.g., 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 also 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, 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 (e.g., C&S Wholesale Grocers, Sam's Club, and Costco Wholesale) and provide services such as placing Arabic stickers over labels. (Current Saudi regulations allow U.S. suppliers to place an Arabic language sticker on the original English language label.) The stickers translate key ingredients and product information into Arabic and is typically performed by U.S. consolidators as most manufacturers consider it a laborious task. Most of the U.S. consolidators are based in port cities that have large wholesalers like Houston, Miami, and New York.
4. **Direct Imports by Hypermarkets\Supermarkets:** Saudi based hypermarkets and major supermarket chains import part of their food products directly from suppliers. For example, the LuLu Hypermarket Group works with a U.S. sourcing company (Y International) based in Lyndhurst, New Jersey, that is expanding to Texas and California. The company sources and exports most of its U.S. food products and consumer goods to LuLu stores in the GCC, Asia and Egypt.

However, 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. For example, "two-for-one deals" are very popular in large supermarkets and are often used to move items approaching their expiration dates. As a result, most major Saudi supermarkets have introduced category management and eliminated slow moving products.

Typically, most major supermarkets and hypermarkets request listing fees ranging from \$267 - \$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 (i.e., buy one, get one free); especially for products with 60 days or less of remaining shelf life. Hypermarkets and supermarkets depend heavily on merchandising services offered by importers and distributors.

B. General Consumer Tastes Preferences

Saudi Arabia is a growing market for high-value food products, and consumers have an affinity for new food products, which benefits new-to-market U.S. foods. Ready-to-eat foods, home meal replacements, fast food and "take-away" foods are increasingly popular with the younger Saudi population. The

approximately 13 million expatriates who live and work in Saudi Arabia also create demand for ethnic foods.

The high prevalence of obesity and diabetes in the country is driving healthier food options. Government regulations and awareness campaigns are also encouraging Saudis to opt for healthier foods where the United States has many respected brands. Demand for natural, diabetic, organic, and better-for-you products (e.g., low sodium, sugar free, high in fiber, or added vitamins) is growing. While supermarkets/hypermarkets are increasing the selection of these foods, mini market sized specialized health stores are also being established.

In the past two decades, Saudi Arabia has experienced rapid socio-cultural changes caused by a 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. An increasing number of Saudis look for high-quality foods and are willing to pay more, and as a result, most major retail outlets are selling cooked meals, marinated meat, ready-to-go salads, and frozen 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.

An increasing number of women, along with changing lifestyles, are entering the workforce and driving the demand for prepared foods. Women's participation in the workplace has risen from 15 percent to over 40 percent in less than a decade. The Saudi government's decision in June 2018 to allow women in Saudi Arabia to drive also increased the demand in the food service sector for prepared food options. Dining at restaurants, going out for coffee, and ordering food for lunch are growing trends among Saudi women. Meanwhile, eating out on the weekends has been very popular among both Saudi and expatriate families the past several years.

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

Saudi Arabia and the other GCC countries allow the importation of biotech food products if 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. Even though Saudi Arabia has allowed the importation of biotech labeled consumer packed food products since 2001, no packaged foods with biotech labeling have been imported. High-value food importers in Saudi do not typically import food products with biotech labels as they are concerned these products could jeopardize their image.

C. Payment Method

Most Saudi food importers are financially sound and usually do not default on payments. However, it is recommended that new-to-market exporters ask a prospective importer for an irrevocable letter of credit until they build a close working relationship. Until both parties build a mutual trust, they should seek out other payment alternatives to reduce transaction costs.

SECTION III. IMPORT FOOD STANDARDS/REGULATIONS & IMPORT PROCEDURES

Import Food Standards & Regulations

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) 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. [This link](#) provides general and product specific information on SFDA food products import 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. For example, the ban on animal protein in animal feed and on the use of poultry stunning/immobilization has been problematic. [This link](#) leads to recently published FAS GAIN Reports on FAS Riyadh's Food and Agricultural Import Regulations and Standards (FAIRS) Report as well as reports on Export Certificates. These reports discuss detailed information on Saudi food regulations and certification requirements.

Meanwhile, [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](#).

Import Procedures

Imported food products, including food ingredients used in food processing, must obtain preapproval, and be registered with SFDA. Registration of imported food products is the responsibility of local importers or agents. Each importer or agent is required to open an E-Account and set up an individual user name and password at SFDA's Operations Sector at [E-Services](#). Once the E-Account is created, importers can upload information about their products, including the harmonized code (HS Code), bar code, item code, and listed ingredients in English and Arabic, a picture of each product, and a copy of the product label. The label must contain all information required by the GSO under regulation number GSO 9:2013 "Labeling of Prepackaged Food Stuff".

Individual importers are required to register all food products they intend to import even if all the products were already registered by another importer. The electronic registration is free of charge and there is no expiration date for registration. However, importers are required to re-register their products

when there are changes in product formulations or labels. (Please note: SFDA will not allow the importation of food products that are not registered in its E-Account database.)

Documents Generally Required for Imported Agricultural and Related Products

In general, a commercial invoice, a bill of lading, a country-of-origin declaration, a certificate of weight, and a packing list should accompany official certificates. For a more extensive list of documents that are needed, please review FAS Riyadh's "Export Certificate Report", at the following [link](#).

Import Tariffs on Food/Agricultural Products

According to Saudi Customs, a clear majority of food products are subject to a five percent import duty ([Saudi Customs](#)) while selected processed food products are assessed higher import duties. To protect local production and food processors from competitively priced imports, Saudi Arabia ties import duties to the level of local production of similar products. Generally, a maximum import tariff rate of 40 percent ad-valorem is applied when local production of a food, or agricultural product, exceeds a self-sufficiency level. Currently, a 40 percent import duty rate applies to fresh, dried/processed dates while a 25 percent duty is applied on wheat flour. Meanwhile, poultry imports face a mixed tariff; 25 percent or SAR 1.00 (\$0.267) per kilogram, whichever is higher. Ad valorem duties are levied on the CIF value.

Imports of rice, baby milk and animal feed (barley, corn, rice, sorghum, and soybean meal, etc.) coffee, tea and fresh red meat enter the country duty-free. Saudi Arabia has no tariff rate quota, but in April 2017, the country began levying a 50 percent excise tax on soft drinks and a 100 percent tax on cigarettes, tobacco products, and energy drinks.

On December 1, 2019, the Saudi General Authority of Zakat and Income Tax (GAZT) started collecting a 50 percent selective tax on sugary drinks in the local market. GAZT defined sugary drinks "as any product in which any source of sugar or other sweeteners is added, to be taken as a drink, whether ready for drinking, or in the form of a liquid concentrate, powder, gel, extract, or any form that can be converted into a drink."

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 great opportunities for U.S. exporters. However, the HRI sector is currently struggling while the retail channel is stronger than normal.

- **Food Retail Sector:** In 2022, total retail sales in Saudi Arabia were estimated at more than \$40 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 more urban centers.
- **HRI Sector:** The HRI sector was expanding prior to COVID-19. However, the pandemic devastated the fine dining restaurant sector for several months, but now the sector has fully recovered due to the lifting of all COVID -19 measures. In 2022, the HRI sector's total revenue

was approximately \$29 billion, and is projected to grow approximately 10 percent annually over the next few years. The HRI sector depends on imported food products to meet approximately 70 percent of its ingredient needs.

- **Food Production Sector:** Saudi Arabia's local food processing is significant. Current available data indicates that in 2022 the country imported more than \$3 billion dollars' worth of intermediate food products, with the United States 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 should increase the demand for food ingredients.

V. BEST PROSPECTS

Post is currently seeing an upward trend in the following products: healthier food options (fruits, tree nuts, diet foods, natural and organic products, etc.), beef, mocktails, beverage ingredients, non-alcoholic beer, high quality fish (salmon and black cod) seafood, snack foods and various dairy products. [This link](#) provides data on U.S. Exports of Agricultural & Related Products to Saudi Arabia over the past five years.

IV. KEY CONTACTS AND FURTHER INFORMATION

FAS Riyadh maintains an extensive network of food and agricultural contacts and 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, assistance resolving issues clearing consignments of U.S. food and agricultural products, or for more information on the Saudi market and import regulations. FAS Riyadh also covers Bahrain and Yemen.

1. Post Coordinates

Office of Agricultural Affairs, American Embassy

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2. OAA Riyadh Reports

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

Attachments:

No Attachments