

Required Report: Required - Public Distribution

Date: March 30, 2021

Report Number: SA2021-0005

Report Name: Food Processing Ingredients

Country: Saudi Arabia

Post: Riyadh

Report Category: Food Processing Ingredients

Prepared By: Hussein Mousa

Approved By: Mark Ford

Report Highlights:

Saudi Arabia is the largest economy in the Arab world and home to a growing food manufacturing and processing sector as a result of favorable trade agreements, population growth and rapid socioeconomic changes. Investment in the sector is projected to reach \$59 billion in 2021, an increase of approximately 64 percent since 2013, and ranges from local food manufacturers to major multinational companies. Most Saudi food manufacturers depend on imports for food ingredients, and subsequently imported approximately \$2.7 billion (\$350 million from the United States) worth of intermediate food products in 2020. While the United States continued to thrive on traditional exports, Post anticipates healthier foods will be a major driver in Saudi Arabia over the next several years. The United States is well-positioned to capture this market share.

Market Fact Sheet: Saudi Arabia

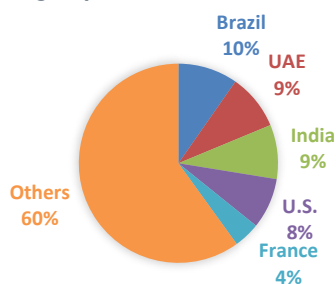
Executive Summary

Saudi Arabia is a significant market for U.S. food and agricultural products. In 2020, Saudi Arabia's GDP was estimated at \$785 billion, positioning the country as the largest economy in the Arab world. They are projected to invest nearly \$59 billion in the food manufacturing sector in 2021 making it a major producer of agricultural products in the region. In 2020, the United States exported approximately \$1.4 billion in agricultural products to Saudi Arabia.

Imports of Consumer-Oriented Products

U.S. exports of consumer-oriented food products to Saudi Arabia increased nearly 11 percent in 2019 and that trend should remain steady in 2020 despite the negative effects of COVID-19. In 2020, Post anticipates U.S. exports of consumer-oriented products will top out near the \$588 million level from 2019 because of more online grocery store apps entering the marketplace.

Total Ag Exports to Saudi Arabia



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 2020, Saudi Arabia imported approximately \$2.7 billion worth of intermediate food products, mostly for further processing. U.S. suppliers provided around 13 percent, or \$350 million.

Food Retail Industry

In 2020, total retail sales in Saudi Arabia were estimated at approximately \$37 billion, and 59 percent was generated through traditional grocery stores. The other 41 percent passed through modern retail channels, but traditional grocery stores have been declining over the past several years due to rapid expansion of new urban centers throughout the country.

Quick Facts CY 2020

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) UAE (13.2 percent)
- 2) Brazil (11.1 percent)
- 3) The United States (5.9 percent)
- 4) Egypt (5.5 percent)
- 5) India (5 percent)

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): 34.2
 GDP (billions USD): \$785
 GDP per capita (USD): \$22,953

Sources: UN Trade & Post Data

Strengths/Weaknesses/Opportunities/Challenges

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

Data and Information Sources: Euromonitor, U.N. Trade Data and FAS Post Data

SECTION I. MARKET SUMMARY

Saudi Arabia is home to a growing food manufacturing and processing sector. While production data is unavailable, the sector benefits from population and income growth, life-style changes, state support, and favorable trade agreements. Investment in the sector is expected to reach \$59 billion by the end of 2021, which is up from \$44 billion in 2016 and 2013 (Saudi Ministry of Investment data). Support from the Saudi Government takes many forms and includes direct subsidies for equipment, low land rents, long-term soft loans offered by the Saudi Industrial and Agricultural Development banks, duty-free imports of raw materials, and highly subsidized utilities.

Saudi based exporters do not face tariffs on exports to the six Gulf Cooperation Council (GCC) countries or to the members of the Greater Arab Free Trade Area (GAFTA). This Pan-Arab free trade zone was created in 1997 and has 22 members. As a result, several major companies have built facilities in Saudi Arabia because it accounts for more than 50 percent of the GCC market. In 2020, Saudi Arabia exported approximately \$3.5 billion worth of food products to the region, which is an increase of nearly three percent since 2019. The main products were dairy products, snack foods, processed foods, processed dates, processed fruit and vegetables, sugar and sweeteners, and poultry meat.

Demand for packaged foods is growing due to changing lifestyles and diets as well as the expansion of the food retail and food service sectors. Saudi women are entering the workforce in larger numbers and driving demand for prepared and simpler-to-prepare foods. As a result, the retail sector has rapidly shifted from traditional markets to super and hypermarkets driving demand for packaged foods. Most products can be found in newer retail outlets except some meat and dairy products from the domestic sector, which have benefited from the perception that they abide by higher halal standards than other retail outlets.

In recent years, several multinational companies have entered the Saudi food processing sector because of more demand for packaged food and the opportunity to export duty free to other Arab countries. Most of these companies entered the market via joint ventures with Saudi companies, licensing agreements or by taking over existing Saudi food processing companies. Multinational companies with a presence in the food processing industry include: Mars Inc., Mondelez International, Cargill, Del Monte, PepsiCo, Heinz, Danone Ltd., Arla Foods Amba, Fonterra's, United Biscuits (UK) Limited, Coro Foods, Unilever, and the Lactalis Group.

Advantages and Challenges for U.S. Food Exporters in the Saudi Food Market

Advantages	Challenges
U.S. exporters are a reliable source of large volume and consistent quality ingredients to major Saudi food processors.	U.S. exporters lack flexibility in consolidating and shipping smaller volumes, as well as in modifying labels and ingredients to meet Saudi and/or Gulf Standardization Organization (GSO) requirements.
U.S. bulk tomato paste, white butter, cheddar cheese, skimmed milk powder and corn oil are in great demand for further refining and packaging.	Some U.S. food ingredients are more expensive than imports from competitors in Europe and Asia.
There are numerous American style fast food	Freight costs from the United States are higher

chains and casual dining restaurants in Saudi Arabia that require food processors to use U.S. food ingredients and spices.	than those from Europe and Asia.
There is a strong demand for U.S. commercial beef and poultry meat by domestic food processors - particularly for U.S. turkey meat.	Ban on the use of poultry stunning has stopped U.S. poultry exports while U.S. beef exporters have problems adhering to Saudi's strict animal feed ban.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Local importers usually prefer to initiate business deals by making small trial orders; a condition that many U.S. exporters are not willing or able to accommodate. It is important for U.S. suppliers interested in entering the Saudi food processing ingredients market to understand their customers and how to meet their purchasing requirements or specifications. In addition to meeting product standards and regulatory requirements, it is imperative that new-to-market U.S. food ingredients suppliers consider the following points when contemplating entry into the Saudi food ingredient market:

- **Look for a Strong and Knowledgeable Importer:** U.S. exporters should look for and partner with a knowledgeable and reliable Saudi importer who knows how the food processing sector operates. The prospective importer should have a professional sales force and strong distribution network in the major cities where most food processors are located - particularly Riyadh, Jeddah, and Dammam.
- **Develop Personal Relationships:** Personal relationships are important in establishing long-term and reliable working relationships in Saudi Arabia. The best way to accomplish this is to meet one-on-one with key importers in Saudi Arabia. Face-to-face meetings with buyers in Saudi Arabia are very important and help build trust and confidence. Plus, a visit to Saudi will enable a potential U.S. exporter to see the types of food ingredients needed by Saudi food processors. Most of the Saudi business community speak English fluently.
- **Attend Food Processing Industry Shows:** Saudi food ingredients importers attend regional and international shows that focus on feed ingredients. As such, it is important that prospective U.S. exporters of food processing ingredients consider exhibiting or attending U.S. based shows such as the annual Institute of Food Technologists (IFT) Exposition. Attendance at regional trade shows, particularly the Gulfood Manufacturing Exhibition held in Dubai annually and the EU based exhibitions such as Food Ingredients Europe, which are held biannually in Frankfurt and Paris, may also be helpful. Post works annually with some FAS supported State Regional Trade Groups ([STRGs](#)) in recruiting Saudi buyer's delegation to attend the IFT show.
- **Comply with SFDA Regulations:** Work closely with local importers to comply with SFDA food import regulations. Pay particular attention to product labeling and product pre-registration requirements to minimize rejections at Saudi ports of entry. [This link](#) leads to recently published GAIN Reports from FAS Riyadh that discuss detailed information on Saudi food regulations and certification requirements.

B. Import Procedures

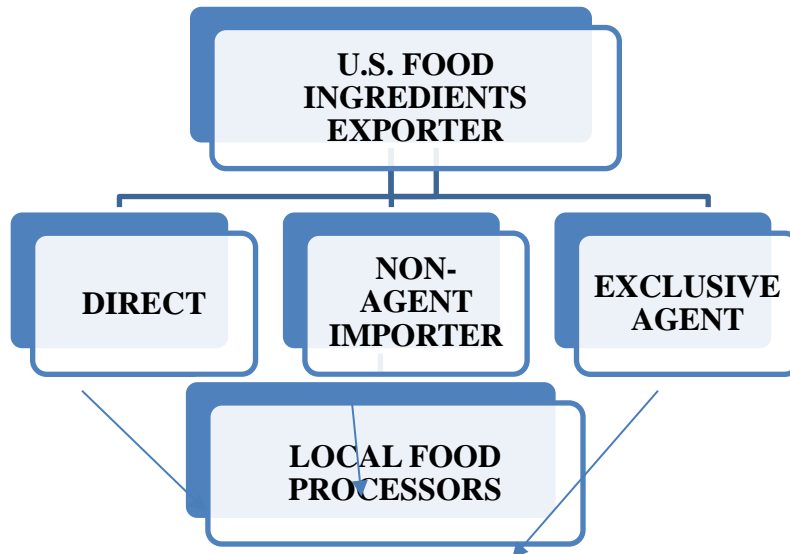
Imported food products, including food ingredients used in food processing, must be registered with SFDA and obtain preapproval. Registration of imported food products is the responsibility of local importers or agents. Each importer, or agent, is required to open an E-Account and set up an individual 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 regulation number GSO 9:2013 “Labeling of Prepackaged Food Stuffs.” Individual importers are required to register all food products they intend to import, even if some or all the products they intend to import have been 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 does not allow the importation of food products that are not registered in its E-Account database.)

Most Saudi food importers are financially sound and do not default on payments. However, new-to-market exporters are encouraged to use irrevocable letters of credit until they build a close working relationship with their Saudi counterparts.

C. Distribution Channel

Flow Chart: Distribution Channels for the Consumer Foodservice Industry in Saudi Arabia



D. Market Structure

- **Direct Import:** Large Saudi food processors tend to import directly from exporters, and they typically have access to larger volumes from ingredient suppliers. Examples of these types of

producers include: edible oil plants, meat and poultry processors, vegetable processors, dairy processors, canned vegetable processors, and other high-value food processors (e.g., tomato paste, jams, honey, confectionaries, snack, juice, and beverages). If the required quantity is small (less than a container full), processors will usually purchase from local agents, other importers, or wholesalers.

- **Appointed Agents:** There are a few local importers who serve as exclusive agents for major international food ingredients suppliers based in the EU, Latin America, and the United States. Most of these agents solicit orders from various local food processors, consolidate orders, import, and then deliver to each client. Small-to-medium sized food processors as well as the food service industry (e.g., hotels, restaurants, and catering companies) usually source their food product ingredients from importers who are also wholesalers, international company representatives, or agents.
- **Non-agent Importers:** Saudi importers specialize in supplying the food processing and HRI sectors by importing and distributing a wide range of food ingredients (particularly: spices condiments, sauces, bakery and pastry ingredients, seasonings, and specialized flours). These importers operate well-established countrywide distribution networks and sell directly to food processors and HRI customers. They generally use consolidators. Often, U.S. consolidators are the sole regional agents of major U.S. manufacturers or brand owners throughout the Middle East and Africa. Typically, they assist Saudi food ingredient importers by sourcing products from U.S. manufacturers and wholesalers. They also provide services such as placing Arabic ingredient and product information stickers on labels.

E. Share of Major Segments in the Food Processing Industry

There are no publications that provide a share of major segments in the food processing industry

F. Profiles of Leading Food Processors

The expanding Saudi food processing sector has large-scale multinational and domestic manufacturers. Benefits to international companies establishing production facilities include easy access to the growing Saudi and MENA markets. Foreign companies enter the Saudi food manufacturing sector by establishing wholly owned facilities, acquiring, or taking over existing Saudi companies, joint venture partnerships with Saudi investors, entering into licensing agreements with local manufacturers, or by having private labels produced by Saudi food processors.

The revised Saudi Foreign Investment Act (FIA) allows foreign investors to wholly own food production facilities or partner with Saudis to establish processing facilities. Projects licensed under FIA enjoy the same privileges, incentives and guarantees as a domestic company, which includes access to subsidized loans from the Saudi Industrial Development Fund (SIDF).

Several multinational corporations have established joint ventures or wholly owned production facilities in Saudi Arabia. These include: [SAVOLA Group](#), [Mars Inc.](#), [ARASCO-Cargill](#), [Del Monte Arabia](#), [PepsiCo](#), [Al Safi Danone](#), [Danya Foods Ltd Company](#), [Amba Fonterra](#), [Ülker Bisküvi Sanayi A.S.](#), [Co-](#)

[Ro Foods](#), [Afia Cooking Oil](#), [United Sugar Company](#), [Lactalis Saudi Arabia](#), [ULKER Saudi Arabia](#), [Americana Meat](#), and [Americana Cake](#).

Leading Saudi food processors include: SAVOLA Group, [National Food Industries Co.](#), [Almarai](#), [NADEC](#), [Herfy Food Processing](#), [Halwani Brothers](#), [Wafrah for Industry & Development](#), [Sunbulah Food & Fine Pastries Manufacturing Co. Ltd](#), [ABISCO](#), [Food Manufacturing Group Co.](#), [National Food Industries Company Ltd](#), [Riyadh Food Industries](#), [NADA Dairy](#), [Al Faris Food Industries Ltd](#) and [Saudia Dairy & Foodstuff Company \(SADAFCO\)](#). FAS Riyadh maintains an extensive network of food and beverage processors contacts in Saudi Arabia and Bahrain and can share appropriate contacts with interested U.S. food and beverage ingredient suppliers upon request.

SECTOR TRENDS

Over the past two decades, Saudi Arabia has experienced rapid socio-economic changes due to a fast-growing economy, increased disposable income, changing lifestyles, increased urbanization, and the rapid expansion of modern food retail and fast-food outlets. The ongoing expansion of modern food retail outlets (mainly hypermarkets/supermarkets) throughout Saudi Arabia provides great opportunities for a wider distribution of processed food products. Continued urbanization, hectic lifestyles, and other factors will continue to increase demand for high-value processed foods.

- **High Meat & Dairy Products Consumption**

Over the past several years, increased disposable income allowed consumers to shift from carbohydrate to protein-based diets and increased meat and dairy consumption. Most of the animal protein comes from poultry meat, which has been steadily rising because of its competitive price. In 2017, per capita poultry meat consumption was estimated at 46 kg annually, making Saudi Arabia one of the highest per-capita poultry consumers in the world. While most poultry meat consumption is from whole broilers, demand for processed chicken has been increasing.

Consumption of dairy products has doubled in the past two decades and is forecast to remain strong in the future due to population growth and increases in per-capita income.

- **Processed Foods**

Due to changing lifestyles, consumers are spending less time preparing meals. This has created an excellent opportunity for many local food processors to offer ready-to-cook microwavable meals. Hypermarkets have introduced take-away food dishes and salad bars as a substitute for home cooking. This trend is expected to continue as lifestyles change and consumers maximize their free time.

- **Snack Foods and Beverage Drinks**

With 70 percent of its population under the age of 30, Saudi Arabia will continue to be a growth market for a wide range of high-value food products; particularly snack foods, confectionary products, and beverages. This segment of the population typically lives a fast-paced lifestyle, has a high disposable income, and is more amenable to trying new convenient food products. Meanwhile, the extremely hot

weather, which prevails for a large part of the year, drives demand for beverages, particularly for fruit juice, fruit drinks, mixed beverages, nonalcoholic beer, and carbonated soft drinks.

- **Health Foods**

The high consumption of fat and sugar rich foods and drinks, as well as a sedentary lifestyle, has resulted in high obesity and diabetic rates throughout Saudi Arabia. According to recent reports, 70 percent of Saudis are overweight and up to 30 percent of them are diabetic. The diabetic rate is forecast to more than double by 2030, which has created opportunities for local food processors to offer a limited range of diet foods (mainly fat free and low-fat dairy products). To take advantage of this potentially huge and lucrative market, local food processors have started to work with various Saudi government agencies to increase consumer awareness of a healthy eating lifestyle. Most predict this is will increase the demand for healthier food products.

SECTION III. COMPETITION

In general, the imported food ingredients market is extremely price sensitive due to stiff competition among supplying countries and most local food processors seek suppliers that provide great quality products at the most competitive prices. As a result, the United States faces fierce completion in this sector from various suppliers in the EU and parts of Asia especially suppliers from: Belgium, Brazil, China, Egypt, France, India, New Zealand, and Thailand.

SECTION IV. BEST PRODUCT PROSPECTS

The following is a listing of the top 10 food products and ingredients that have high export potential in the Saudi food processing market: poultry meat, beef, skimmed milk powder, full cream milk powder, block cheese, butter, milk protein concentrate, anhydrous milk fat (AMF), butter oil, and whey powder. For an extensive list of products, please visit [this link](#).

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

FAS Riyadh maintains an extensive network of food and agricultural contacts in Saudi Arabia and Bahrain and can provide a list of relevant Saudi food and agricultural product importers to U.S. exporters upon request. U.S. suppliers can also contact post to be matched with prospective importers, for assistance clearing consignments of U.S. products, or for information on the market.

Post Contact Information	OAA Riyadh Reports
Office of Agricultural Affairs, U.S, Embassy, Tel: 966-11-488-3800 Ext. 4351 Internet E-Mail Address: Agriyadh@usda.gov	OAA Riyadh reports on the Saudi food industry can be found at this link .

Attachments:

No Attachments