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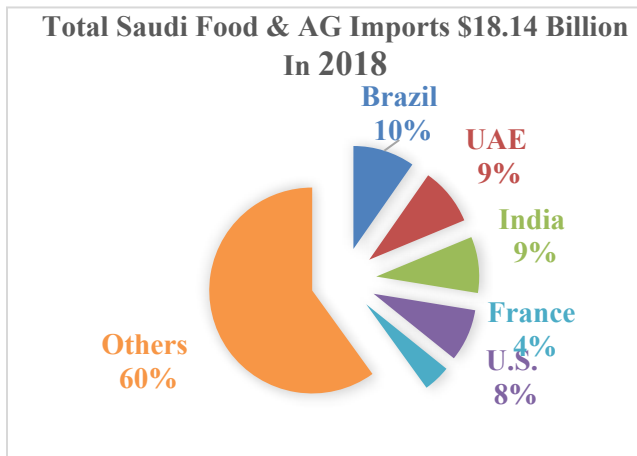
Approved By: Alan Hallman

Report Highlights:

Saudi Arabia is home to an over-sized and resilient hotel, restaurant and institutional (HRI) industry that is a promising market for US exporters. In addition to local cultural preferences, demand is driven by religious pilgrims and foreign labor. Total consumer food service revenue in 2019 was estimated at approximately \$21.7 billion, an increase of nearly 28 percent compared to \$17 billion in 2014.

FACTSHEET: SAUDI ARABIA 2019

Executive Summary: Saudi Arabia is the largest economy in the Arab World, and one of the most visited countries in the Middle East. The country is reliant on oil, but is opening to tourists, dropping some social restrictions, and attempting to diversify the economy. The Kingdom’s 2019 GDP and per-capita income were an estimated US\$785 billion and \$22,953. Estimated 2019 food service revenue was \$21.7 billion - an increase of nearly 28 percent compared to \$17 billion in 2014.



- Key Factors Driving Demand in the Consumer Food Service:**
- High Disposable Income
 - Social and Cultural Changes
 - Increased Number of Women Entering the Workplace
 - Growing number of travelers to Saudi Arabia

Best Prospects

Frozen chicken meat, dairy products, fresh fruit, fresh vegetables, red meat, seafood, condiments and sauces, mayonnaise, spices, dressing, processed fruits and vegetables, beverage and other coffee shop ingredients, baked frozen pastries, frozen sandwich bread.

Advantages and Challenges in the Saudi Market	
<p>Popularity of American culture carries over to American food.</p> <p>U.S. exporters are reliable.</p> <p>U.S. known for consistency and high quality food products.</p> <p>Large variety and U.S. food products.</p> <p>Familiarity of chefs with U.S. food products.</p> <p>Increasing demand for U.S. beef and seafood products.</p>	<p>Price competitive imports from EU, Gulf countries and Asian countries have affected U.S. market share.</p> <p>Ban on poultry stunning by SFDA eliminated U.S. poultry from the Saudi market.</p> <p>Increased variety of competitively priced high quality locally processed food products.</p> <p>Strict implementation of regulations that may not be compatible with U.S. regulators.</p> <p>Economic volatility due to volatile oil prices.</p>

SECTION I. MARKET SUMMARY

Millions of religious pilgrims, foreign workers, and a developing tourism industry give Saudi Arabia a large and resilient hotel, restaurant and institutional (HRI) industry. Changes to labor and social policy, along with evolving Saudi lifestyles, are increasing the need for labor saving food products and technologies. The HRI market has, however, experienced a sharp contraction due to COVID - 19 and lower oil prices. While demand at quick service restaurants has largely rebounded, partly due to home delivery apps, fine dining establishments have been slower to recover. We expect the HRI sector to resume its long-term growth of approximately 3 percent per year once the rebound from COVID - 19 concludes. However, consumers may still have an increased preference for eating from home even after vaccination.

Key Factors Driving Demand in Consumer Food Service Market

- **High Disposable Income:** with relatively high per capita income of US\$22,953 in 2019, eating out is affordable. Saudis spend about 18 percent of their income on food.
- **Social and Cultural Changes:** Dining at the western and western style domestic fast food and casual dining chains is considered a form of entertainment.
- **Increased number of women entering the workplace:** The number of working women is increasing. As they have less time than before to prepare food they often purchase prepared foods on their way home or order lunch at work.
- **Growing number of travelers to Saudi Arabia:** The number of visitors to Saudi Arabia has been steadily growing. In 2019, about 19 million visitors entered the country for various religious and other purposes - an increase of 10 percent over 2017. Saudi Arabia began issuing tourist visas for the first time September 2019. They are also developing domestic tourist attractions.
- **High Demand by Institutional Customers:** demand for prepared food by labor comps, the military, hospitals, universities, the airlines industry, schools, Umrah/Hajj, catering for weddings and other celebrations are key factors that boost the overall HRI sector.

Advantages and Challenges in the Saudi Market	
<ul style="list-style-type: none"> • Popularity of American culture carries over to American food. • U.S. exporters are reliable. • U.S. known for consistency and high quality food products. • Large variety and U.S. food products. 	<ul style="list-style-type: none"> • Price competitive imports from EU, Gulf countries and Asian countries have affected U.S. market share. • Ban on poultry stunning by SFDA eliminated U.S. poultry from the Saudi market. • Livestock meat exports to Saudi Arabia must be Halal certified and participate in a USDA export verification program.

<ul style="list-style-type: none"> • Familiarity of chefs with U.S. food products. 	<ul style="list-style-type: none"> • Increased variety of competitively priced high quality locally processed food products.
<ul style="list-style-type: none"> • There are several American restaurant chains in Saudi Arabia. They regularly source food supplies from the U.S. 	<ul style="list-style-type: none"> • Strict implementation of regulations that may not be compatible with U.S. regulators.
<ul style="list-style-type: none"> • Increasing demand for U.S. beef and seafood products. 	<ul style="list-style-type: none"> • Economic volatility due to volatile oil prices.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. *Entry Strategy*

It is important for U.S. suppliers who are interested in the Saudi food service market to understand customers' demands 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 food suppliers consider the following points when contemplating entry into the Saudi food service market:

- **Look for Strong and Knowledgeable Importer:** Exporters must look for and collaborate with a knowledgeable and reliable importer who knows how the food service sector operates. The prospective importer should have a professional sales force and strong distribution network in major cities - particularly Riyadh, Jeddah, Makkah, Medina, Dammam and Al-Khobar - where most of the foodservice and hotels are concentrated.
- **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 travel to Saudi Arabia. A visit will enable a potential U.S. exporter to see first-hand the types of products needed by the Saudi food service sector and to meet one-on-one with key importers. Face-to-face meetings with buyers in the Arab world are very important and help build trust and confidence. Most Saudi business-people speak English.
- **Attend [Saudi HORECA](#):** Prospective U.S. exporters of food service products should consider attending Saudi HORECA, which has been held since 2011. The show, which is held at the Riyadh International Convention and Exhibition Center (RICEC), is scheduled every November. The exposition showcases most products used in the HRI sector. The show has been consistently growing, and exhibitors have been reporting good results and returning for subsequent shows. Saudi HORECA 2019 featured approximately 240 local and international companies. The first USA Pavilion at Saudi HORECA was held in November 2019 and 10 U.S. companies exhibited at the show. The companies found the show useful and planned to return to Riyadh for the show in November 24-26, 2020 - if it is held as scheduled.
- **Attend U.S. Based and Regional Food Shows:** Exporters will find U.S. based shows, such as the National Restaurant Association Show (NRA), and regional food shows, particularly the Gulfood Show, which is held in Dubai annually helpful. Gulfood is the most important trade event

for Saudi agribusiness - more than 5,000 Saudi companies attend the show every year. Other regional food shows that attract a significant number of Saudi food buyers include Anuga in Cologne, Germany and SIAL in Paris.

- **U.S.-based Consolidators:** Consider using U.S.-based consolidators that have experience exporting food service products to Saudi Arabia - particularly when exporting small quantities. Most Saudi importers buy for mass distribution and employ consolidators. Consolidators source products from U.S. wholesalers, apply bilingual stickers, and arrange mixed containers for shipment to Saudi Arabia. Consolidators often recommend new-to-market products to Saudi Arabian importers.
- **Direct Contact:** Develop direct contacts with hotel and restaurant chain management - including chefs and food purchasing managers.
- **Comply with SFDA Regulations:** Work closely with local importers to comply with food import regulations, including product labeling, to minimize issues at the port of entry.

B. Market Structure

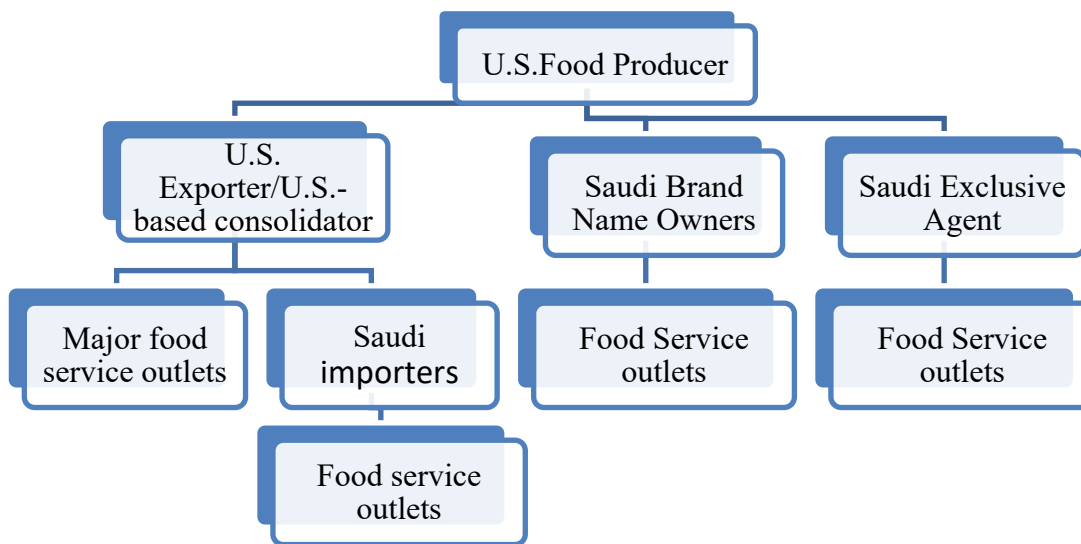
U.S. food manufacturers normally sell directly to their Saudi agents, pack for Saudi private label owners, or sell exclusively to U.S.-based consolidators.

- Major Saudi importers operate well established Kingdom-wide distribution networks, including cold chain networks. They sell directly to hotels, restaurants, cafes, institutional customers, and wholesalers.
- Some Saudi companies that specialize in supplying the HRI sector import a wide range of food products for mass distribution by employing consolidators in the United States. Often, consolidators are the sole regional agents of major U.S. manufacturers or brand owners covering the entire Middle East and Africa. The consolidators assist Saudi food importers by sourcing products from U.S. manufacturers and wholesalers as well as provide services such as placing stickers on labels. The stickers translate key ingredient and product information into Arabic. Stickering is a laborious task and many manufacturers do not want to do it.
- Some food service companies that operate foreign casual dining or fast food franchises have regional purchasing offices located outside Saudi Arabia. For instance, McDonald's uses a Saudi company based in Dubai as its exclusive supplier of imported food products for its Middle East operations. Al-Ahlia Restaurant Company - which operates KFC, Hardee's, TGI-Friday's, Chicken Tikka, Krispy Kreme, Longhorn Steakhouse and Red Lobster in Saudi Arabia - has a regional purchasing office in Cairo. The regional offices are responsible for purchasing food service food products and ingredients from approved suppliers worldwide. These and other large fast and casual dining firms import directly between 30 to 85 percent of their food products. The food products that are directly imported include beef, poultry, cheese, sauces, French fries, potato wiggles, frying oil, mix buns, ketchup, deserts, salad dressing, seafood (shrimp, salmon and other fish) and syrup.

- Many large local and international fine dining, casual restaurants, fast food chains, coffee shops and cafes and hotels have central purchasing offices where each outlet sends orders on a daily basis. The central purchasing offices consolidate the orders and conduct international purchases.
- The Saudi HRI sector is serviced by several specialized food importers who have extensive networks of contacts that enable them to procure products that meet customers' needs. Most of the HRI companies import a large percentage of their food products from the United States and to some extent from Europe and Latin America.

C. Distribution

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



HRI Sourcing of Domestically Produced Products

- Sourcing of poultry products for most international casual dining and fast food franchisors is done locally or from neighboring Gulf countries. For example, Supreme Food Group (SFG), a Riyadh based Saudi company, produces a wide range of poultry and side order items in accordance with customers' specifications and menu options. The firm currently supplies beef (mostly imported) and chicken burgers to Burger King (Middle East), Pizza Hut, Dairy Queen, Pans and Co, Fuddruckers and Applebee's (chicken burger). In addition, the company manufactures and distributes its own range of poultry, red meat and side order items to the broader food service market. The firm's chicken and beef burgers are made from imported chicken meat and beef.
- National Food Company (Americana), which is based in Jeddah, is certified to supply Hardee's with beef burgers. National Food Company is owned by the Americana Group (a Kuwait Food Company) that operates KFC, Hardee's and other American fast food chains and casual dining restaurants in Saudi Arabia. The firm's beef burgers are produced from imported beef.

- Other local food producers provide various ingredients such as buns, other bakery items, shortenings, ketchup, salad dressing and mayonnaise to the food service sector. Most of these products are processed from imported raw materials. Sales representatives of local food producers visit HRI customers weekly, or even on a daily basis, to promote their products.

D. International Chain Hotels and Resorts in Saudi Arabia

Almost all international chain hotels are present in the Kingdom. The hotels depend on local importers for their food ingredients needs. There are currently no upscale resorts in Saudi Arabia.

E. Major Casual and Fast Food Outlets operating in Saudi Arabia

Major U.S. Casual Dining Restaurants	Major U.S. Fast Food Restaurants	Major Local Casual & Fast Food Restaurants
<ul style="list-style-type: none"> • <u>Applebee's</u> • <u>Chili's</u> • <u>TGI Fridays</u> • <u>Long Horn House, Oliver Garden, Red Lobster</u> • <u>Fuddruckers</u> • <u>Texas Roadhouse, Cheesecake Factory</u> 	<ul style="list-style-type: none"> • <u>Shake Shack, Starbucks</u> • <u>Subway</u> • <u>McDonald's</u> • <u>Burger King</u> • <u>Pizza Hut</u> • <u>KFC</u> • <u>Domino's Pizza</u> • <u>Hardee's</u> • <u>Wendy's</u> • <u>Hardee's, Baskin Robins, krispy kreme</u> • <u>Five Guys</u> 	<ul style="list-style-type: none"> • <u>The Steak House</u> • <u>Herfy</u> • <u>Kudu</u> • <u>Al-Baik</u> • <u>Al Taza BBQ Chicken</u> • <u>Shawaya House</u> • <u>Masestro Pizza</u> • <u>House of Donnuts</u> • <u>Piatto</u> • <u>Shawarmer</u> • <u>Jan Burger</u>

Independent stores and chains account for approximately 73 percent of total revenue in the consumer food service sector. In recent years, local investors have developed new home-grown Quick Serve Restaurant (QSR) chains and expanded those already in operation. Maestro pizza chain, established in Riyadh in 2013, has become household name in a span of seven years. With nearly 170 outlets, the pizza chain is preferred by many Saudi and Arab consumers for its quality and price. The firm has become a formidable competitor to U.S. pizza chains such as Pizza Hut and Dominos Pizza. AlBaik, a Jeddah based and highly popular fried chicken chain launched in 1974, is expanding to reach every major city in the Kingdom. In recent years, the firm has increased its outlets from 40 to more than 100. The firm competes head to head with KFC. Its fried chicken and seafood are very popular with non-western consumers (which make up the majority in the Kingdom). Recent trends in Saudi consumer food service include smoke houses, Turkish fine dining steakhouses, other domestic fine dining restaurants, high end sandwich outlets, and food trucks.

F. Institutional

There is no official government data on the value of the institutional food service market in Saudi Arabia. The institutional food sector in Saudi Arabia offers services to schools, workers camps, company cafeterias, hospitals, universities, Hajj catering, military, prisons, airline catering, and special events. However, senior managers from major catering companies interviewed for this report estimate the annual value of the catering market to be approximately \$5 billion. The institutional subsector serves several million meals a day and relies mostly on imports.

SECTION III. COMPETITION

U.S. food products are generally viewed as meeting higher quality standards than imports from other countries and those produced locally. Consumers highly prefer U.S. origin and branded products. And they benefit from strong demand so long as they are priced competitively. Some local retailers use shelf talkers and signs to identify U.S. products and to impress their customers that they carry high quality products.

U.S. food exports face growing competition from the improving quality of both locally produced and competitively priced imported food products from third countries. Food products produced in Gulf Cooperation Countries (GCC) countries enter Saudi Arabia duty free. Food imported from other Arab countries, South Africa, Latin America, New Zealand, Australia and Asian is often lower priced than similar U.S. products - mostly because of lower shipping costs. Usually, local importers prefer to initiate business deals by making small trial orders- conditions that many U.S. exporters are not willing or able to accommodate.

IV. BEST PROSPECTS

A. Products Present in the Market Which Have Good Sales Potential

Dairy products, fresh fruit, fresh vegetables, red meat, condiments and sauces, beverage and other coffee shop ingredients, baked frozen pastries, and frozen sandwich bread.

B. Top Consumer-Oriented Products Imported from the World

Dairy products, food preps. & miscellaneous beverages, poultry meat, fresh fruit, chocolate & cocoa products, processed vegetables, beef, fresh vegetables, tree nuts, processed fruit, condiments & sauces, spices and coffee, roasted and extracts.

C. Top Consumer-Oriented Products Imported from the United States

Tree nuts, dairy products, processed vegetables, condiments and sauces, fresh fruit, snack food and non-alcoholic beer. [This link](#) provides data on U.S. Exports of Agricultural & Related Products to Saudi Arabia for the last five years.

D. Products Not Present in Significant Quantiles but Which Have Good Sales Potential

Organic, diabetic, and better for you products (low in salt, sugar, high in fiber or with added vitamins)

E. Product Not Present Because They Face Significant Barriers

U.S. poultry meat, U.S. table eggs and products, some U.S. seafood, some U.S. spices such as paprika, U.S. lamb and products.

VI. KEY CONTACTS AND FURTHER INFORMATION

A. [The Saudi General Authority for Statistics](#)

B. Post Contact Information

FAS Riyadh maintains an extensive network of food and agriculture contacts in Saudi Arabia and Bahrain. We can provide lists of relevant Saudi food and agricultural product importers to U.S. exporters upon request. U.S. suppliers can contact us to be matched with prospective importers, to qualify prospective importers, for assistance clearing consignments of U.S. products, marketing opportunities, and for information on the Saudi market and regulations.

Post Coordinates:

FAS/Riyadh, United States Embassy,
Tel: 966-11-488-3800 Ext. 4351
Fax: 966-11-482-4364
Internet E-Mail Address: Agriyadh@usda.gov

OAA Riyadh Reports:

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

C. Saudi Government Regulatory Contacts

The SFDA sets food and feed products standards. Contact information for the SFDA, and other ministries involved in food and agricultural products safety and inspection, is as follows:

Dr. Sami Al-Sager, Vice President for Operations
Saudi Food & Drug Authority (Inspects imported food and processed feed products)
Tel: 966-11-203-8222 Ext: 5800 Fax: 966-11-275-7238
Email: ICd@sfd.gov.sa, www.sfd.gov.sa

D. Other Import Specialists Contact

Saudi Arabia does not have relevant import specialists that are not affiliated with the government.

Attachments:

No Attachments