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Report Highlights:

Saudi Arabia is home to an over-sized and resilient hotel, restaurant and institutional (HRI) industry that is a promising market for U.S. exporters. In addition to local cultural preferences, demand is driven by religious pilgrims and foreign labor. In 2019, total consumer food service revenue was approximately \$21.7 billion, but the market experienced a sharp contraction in 2020 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. In 2021, Post expects the HRI sector to resume its long-term growth of approximately three percent per year once the economy overcomes the impact of COVID-19.

Market Fact Sheet: Saudi Arabia

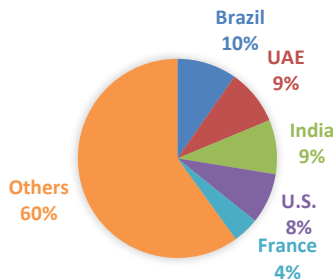
Executive Summary

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 as a result 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, UN Trade Data and FAS Post Data

SECTION I. MARKET SUMMARY

Saudi Arabia has a large and resilient HRI sector as a result of millions of religious pilgrims, foreign workers, and a developing tourism industry. Changes to social policies, 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 (QSR) has largely rebounded, partly due to home delivery apps, fine dining establishments have been slower to recover.

However, Post expects the HRI sector to resume its long-term growth of approximately three percent per year once the economy rebounds from COVID-19. There are currently five factors that are driving the demand in the consumer food service industry:

1. **High Disposable Income:** With a relatively high per-capita income of \$22,953 in 2019, eating out is affordable. Saudis spend about 18 percent of their income on food.
2. **Social and Cultural Changes:** Dining at western style domestic fast food and casual dining chains is considered a form of entertainment.
3. **Increased Numbers of Women Entering the Workforce:** The number of working women entering the workforce has been increasing over the years, and more women prefer to purchase prepared foods rather than cook food.
4. **Growing Number of Travelers to Saudi Arabia:** The number of visitors to Saudi Arabia has steadily increased. In 2019, approximately 19 million visitors entered the country for various religious and other purposes, an increase of 10 percent from the previous two years. (Please note: In September 2019, Saudi Arabia began issuing tourist visas for the first time in order to help their booming tourism sector).
5. **High Demand by Institutional Customers:** Increased demand for prepared foods by the airlines industry, labor camps, the military, hospitals, universities, schools, Umrah/Hajj, catering for weddings and other celebrations are key factors.

Advantages & 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. • Familiarity of chefs with U.S. food products. 	<ul style="list-style-type: none"> • Price competitive imports from the EU, GCC, 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 & participate in a USDA export verification program. • 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 that regularly source U.S. food supplies. • Increasing demand for U.S. beef and seafood products. 	<ul style="list-style-type: none"> • Strict implementation of regulations that may not be compatible with U.S. regulators. • Economic volatility due to volatile oil prices.
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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 a 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 help a potential U.S. exporter see first-hand the types of products needed by the Saudi food service sector and allow them to meet one-on-one with key importers. Face-to-face meetings with buyers in the Arab world are very important and it builds trust and confidence. Most Saudi professionals 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 as well as returning for subsequent shows. Saudi HORECA 2019 featured approximately 240 local and international companies. The first USA Pavilion at Saudi HORECA was held 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, which was planned for November 24-26, 2020. Unfortunately, due to COVID-19, the show was rescheduled for February 2-4, 2021, at the Riyadh Front Exhibition and Convention Center.
- **Attend U.S. Based & Regional Food Shows:** Exporters will find U.S. based shows, such as the National Restaurant Association Show (NRA), and regional food shows, particularly the annual Gulfood Show held in Dubai helpful. Gulfood is the most important trade event for the Saudi agribusiness, and 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, France.

- **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 typically 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, and 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.

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, which translates key ingredient and product information into Arabic. “Stickers” is a laborious task and many manufacturers do not want to do it so potential exporters should keep this in mind when entering the Saudi market.

Meanwhile, 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.
- On the other hand, the 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, Egypt.

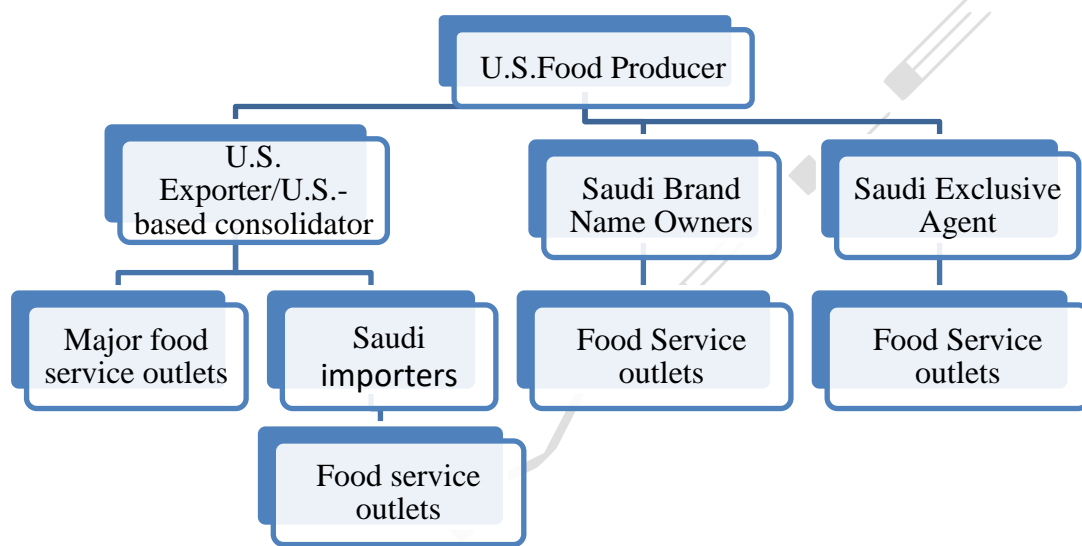
Regional offices are responsible for purchasing food service food products and ingredients from approved suppliers worldwide. These and other large fast and casual dining firms import directly, between 30-85 percent of their food products. The food products that are directly imported include: beef, poultry, cheese, sauces, French fries, potato wiggles, frying oil, mix buns, ketchup, deserts, salad dressing, seafood (shrimp, salmon and other fish) and syrup.

Please note that 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 daily orders. The central purchasing offices consolidate the orders and conduct international purchases.

As for the Saudi HRI sector, it 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



D. HRI Sourcing of Domestically Produced Products

HRI sourcing of domestically produced products differs depending on the products. Below are various examples how each industry sources products.

- Sourcing poultry products for most international casual dining and fast food franchisors is done locally or from neighboring GCC countries. For example, the 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, Fuddrucker's and Applebee's (chicken burgers). 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.
- Meanwhile, the 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 bakery items, buns, ketchup, mayonnaise, salad dressings, and shortenings 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 daily, to promote their products.

E. International Chain Hotels and Resorts in Saudi Arabia

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

F. Major Casual & Fast Food Outlets Operating in Saudi Arabia

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

Independent stores and chains account for approximately 73 percent of total revenue in the consumer food service sector. Recent trends in the Saudi consumer food service includes smoke houses, Turkish fine dining steakhouses, fine dining restaurants, high-end sandwich outlets, and food trucks.

In recent years, local investors have also developed new home-grown QSR chains along with expanding their franchises. Please note the following examples, below.

- The Maestro pizza chain, established in Riyadh in 2013, has become a 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, and the firm has become a formidable competitor to several U.S. pizza chains such; especially, Domino's and Pizza Hut.
- AlBaik, a highly popular fried chicken chain that launched in 1974 is currently expanding and plans 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, and its fried chicken and seafood are very popular with non-western consumers.

G. 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, the 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 or those produced locally. Consumers highly prefer U.S. origin and branded products, and these products benefit from strong demand so long as they are priced competitively. Some local retailers use shelf talkers and signs to identify U.S. products in order to impress their customers with high-quality products.

U.S. food exports face fierce competition from the improving quality of both locally produced and competitively priced imports from third countries. Food products produced in Gulf Cooperation Countries (GCC) countries enter Saudi Arabia duty free. Food imported from other Arab countries, Australia, various Asian countries, parts of Latin America, New Zealand and South Africa often offer lower priced products than similar U.S. products, mainly 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.

SECTION IV. BEST PROSPECTS

A. Products Present in the Market That Have Great Potential

Dairy products, fresh fruit, fresh vegetables, red meats, 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

Beef, chocolate & cocoa products, condiments & sauces, coffee, dairy products, extracts, fresh fruit, fresh vegetables, food preparations, miscellaneous beverages, poultry meat, processed fruit, processed vegetables, spices, and tree nuts.

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 past five years.

D. Products Not Present in Significant Quantiles but Have Potential

Diabetic, organic, and healthier lifestyle products (low sodium/sugar, high fiber or 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, U.S. spices (paprika), and U.S. lamb and products.

SECTION 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 Post to be matched with prospective importers, to qualify prospective importers, for assistance clearing consignments of U.S. products, marketing opportunities, or for information on the Saudi market and regulations.

Post Coordinates

FAS/Riyadh, United States Embassy,
Tel: 966-11-488-3800 Ext. 4351
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 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
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 who are not affiliated with the government.

Attachments:

No Attachments