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Report Highlights:

U.S. exports of consumer-oriented food products to Saudi Arabia decreased approximately five percent in 2020 to $560 million compared to 2019 due mainly to disruptions of air cargo shipments to Saudi Arabia for several weeks following the outbreak of COVID-19. Total retail sales of packaged food in 2020 were estimated at approximately $21 billion. Even though COVID-19 was blamed for a seven percent decrease in total U.S. agricultural exports in 2020 to $1.23 billion, U.S. Customs data for January - March 2021 indicates a 23 percent increase in U.S. agricultural exports over the same period from last year. Post anticipates a significant increase in U.S. high-value food products to Saudi Arabia in 2021 due to expansion of the retail sector as well as a return to normal operations within the food service sector. U.S. food is generally viewed as a higher-quality product, and it is well-positioned to gain market share in traditional retail outlets as well as several new home delivery food buying apps.

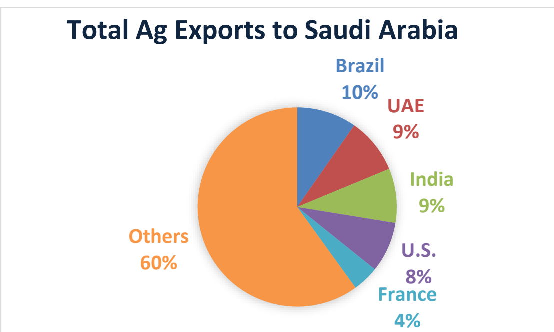
Market Fact Sheet: Saudi Arabia 2021

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 $1.25 billion in agricultural products to Saudi Arabia.

Imports of Consumer-Oriented Products

U.S. exports of consumer-oriented food products to Saudi Arabia decreased five percent to $560 in 2020 compared to 2019 due to mainly to disruptions of air cargo flights for a few weeks following the outbreak of COVID – 19. In 2021, Post anticipates U.S. exports of consumer-oriented products to increase significantly due mainly to continued expansion of the retail sector, increasing demands by the food service sector, and the continued expansion of online grocery shopping.



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**
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*

Data and Information Sources: Euromonitor, UN Trade Data and FAS Post Data

SECTION I. MARKET SUMMARY

The traditional retail sector is being displaced by hyper and supermarkets, and demand for packaged food continues to increase. Major drivers of this transition include increasing disposable income, a growing population and the creation and expansion of urban centers. Total 2020 retail sales of packaged food were approximately $21 billion, and of that amount, 59 percent was generated through traditional channels while 41 percent came through modern retail channels.

U.S. food products typically command higher margins compared to imports from Asia and Arab countries and are generally viewed as a higher-quality product compared to locally produced products. As a result, demand for U.S. food products has been increasing. U.S. exports of consumer-oriented food products to the Kingdom decreased five percent to $560 million in 2020 due mainly to the Saudi government's decision to close the country's airspace for several weeks for all flights, including air-cargo shipments, following the outbreak of COVID–19. Even though this affected U.S. exports in 2020, U.S. Customs data for January–March 2021 indicates a 23.1 percent increase in U.S. agricultural products compared to the same period in 2020. Post expects U.S. consumer-oriented food products to rebound this year due to a continued expansion of retail outlets, full-scale resumption of the food service sector, and continued expansion of food home delivery services.

Table 1 – Major Advantages & Challenges in the Saudi Market

Advantages	**Challenges**
The United States is considered a supplier of quality food products.	Price competitiveness of local products and imports from parts of Asia, Brazil, the EU, New Zealand, and Turkey.
Saudi Riyal (SR) is pegged to the U.S. dollar at the rate of $1 to 3.75 SR, which currently benefits U.S. exports.	Freight costs from the United States are higher than those from export competitors in Europe and Asia.
High per-capita income and purchasing power helps increase demand for healthy, organic products.	Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
Hypermarkets are popular destinations for shopping as well as family outings.	Saudi Arabia maintains dual date labeling system (production and expiration) for all food products.
The United States 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 better diet and healthier food products (low in salt and sugar, high fiber, or added vitamins).	Some food retailers return products to suppliers that are not sold by the expiration date printed on packages in order to get reimbursed.
The increasing number of pilgrims and tourists creates demand for institutional food products.	General lack of brand awareness and loyalty by most of the Saudi consumers.
More than 12 million expats live in Saudi Arabia thus creating demand for ethnic foods.	Negative consumer attitude towards food containing or made from biotech products.
Saudi retail outlets are equipped to carry all	Some consumers perceive U.S. food products as

types of items, including fresh and frozen items.	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 rapidly issued new regulations and standards, which have closed the market to several U.S. products.

SECTION II. ROAD MAP FOR MARKET ENTRY

The success of a U.S. company entering the Saudi market depends on its product, its market knowledge, and its ability to build relationships with established and knowledgeable importers. An experienced Saudi importer should know the market, import regulations, required documentation, and communicate with regulators. This link leads to recently published FAS GAIN Reports, especially the Agricultural Import Regulations and Standards (FAIRS) reports that potential U.S. exporters may find useful. These reports provide more detailed information on Saudi food regulations and certification requirements.

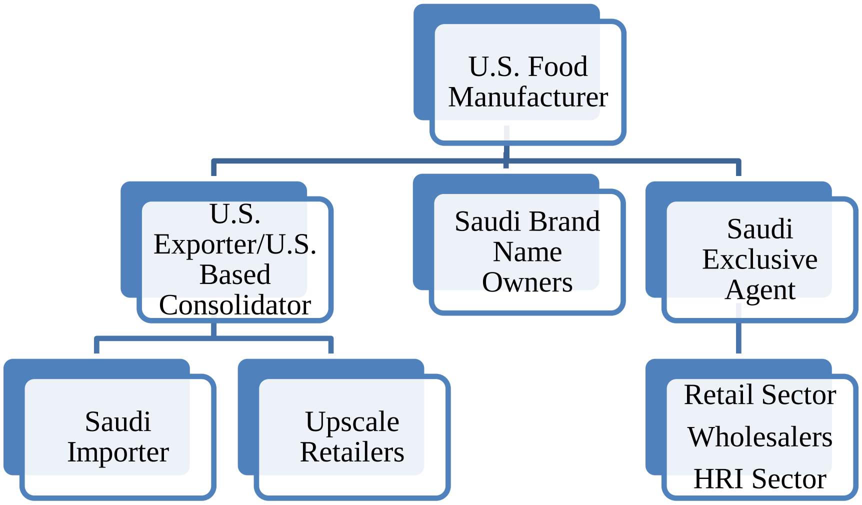
Market Structure

There are numerous food importers in the Kingdom of Saudi Arabia (KSA), and approximately 40 account for the bulk of food imports from the United States. For exporter business tips, please search for FAS Riyadh's recently issued Export Guide at this link. When considering Saudi Arabia as a potential export destination, please consider the following points:

- U.S. producers often sell directly to Saudi exclusive agents, pack for a Saudi private label, or sell exclusively to a U.S.-based consolidator.
- U.S. consolidators sell mostly to Saudi importers and, to some extent, major retailers. Often the consolidator is the sole regional agent of the U.S. manufacturer or brand owner covering the Middle East and Africa. Consolidators may also provide services such as placing Arabic labels on food packages.
- Most major Saudi importers operate well-established distribution networks and sell directly to retailers, wholesalers and the HRI sector all over the Kingdom.

Flow Chart of Distribution Channels

The flow chart below highlights the various marketing and distribution channels of imported food products in Saudi Arabia.



Major Supermarkets\Hypermarkets in Saudi Arabia:

There are no specialized food publications or retail journals in Saudi Arabia and as a result, reliable data on food retailers' sales and floor space is not readily available. Profiles on the major food retailers are below.

- **Panda Retail Company:** The largest retailer in Saudi Arabia. This publicly traded Saudi company has 230 retail outlets (hypermarkets and supermarkets) in Saudi Arabia. The firm also has two hypermarkets in Egypt and one in Dubai, United Arab Emirates (UAE). Most of the company's purchases are local, but it also imports directly. For more information, please use the following link: http://www.panda.com.sa

- **Othaim Supermarket Chain:** This Saudi company has 227 stores in Saudi Arabia and 46 stores in Egypt. The company has also several wholesale outlets. Most of the company's purchases are local, but it also imports directly. For more information, please use the following link: https://www.othaimmarkets.com

- **BinDawood Holding**: This Saudi company operates a total of 73 stores across the KSA, including the BinDawood and Danube supermarket chains and purchases food products locally as well as internationally. It recently announced that it is filing an IPO. For more information, please use the following link: https://www.bindawoodholding.com

- **Farm Superstores:** This Saudi company has 69 supermarkets in the KSA, and most of the company's purchases are local. It also imports directly. For more information, please use the following link: http://www.farm.com.sa/en/

- **Al Raya Supermarkets:** A Saudi-UAE company with 54 supermarkets in the western and southern regions of the Kingdom. It purchases domestically and imports some staple food products. For more information, please use the following link: https://www.alraya.com.sa/

- **Tamimi Supermarkets:** An upscale supermarket with 45 branches in Saudi Arabia and one in Bahrain. The company is one of the largest consolidated U.S. food products importers in Saudi Arabia. It is the only Saudi supermarket that currently sells chilled U.S. beef. For more information, please use the following link: https://tamimimarkets.com/

- **LuLu Hyper\Supermarkets**: A Dubai headquartered retailer with 36 outlets in Saudi Arabia, mostly hypermarkets. It has more than 150 hypermarkets in the Middle East and Asia. The company has plans to open five new Saudi supermarkets by the end of 2020. For more information, please use the following link: https://www.luluhypermarket.com

- **Carrefour Saudi Arabia:** It is a subsidiary of Majid Al Futtaim of UAE; the exclusive Carrefour franchisee in 38 countries across the Middle East, Africa, and Asia. They have 18 Saudi hyper and supermarkets, and mainly imports from France. Post has helped place some U.S. products in Carrefour. For more information, please use the following link: https://www.carrefourksa.com

Lulu, Tamimi, Danube, and Manual Supermarkets (a chain with nine outlets throughout Jeddah) imports a significant percentage of the food products they sell directly from the United States. LuLu owns and operates Y International USA, Inc.; a U.S. purchasing and logistics company based in Lyndhurst, New Jersey, that will be opening additional U.S. branches. The logistics company sources and exports U.S. food products and consumer goods directly to LuLu in the Middle East and Asia while the other three retailers make extensive use of consolidators. Some products (like blueberries, strawberries, lettuce, cherry tomatoes, and other fresh produce) are shipped by air, but most products are shipped by sea.

In 2020, the COVID-19 pandemic shifted food demand to the retail sector and transformed home delivery businesses. Since most food service establishments were closed for several weeks during the outbreak, numerous food delivery apps were created. Various HRI focused companies entered the grocery delivery business, but Post anticipates the 48 mostly new delivery apps, as of October 2020, will likely consolidate. Unfortunately, demand at higher-end restaurants remains depressed and is expected to continue throughout the early months of 2021.

SECTION III. COMPETITION

The United States faces fierce competition in the Saudi food import market from Brazil, Egypt, the EU, India, New Zealand, Turkey, and the UAE.

Table 2: Saudi Imports of Select Food Products by Major Suppliers

Product Category & Total Import Value	Supplier	Mkt Share	Strengths of Key Supply Countries	Advantages & Disadvantages of Local Suppliers
Dairy Products $1.45 billion	1. NZ 2. UAE 3. France 4. Netherlands 7. USA	16.6% 19.6% 9.2% 9.1% 5.4%	Price competitiveness and quality are key factors in this market. New Zealand has been the	Local food processors import cheese blocks for repacking into smaller consumer-sizes. Locally processed cheeses are price

			dominant exporter of cheese and milk powder to Saudi Arabia.	competitive. Recent tariff increases favor local producers.
Poultry Meat & Prods. (ex. eggs) $1.16 billion	1. Brazil 2. France 3. UAE 4. Ukraine 10. USA	70.1% 18.8% 5.7% 5.0% 0.5%	Brazil is the most price competitive supplier. It also meets food service size, moisture and fat content requirements.	Local broiler meat production has gained momentum in recent years due to government assistance programs. It currently accounts for approximately 60 percent of total consumption.
Fresh Fruit $820 million	1. Egypt 2. UAE 3. Ecuador 4. Turkey 6. USA	18.6% 16.7% 10.9% 7.8% 6.9%	Price and availability are the major criteria when importing fresh fruit.	Saudi Arabia depends on imports as it produces limited quantities of citrus, grapes, and pomegranate.
Processed Vegetables $464 million	1. Netherlands 2. Belgium 3. USA 4. Egypt 5. UAE	20.7% 15.9% 13.5% 12.7% 7.9%	U.S. exports of these products have been steadily increasing due to competitive prices and quality.	Some local food processors import frozen vegetables for repackaging. Locally packed vegetables are highly-price competitive.
Fish Products $460 million	1. Thailand 2. UAE 3. Indonesia 4. Norway 16. USA	31.5% 26.8% 12.6% 6.8% 0.4%	Thailand is the dominant supplier of fish products; it mostly ships canned tuna. The UAE re-exports seafood, including U.S. products. Norway ships farmed salmon.	Saudi Arabia is a significant exporter of high quality commercial Red Sea shrimp to the EU, U.S. and Japan
Snack Foods $416 million	1.UAE 2. Italy 3. Turkey 4. Poland 7. USA	22.5% 17.8% 15.7% 8.0% 2.6%	The UAE is a regional food processing and exporting center. The EU and Turkey are also major suppliers due to quality and price.	Local snack food producers depend on imported raw materials, and they do not pay import tariffs on food products imported for reprocessing.
Beef & Beef Products $349 million	1. Brazil 2. India 3. Pakistan 4. USA 5. Netherlands	44.8% 32.2% 8.3% 3.2% 3.0%	Indian buffalo meat and Brazilian beef target lower income consumers and the catering sector. U.S. beef commands a higher price.	The only significant beef production is dairy steers and spent dairy cows.

Fresh Vegetables $316 million	1. Egypt 2. Jordan 3. Netherlands 4. Turkey 9. USA	31.5% 25.3% 12.6% 8.5% 0.9%	Price and availability are the major criteria when importing fresh fruit.	Saudi Arabia is 85 percent self-sufficient in fresh vegetables. Prices of locally produced vegetables are usually higher than imports.
Tree Nuts $269 million	1. USA 2. India 3. Turkey 4. UAE 5. Hong Kong	43.4% 26.2% 10.2% 9.0% 3.1%	Almonds account for the largest percentage of Saudi tree nut imports. The United States is the dominant supplier of almonds to Saudi Arabia.	No local production of tree nuts. There is some local repackaging and processing.
Processed Fruit $174 million	1. India 2. UAE 3. Egypt 4. Turkey 5. USA	24.5% 12.6% 10.2% 9.4% 7.4%	Over the past few years, India has become the largest supplier of processed fruit to Saudi Arabia followed by the UAE and Egypt.	Some local food processors import frozen fruit for repackaging into smaller consumer-size containers.

IV. BEST PROSPECTS

Currently, more consumers in Saudi are seeking out the following products: healthier lifestyle products (diet foods, organic etc.), beef, poultry meat, beverage ingredients, non-alcoholic beer, tree nuts, dairy products, plant-based meats, fresh fruit and vegetables, processed fruits and vegetables, fruit and vegetable juices, honey, and snack foods. This link provides data on U.S. Exports of Agricultural Related Products to Saudi Arabia for the past five years.

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 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 market information and regulations.

Post Contact Information
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OAA Riyadh Reports
OAA Riyadh reports on the Saudi food industry can be found at this link.

Attachments:

No Attachments