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United Arab Emirates

Retail Food Sector

Report

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Approved by:
ATO: Ron Verdonk
U.S. Consulate General
Prepared by:
Marketing Specialist: Mohamed Taha

Report Highlights:

The U.A.E. food retail market continues to develop rapidly. Imported foods account for 75-80 percent of the food retail market. Food retail is expected to grow 5 percent anually due to the growing population and increasing tourism activities.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Dubai [TC1], TC

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I. MARKET SUMMARY

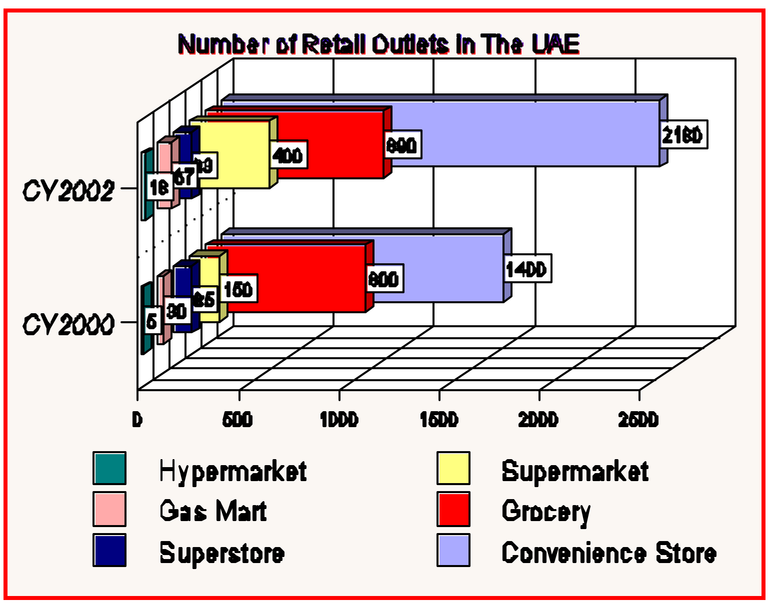
- The food retail sector in the United Arab Emirates continued its rapid development which started about 8 years ago. Many new state of the art stores have been added to the retail map of the country. Competition among the major retailers has largely benefitted the sector. The new stores undoubtedly match many of the large retail stores in the West.
- In the absence of official statistics, the current annual value of the U.A.E. food retail market is estimated at about $2.65 billion.

- Estimated annual average sales growth is about 5 percent. Newly established retail outlets have reported higher growth rates than those claimed by established firms.

- 75-80 percent of all foods that are sold in retail outlets are imported consumer-ready products, while the remaining 20-25 percent is food that is processed locally. With the exception of fresh tomatoes used in the production of tomato paste and catsup and a small quantities of fresh vegetables used for the production of frozen vegetables, almost every ingredient used in the local production of food is imported. Date processing is a growing industry.

- The introduction of hypermarkets and superstores is helping to re-shape the retail industry. The number of hypermarkets has increased by about 350 percent, while the number of super stores grew by nearly 300 percent in the past 2 years.

- In the U.A.E.'s largest cities of Abu Dhabi, Dubai and Sharjah, consumers tend to shop more at large stores and depend less on grocery and convenience stores except for last minute, spur of the moment food needs. In the suburbs, and less developed areas of the country, grocery and convenience stores play an important role in the retail business.



- It is reported that nearly 50 percent of total retail sales is concentrated within hypermarkets, superstores and supermarkets despite their limited number. The remaining 50 percent is conducted through smaller-sized groceries and convenience stores.

- The Co-op movement is growing from year to year. Co-ops in the U.A.E. receive enormous support from the government and attract a broad base of shoppers, particularly U.A.E. nationals, who are usually shareholders of these Co-ops, Arab expatriates and other expatriates with medium to low-incomes. Co-ops generally cater to local and Arab clientele and are known for their competitive prices, though there is a limited range of products displayed. The Co-ops' market share is estimated at 15 percent in the country.

- With the exception of the Co-ops and the Carrefour chain, all major chains directly import a large part of the products they stock, especially through consolidated shipments which gives them an edge. These chains also depend on local companies (importers/ wholesalers/distributors) to supply the items that are:

  1. Handled by an exclusive agent; or
  2. More economical to purchase locally if the required quantity is limited

- Major food companies (importers/retailers/wholesalers) own modern warehousing facilities; are staffed with active sales representatives;are equipped with fleets of dry and refrigerated trucks and run organized food distribution/wholesaling.

- New stores are extending their range of services to include sections for cooked products, ready-to-cook prepared foods, home delivery, cafeterias, banks, bakeries, laundries, audio/video shops, pharmacies, flower shops, etc.

- Distribution/retail of alcoholic beverages is limited to a few authorized dealers only.

Advantages	Challenges
The U.A.E. enjoys one of the highest per capita incomes in the world	Lack of awareness of U.S. products by consumers
The retail sector is experiencing a revolutionary improvement reflected in the upgrading of existing stores and building new ones	Lack of importers knowledge of the wide range of U.S. products and brands
Growing HRI sector	Competition with other low-priced products
U.S. products are perceived as high quality and importers like to deal with U.S. suppliers/products	High freight rates make U.S. products less competitive compared to products imported from other sources, such as the EU
The U.A.E. imports nearly 80 percent of its food requirements	It is a very competitive market, considering the number of suppliers in this diverse, demanding market

II. ROAD MAP FOR MARKET ENTRY

A. Hypermarkets, Superstores, Supermarkets

Entry Strategy

- U.S. companies are encouraged to exhibit at major trade shows in the area, particularly the Gulf Food (GF) Show which takes place in Dubai, United Arab Emirates every 2 years. This show is attended by food company representatives from all over the Gulf. The next GF will be February 23-26, 2003. For more information, please contact ATO Dubai.

- Visit the region. Personal contact is the most effective means of conducting business in the U.A.E. as local food importers receive enormous numbers of letters, faxes and e-mail messages from potential food suppliers from around the globe.

- Exhibit at the FMI/NASDA show since a large number of major importers usually travel to the U.S. to attend the show hoping to identify new products.

- Study the market and be prepared to comply with its labeling requirements and discuss pricing and marketing plans with companies that are interested in your products.

- Entertain orders that are smaller than normal, share a shipment with other U.S. exporters or be prepared a shipment with more than a product.

- Local importers are mainly interested in long term commercial relationships.

Distribution Channels

The U.A.E.'s food wholesaling and distribution system is advanced, well equipped and direct.

- Importers and food manufacturers sell directly to retail outlets.

- Major retailers also act as importers for a number of products and sell directly to other retailers.

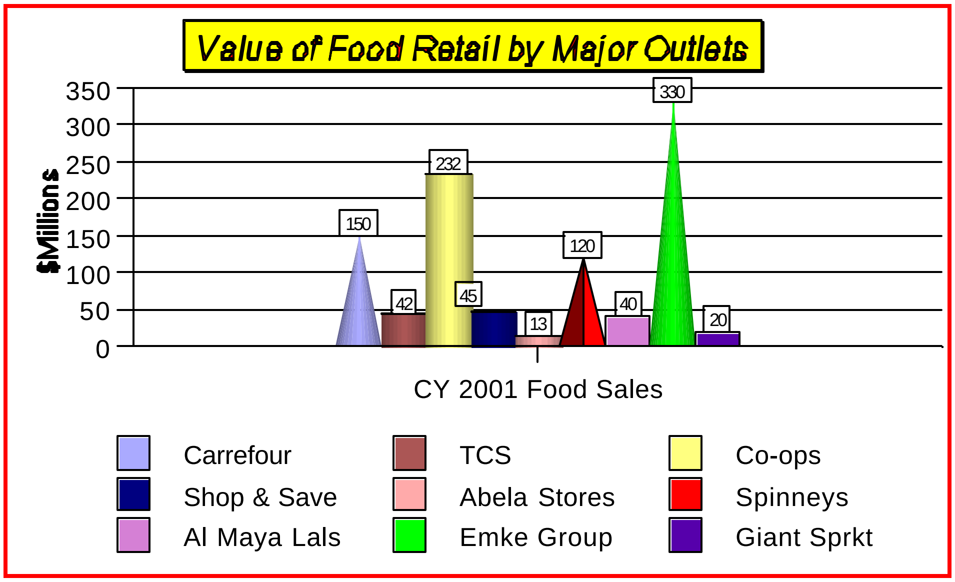
- Co-ops are represented by a "Consumer Cooperative Union" that orders private label products under the Co-op brand name which are retailed only at the Co-op stores.

- Major importers also sell products to wholesalers/distributors who in turn sell these products to retail outlets across the country.

Company Profiles

Retailer Name and Outlet Type	Ownership (local/foreign)	Sales ($Mil)	No. of Outlets	Locations (City/Region)	Purchasing Agent Type
T. Choithram & Sons (TCS)	51/49 Local/Indian	42	22	Regional	Importer/local buyer/distributor
Consumer Co-op	Local	160	86	Regional	Direct
Emirates Co-op	Local	20	6	Dubai	Direct
Baqer Mohebi	Local	8	1	Dubai	Importer/wholesaler/ distributor
Abu Dhabi Co-op	Local	50	10	Abu Dhabi	Importer/local buyer
Abela Stores	Foreign (Lebanese)	13	2	Abu Dhabi/ Sharjah	Importer/Wholesaler /local buyer
Emke Group	Indian	330	25	Regional	Importer/local buyer/wholesaler
Shop n Save	Indian	45	35	Regional	Local buyer
Spinney's	Local	120	13	Regional	Importer/local buyer/wholesaler
Modern Bakery & Supermarkets	Local	7	6	Regional	Importer/buys locally/distributor
Al Maya Lal's Group	UK/India	40	18	Regional	Importer/local buyer/distributor
Carrefour/MAF Hypermarkets	Local	150	7	Regional	Buys locally/ Importer
Lebanese Fruit Co.	51/49 U.A.E./ Lebanese	20	4	Sharjah/Abu Dhabi/Dubai	Importer/local buyer/distributor
Park n' Shop	Indian	7	1	Dubai	Importer/local buyer/distributor
Emarat Gas Marts	Local	27	57	Regional	Local buyer
Giant Supermarket	49/51 U.A.E./Indian	20	9	Regional	Importer/local buyer/wholesaler

Note: Above information are trade and ATO estimates for2001



Market Characteristics

**Hypermarkets, super markets, and superstores are generally located in the main cities. Smaller-sized stores are located in big cities, towns and rural areas, with higher concentration in the interiors.

**The U.A.E. is an affluent country with one of the highest per capita incomes in the world.

**Most development in the retail sector is in large-sized stores. Consumers tend to shop more in big stores and are less dependent on grocery and convenience stores in the cities.

**U.A.E. nationals and expatriates with high incomes, probably close to 1 million individuals or 1/3 the population, are principal consumers of value-added food products.

**Food processed locally represents only 20-25 percent of retailed products but this sector is growing. Imported products account for the lion's share of products. New-to-market products are welcome, but promotion is vital.

**Expatriates represent about 80 percent of the total U.A.E. population

B. ***Grocery Stores, Convenience Stores, Gas Marts***

- Convenience/Grocery (C/G) stores far outnumber other types of retail outlets.
- In the main cities, convenience stores serve as last minute, just-one-item-or-two stores, but are essential in the suburbs and the interiors.
- C/G stores have 40-50 percent of the retail business market share. On the long run, this percentage is expected to decline in view of the current development in the retail sector.
- Generally, food importers/local processors take the initiative to deliver their products to the C/G stores. In some cases, C/G owners obtain store supplies by sourcing from importers/wholesalers.
- Most C/G stores provide home delivery services, and their prices are slightly higher than larger retail outlets.
- C/G stores are not suitable for marketing activities or introducing new-to-market products.
- Gas marts' number is rising and will grow further. More attention is being paid to this concept by giving them a trendy new look and stocked with a wide range of products to attract bigger number of customers. Several of them also run in-store promotions.
- C/G store ownership is broad as each store is usually owned by one person.

III. COMPETITION

- The U.A.E. is heavily dependent on imports to fill the gap between limited domestic supply and increasing demand. With the increase in local production, the U.A.E.'s dependency on imports decreased slightly. At present it is estimated that the U.A.E. imports 75-80 percent of its total food requirements.

- In this affluent country, suppliers from all over the world vigorously compete for market share. Competition from EU and Asian products pose the largest threat to U.S. products. Both have a proximity advantage, hence lower freight costs. Locally processed food products are limited in range and do not pose much threat to products of U.S. origin.

Locally processed foods are made mostly of imported ingredients. In many cases, the U.S. is a significant supplier of these ingredients.

- The U.S. market share for food imports is about 8 percent, according to official import trade statistics and trade estimates. Just over 50 percent of the products imported from the U.S. are consumer-ready and find their way to the U.A.E. retail market or are re-exported to countries throughout the region. Indeed, some estimates peg the value of U.A.E. food re-exports (from all sources) at $1 billion, while others speculate that it accounts for as much as half of U.A.E. imports.

- The U.S. dominates the market for high quality snack food products. Similar local products are of lower quality, though improving. Snack food products produced in other Gulf states and Germany are also imported. A leading U.S. snack food brand (Pringles) is currently exporting to the U.A.E. products that are produced in Belgium.

- The U.A.E. imports large quantities of breakfast cereals that are produced in the EU under licence from U.S. companies. Other cereals of U.S. origin are also imported. Generally, the UK, Germany and Australia are the principal suppliers of breakfast cereals.

- India is the main supplier of beef, mostly for further processing. While New Zealand and Australia became other principal suppliers of beef, they dominate the market for lamb and mutton in the U.A.E. U.S. beef is popular among the HRI sector, particularly luxury hotels and restaurants. Unfortunately, it is too expensive to be retailed.

- France, Brazil and Denmark are the principal poultry product suppliers. Together, they have nearly 80 percent of the poultry market. U.S. parts, particularly leg quarters have become popular. U.S. whole chicken is relatively expensive compared to other subsidized similar products from France and Denmark.

- Cheeses are mainly imported from France, Holland, Australia, Switzerland and the UK. A limited quantity of U.S. cheese is flown in for major retailers, at a premium price. Milk powder is imported from Holland, Denmark and New Zealand. Other dairy products such as fresh, re-constituted and UHT milk, yogurt and other Arabic style dairy products are locally produced.

- Holland and India are the principal supplier of table eggs. Locally produced and Gulf origin eggs are in demand for their freshness, though much more expensive.

- The U.S. is the principal pear supplier to the U.A.E. and the second largest supplier of fresh apples after Iran. Lebanon, Chile, Turkey, France and China also supply smaller quantities of apples and pears to the U.A.E. Other types of fresh fruits and vegetables are imported from Iran, India, Pakistan, Saudi Arabia, Lebanon, Jordan, South Africa, Australia, Syria, Pakistan and Egypt.

- The U.S. is the main supplier of almonds. Other types of nuts are imported from Iran, Turkey and India.

- A number of non-alcoholic beverages are locally produced. Also, a wide range of these products is imported from a large number of suppliers across the globe. However, high quality juices are imported mainly from the U.S. and South Africa.

- Alcoholic beverages are mainly supplied by the EU, Australia and India. A limited quantity of beer, wine and bourbon is imported from the U.S.

- Nursery stocks are imported from Holland, India and Pakistan. Recent years have witnessed an increase in the production of locally produced nursery products.

- The EU, Australia and the U.S. are the principal suppliers of pet foods.

- Dates, tomatoes, certain other vegetables, and strawberries, are widely produced in the U.A.E. Fresh milk production is supplied by a handful of large-sized dairy farms. Fresh chicken and table eggs are also locally produced. However, their prices by far exceed imported subsidized similar products.

IV. BEST PRODUCT PROSPECTS

A. Products present in the market which have good potential, include:

- Alcoholic beverages
- All types of sauces and condiments
- Assorted beverages
- Breakfast cereals
- Canned fruits & vegetables
- Confectionery products, candies and chocolates
- Edible oils
- Fresh pears, apples and strawberries
- Frozen vegetables and corn
- Health foods and products for special needs such as diabetic foods
- Honey

- Ice cream
- Packaged juices
- Pet foods
- Planting seeds
- Poultry products
- Rice
- Salted high quality snack foods
- Shelled almonds and other tree nut products and dried fruits such as raisins and prunes

B. Products not present in significant quantities, but which have good sales potential, include:

- Fresh citrus fruits
- Frozen meat and products
- Frozen desserts
- Jams and marmalades
- Pasta products
- Powdered milk and cheeses
- Spices
- Table eggs
- Whole chicken

Note: Heading **C. *Products Not Present Because They Face Significant Barriers*:** does not apply to the U.A.E. market which is dependent on imported food products. Moreover, the U.A.E.'s liberal trade policy allows the importation of food products at no import duty, except for pork products which are subject to a 4 percent import tariff.

Retail outlets are generally stocked with a wide range of fresh, canned, chilled and frozen food products. Locally produced foods represent little threat or competition to imported foods. We estimate locally processed products represent no more than 15 percent of the total volume of food products sold in retail stores.

Locally produced foods are limited to salty snack foods, soft drinks under licence from leading world brands, packaged edible oils and juices, processed dairy products in addition to a small quantity of locally grown frozen vegetables.

V. POST CONTACT AND FURTHER INFORMATION

A. Food Import Regulations

The latest revised version of ATO Dubai's "U.A.E. Food and Agricultural Import Regulations and Standards Report" is currently available on the USDA/FAS home page on the following URL:

http://www.fas.usda.gov/scripts/attacherep/default.asp

B. Other ATO Publications and Reports Concerning the U.A.E.

1. Publications
American Food Directory 2002. This annual publication lists the American food companies and franchises present in the five Gulf countries covered buy ATO Dubai as well as their local distributors in each of these countries. A free copy may be requested from ATO Dubai.

2. Attache Reports
Latest ATO Dubai attache reports of trade interest may be viewed on the USDA/FAS home page on the following URL: http://www.fas.usda.gov/scriptsw/attacherep/default.asp

C. Contact Information

Agricultural Trade Office
U.S. Consulate General
P.O. Box 9343
Dubai, United Arab Emirates
Tel: 971-4/311-6183
Fax: 971-4/311-6189
E-mail: atodubai@emirates.net.ae
Homepage: http://www.usembabu.gov.ae/atodubai.htm