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## **Saudi Arabia**

### **Retail Food Sector Report**

**2000**

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#### **Report Highlights:**

**The number of retail outlets in Saudi Arabia continues to expand, offering more opportunities to introduce new-to-market American food products. U.S. exports of consumer-oriented food products to the Kingdom reached a record high in CY 1998: \$126 million. With a young and growing population, Saudi Arabia will continue to be a substantial market for food products and food ingredients in the future.**

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**SECTION I. MARKET SUMMARY**

Note: The Saudi Riyal is fixed to the U.S. dollar at 3.75 SR to \$1.00.

### ***1. Summary and Facts:***

The Kingdom of Saudi Arabia has a young population: Fifty percent of Saudi citizens are under the age of 16 years. The Kingdom's per capita income was \$6,600 in 1998, versus \$32,000 in the United States. Of its 21 million inhabitants, about 7 million are non-Saudis, or ex-pats. The ex-pat population in Saudi Arabia consists mainly of workers from the Sub Continent of Asia (India, Pakistan, Bangladesh, Sri Lanka), The Philippines, and East Africa. About 40,000 Americans and 30,000 British reside in the Kingdom.

Saudi Arabia has undergone tremendous changes, both economically and socially, over the past few decades. In 1930, there were no paved roads in Saudi Arabia. The capital city of Riyadh consisted mainly of mud structures. With the discovery of oil and its subsequent development (Saudi sits on 25 percent of the world's known oil reserves), Riyadh and other urban areas of the kingdom experienced unprecedented growth over the past three decades. Today, Riyadh is a thriving metropolis of 4 million, landscaped with multi-lane highways and glass and steel skyscrapers. The downtown of Riyadh continues to develop, with a huge "Kingdom Tower" being built which will house top retail stores, including Saks Fifth Avenue. Excellent highways connect all corners of the Kingdom. The ports of Jeddah on the Red Sea and Dammam on the Arabian Sea are modern and efficient, handling thousands of containers annually. Railways connect Riyadh with the oil-rich Eastern Province.

Total Population: 21 million (7 million ex-pats)

Per Capita GDP (1998): \$6,600

Total Agricultural Imports (1998): \$5 billion

Total Imports of Consumer-Oriented Food Products (1998): \$2.3 billion

CY 1998 U.S. Agricultural Exports to Saudi Arabia: \$533.9 million, of which:

Bulk: \$177.5 million

Intermediate: \$199.0 million

Consumer-Oriented: \$126.1 million

Forest Products: \$ 30.9 million

Fish and Seafood: \$ 0.4 million

### ***2. Trends in the Saudi Food Retail Sector:***

j The Saudi market for imported consumer food and edible fishery products increased 4 percent annually over the past few years, reaching 2.3 billion U.S. dollars in CY 1998 (total Saudi food and agricultural imports totaled about \$5 billion in 1998). U.S. exports of consumer-oriented products to Saudi Arabia reached \$126 million in 1998, a record high. For the first 11 months in CY 1999, U.S. exports of consumer-oriented products to Saudi Arabia are higher than during the same period a year-earlier, due mainly to increases in U.S. exports of fresh fruit and dairy products. Saudi consumers are discriminating consumers and enjoy new food products. With a young and growing population, U.S. food and agricultural exports to the Kingdom should continue to expand in the coming

years and decades.

- j Saudi buying and eating habits have changed significantly since the introduction of Western-style supermarkets and restaurants in the late 1970s. Built initially to cater to Western expatriates working in the Kingdom, modern Western-style supermarkets are popular with the Saudis. Currently, the number of supermarkets in the Kingdom total about 275 and continue to increase in number. Most are comparable to those in the United States.
- j An increasing number of Saudis shop regularly at supermarkets, especially women. The retail sector now accounts for about 60 percent of all food purchases in the Kingdom; the balance in the wholesale sector. Supermarket shopping is considered a primary form of entertainment for the Saudi family. Many supermarkets have built large play areas for children and are surrounded by several boutiques, photo, music, and barber shops, and fast food restaurants.
- j Mergers of supermarket chains are on the upswing. Consolidation has made it economically feasible for selected supermarket chains to import a portion of their stock directly from the United States. Nevertheless, supermarket chains and other retailers depend enormously on local importers for sourcing, merchandising, and inventory control.
- j The food importing industry is equipped with modern climate controlled warehouses, cold storage facilities, fleets of refrigerated trucks, and sufficient numbers of hard-working employees.
- j About 85 percent of all food items sold in retail outlets are imported as consumer-ready products; the balance manufactured locally (made predominantly with imported ingredients).

### ***3. Advantages and challenges of pursuing the Saudi market for imported foodstuffs:***

| <b>ADVANTAGES</b>   | <b>CHALLENGES</b>   |
|---|---|
| The Saudi population is growing at 3.4 percent annually   | Increased competition from locally produced food products and from imported food products from Europe and Far East. |
| The number of upscale supermarkets continues to increase, creating greater opportunities to display new-to-market American food products. | Freight costs from the United States are higher compared to those from, say Europe and Asia.                        |

|   |  |
|---|--|
| The growing number of fast food restaurants, hotels and resorts, and the thriving catering sector depend heavily on imported institutional size food products.                  | Arabic labeling and shelf life restrictions.   |
| Large number of Saudi food importers prefer dealing with U.S. suppliers because of quality and reliable service.  | Halal certification required for all meat and poultry products exported to Saudi Arabia.         |
| Saudi consumers have a penchant to try new products and are shopping more frequently at supermarkets.   | Saudi regulations require that the number of different food items in one container not exceed 25 |
| The acceptance of Saudis to mass media advertisement.   | Lack of awareness by consumers of U.S. products.   |
| Each year, thousands of Saudi families visit the United States for vacation and are exposed to new food products.   |  |
| The U.S. is considered a supplier of quality foodstuffs.  |  |
| The potential for agricultural production is limited in Saudi Arabia due to the lack of arable land and water, hence imports of food will continue to be strong.                |  |
| Young population: The last official census indicated that more than 60 percent of Saudis are in their teens. Younger Saudis prefer Western-style foods more than their parents. |  |
| Changing lifestyles. The number of working women is increasing, leading to more shopping at supermarkets to purchase prepared food items.                                       |  |
| Supermarket shopping is considered a major form of entertainment for Saudis and most expat families.  |  |
| A growing number of class A supermarkets are importing food products directly. Supermarkets look to the U.S. for new products.  |  |
| Per capita income of \$6,600 per year.  |  |

## **SECTION II. ROAD MAP FOR MARKET ENTRY**

### **1. Entry Strategy:**

The Saudi import market for foodstuffs is dynamic, with new-to-market products introduced daily. Managers of Saudi supermarkets indicate that to survive in this competitive market, a wide array of products must be available to consumers. Some guidelines applicable to new-to-market exporters who wish to enter the Saudi market are as follows:

**A. Find a strong Saudi partner;** a company with a professional sales force and a strong distribution network. The U.S. Agricultural Trade Office/Riyadh (ATO/Riyadh) maintains lists of key importers.

**B. Pay a visit to Saudi Arabia,** if possible. ATO/Riyadh can help with logistics. A visit will enable a potential U.S. exporter to see first hand the types of products found in Saudi supermarkets, corner grocery stores, and wholesale markets; to view cold storage facilities, infrastructure, and to meet one-on-one with key importers. Face-to-face meetings in the Arab world are important and help build trust and confidence. Most Saudi businessmen speak excellent English.

**C. Understand Saudi Arabia's labeling requirements.** A product label showing an arm or leg of a woman would not be acceptable, for example. Likewise a product with a hidden recipe inside the box calling for pork would not be accepted, or a product containing alcohol. Saudi Arabian Customs rejected several containers of gelatin a couple of years ago because of the detection of traces of pork in the product, even though the product label clearly indicated beef gelatin. Several cases of root beer were rejected initially by Saudi Customs because the product label contained the word, "beer", a word connoting alcohol. Alcohol is banned in the Kingdom as a product and as an ingredient, except under special circumstances.

**D. Understand Saudi Arabia's shelf-life requirements:** Every food product sold in the Kingdom must be stamped with Production and Expiry dates, and be in accordance with the Saudi Arabian Standards Organization (SASO). Cookies with filling have a 9 month shelf life; cookies without filling have a 12 month shelf-life, for example.

**E. Provide a professional portfolio on the products you wish to offer** when approaching a Saudi importer. Saudi importers and distributors convey to ATO/Riyadh that they would like to know how a product performed in the United States before test marketing in Saudi Arabia.

**F. Consider attending the 2000 FMI Convention and other international food shows.** The 2000 Food Marketing Institute (FMI) Convention will be held in Chicago, May 7-9, 2000, and will feature the U.S. Food Export Showcase sponsored by the National Association of State Departments of Agriculture (NASDA) and the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture. Most key Saudi importing companies attend this show as well as SIAL in Paris (October 22-26, 2000) and ANUGA in Cologne, Germany (October 13-18, 2001). Saudi importers attend and participate in the biannual Gulf Food Show, scheduled to be held in Dubai, United Arab Emirates, February 25-28, 2001. Saudi Food 2000 will be held in Jeddah next month (February 20-

24, 2000).

**G. Consider contacting U.S.-based consolidators** that source American food products from wholesalers. ATO/Riyadh maintains a list of the major U.S. consolidators selling to Saudi buyers.

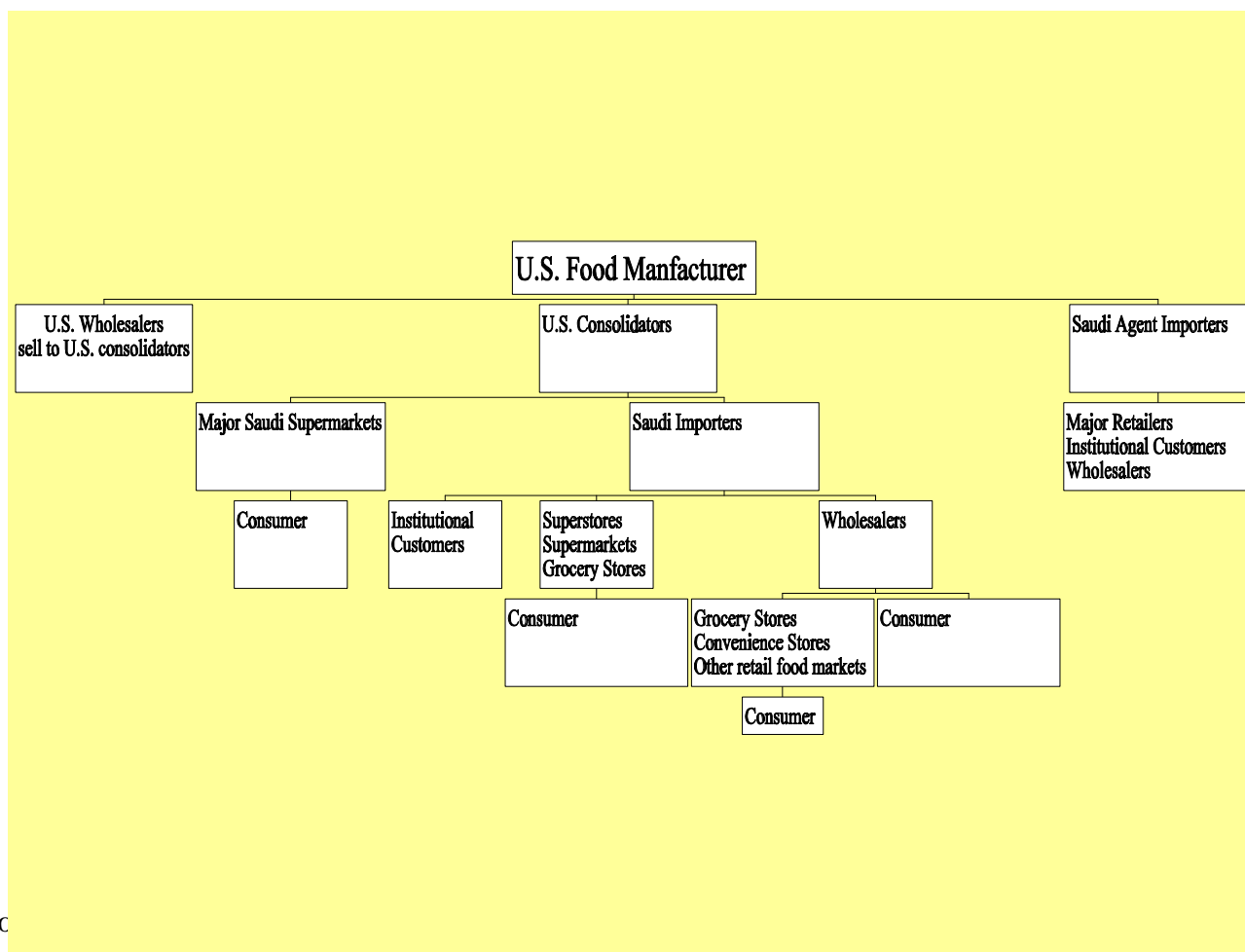
## **2. Modi Operatus of Saudi Importers:**

When searching for an importer to distribute your product, it is important to understand how the company operates. The section below outlines four basic types of importers:

- T    *Sole-Agency Importers:*** Some Saudi importers prefer to deal only with U.S. companies manufacturing and marketing national brands and usually require sole agency agreements. The Saudi importer is willing to help build the brand, but normally requires support from the U.S. company. Assistance offered by U.S. firms include promotional and marketing assistance.
- T    *Private Label Importers:*** Several Saudi importers are willing to test-market a new food product under the condition that if it succeeds, the product will be labeled under its own private brand. As in the United States, private labels are becoming commonplace in Saudi Arabia.
- T    *Importers Using the Services of U.S. Consolidators:*** Importers under this category normally purchase a wide range of food products for mass distribution, employing the use of consolidators in the United States. U.S.-based consolidators assist Saudi food importers by sourcing products from large U.S. wholesalers and providing services such as placing bi-lingual stickers on product labels. Current Saudi regulations allow U.S. suppliers to place an Arabic language sticker on the original English language label. The stickers translate key ingredient and product information into Arabic. Sticking is a laborious task and most manufacturers do not want to bother with this. Most U.S. consolidators are based on Houston, New York, and other ports and are located close to large wholesalers.
- T    *Supermarkets As Importers:*** Expansion in the number of stores and consolidation of supermarket chains have made it feasible for many supermarket chains to import a portion of their stock directly from the United States. One company owning a modern supermarket chain imports up to 300 new-to-market American food products yearly for sale in its stores, lending support to a wide range of brands without a binding agency agreement.

## **3. Distribution Channels:**

The flow chart below highlights the different marketing channels a food product can arrive Saudi Arabia from a manufacturing plant in the United States:



Foc

consolidators. U.S.-based consolidators buy from manufacturers and/or wholesalers.

Some consolidators act as sole distributors for U.S. manufacturers in the Middle East. U.S. consolidators sell directly to Saudi importers and/or major Saudi supermarket chains, such as Tamimi Markets, Al Azizia-Panda, or Al Watania Superstores..

Major Saudi importers have well established Kingdom-wide distribution networks and sell directly to retailers, institutional customers, and wholesalers. Corner grocery stores and convenience stores source their products locally from wholesalers

#### 4. Profiles of Major Saudi Supermarkets:



The table below provides a list of the major "western-style" supermarket chains in Saudi Arabia. Sales data or square meters are not available to the public. There are no food publications or supermarket journals in Saudi Arabia. The information below was obtained from personal interviews of store managers by the U.S. Agricultural Trade Office/Riyadh.

| <b>Retailer Name and Outlet Type</b>  | <b>Ownership</b> | <b>Sales (\$Mil)</b> | <b>No. of Outlets</b> | <b>Location (city/region)</b>                          | <b>Purchasing Agent Type</b> |
|---------------------------------------|------------------|----------------------|-----------------------|--|------------------------------|
| <b>Al Azizia Panda</b>                | <b>Local</b>     | <b>N/A</b>           | <b>32</b>             | <b>Riyadh, Jeddah Dammam, Jubail, Mecca and Qassim</b> | <b>Importer/local buyer</b>  |
| <b>Universal Marketing(Al-Othaim)</b> | <b>Local</b>     | <b>N/A</b>           | <b>18</b>             | <b>Riyadh</b>  | <b>Importer/Local Buyer</b>  |
| <b>Tamimi Markets</b>                 | <b>Local</b>     | <b>N/A</b>           | <b>11</b>             | <b>Riyadh, Dammam, Al-Khobar</b>                       | <b>Importer/Local buyer</b>  |
| <b>Giant Sores</b>                    | <b>Local</b>     | <b>N/A</b>           | <b>8</b>              | <b>Dammam, Jeddah, Khamis, Jubail</b>                  | <b>Local buyer</b>           |
| <b>Arabian Food Supplies</b>          | <b>Local</b>     | <b>N/A</b>           | <b>8</b>              | <b>Riyadh, Dharan</b>                                  | <b>Importers/local buyer</b> |
| <b>Al Raya</b>                        | <b>Local</b>     | <b>N/A</b>           | <b>7</b>              | <b>Jeddah, Mecca</b>                                   | <b>Local buyer</b>           |
| <b>Farm Supermarkets</b>              | <b>Local</b>     | <b>N/A</b>           | <b>7</b>              | <b>Dammam, Al-Khabar, Dharan and Jubail</b>            | <b>Local buyer</b>           |
| <b>Astra Supermarkets</b>             | <b>Local</b>     | <b>N/A</b>           | <b>7</b>              | <b>Tabuk</b>   | <b>Local buyer</b>           |
| <b>Star Supermarkets</b>              | <b>Local</b>     | <b>N/A</b>           | <b>6</b>              | <b>Jeddah, Yanbu</b>                                   | <b>Local buyer</b>           |
| <b>Sarawat Supermarkets</b>           | <b>Local</b>     | <b>N/A</b>           | <b>5</b>              | <b>Riyadh, Jeddah, Medina</b>                          | <b>Local buyer</b>           |
| <b>Al Fao Supermarkets</b>            | <b>Local</b>     | <b>N/A</b>           | <b>5</b>              | <b>Jeddah</b>  | <b>Local buyer</b>           |
| <b>Food Basket</b>                    | <b>Local</b>     | <b>N/A</b>           | <b>4</b>              | <b>Riyadh</b>  | <b>Local buyer</b>           |
| <b>Al Hamada Stores</b>               | <b>Local</b>     | <b>N/A</b>           | <b>4</b>              | <b>Jeddah</b>  | <b>Local buyer</b>           |

|                                    |              |            |          |                       |                                  |
|------------------------------------|--------------|------------|----------|-----------------------|----------------------------------|
| <b>Bin Dawood</b>                  | <b>Local</b> | <b>N/A</b> | <b>4</b> | <b>Jeddah, Makkah</b> | <b>Local buyer</b>               |
| <b>Danube</b>                      | <b>Local</b> | <b>N/A</b> | <b>4</b> | <b>Jeddah</b>         | <b>Importer/<br/>local buyer</b> |
| <b>Marhabah</b>                    | <b>Local</b> | <b>N/A</b> | <b>3</b> | <b>Jeddah</b>         | <b>Local buyer</b>               |
| <b>Halwani</b>                     | <b>Local</b> | <b>N/A</b> | <b>3</b> | <b>Riyadh, Jeddah</b> | <b>Local buyer</b>               |
| <b>Al Sadhan</b>                   | <b>Local</b> | <b>N/A</b> | <b>3</b> | <b>Riyadh</b>         | <b>Local buyer</b>               |
| <b>Al-Ghounam<br/>Supermarkets</b> | <b>Local</b> | <b>N/A</b> | <b>2</b> | <b>Abha, Khamis</b>   | <b>Local buyer</b>               |
| <b>Euromarche<br/>Superstore</b>   | <b>Local</b> | <b>N/A</b> | <b>1</b> | <b>Riyadh</b>         | <b>Local buyer</b>               |
| <b>Watani<br/>Supercenter</b>      | <b>Local</b> | <b>N/A</b> | <b>1</b> | <b>Jeddah</b>         | <b>Local buyer</b>               |
| <b>Max Discount<br/>Center</b>     | <b>Local</b> | <b>N/A</b> | <b>1</b> | <b>Riyadh</b>         | <b>Local buyer</b>               |
| <b>Al-Owaida<br/>Supermarket</b>   | <b>Local</b> | <b>N/A</b> | <b>1</b> | <b>Hail</b>           | <b>Local buyer</b>               |

Source: U.S. Agricultural Trade Office/Riyadh

### ***5. Market Structure of Supermarkets:***

The supermarket chains listed above are the larger supermarkets in the Kingdom (in terms of floor space and volume) and are referred to by the food trade as Class A supermarkets; they total about 135. Smaller supermarkets (those which contain grocery carts) number about 140. The definition between Class A and Class B supermarkets is not well defined in Saudi Arabia. Information on the supermarket industry and food trade in the Kingdom is virtually non-existent. Saudi companies are not subject to taxes and financial information is not available to the public.

Larger supermarkets are normally found in the three largest commercial urban areas of the Kingdom: Jeddah, Riyadh and Dammam\Al-Khobar\Dhahran. Class B supermarkets are located in major urban areas and medium-size cities of the Kingdom. The number of Class A and Class B supermarket increased from about 80 in 1984 to about 275 in 1999 and continue to grow. Factors which have contributed to the growth of supermarkets include more exposure to the "West" via satellite television and travel, changing lifestyles, and a craving by Saudi consumers for more variety.

Giant Stores (no link to U.S.-based Giant Stores) and Watani Superstores are significantly larger than most upscale supermarkets in the Kingdom, comprise large parking areas, contain both food and non-food items, and offer discounted prices for items purchased in quantity. The stores are convenient for large families.

Tamimi Markets and Al Azizia-Panda import fresh fruit and vegetables directly from the United States. Strawberries, apples, celery, lettuce, and other selected produce are flown in while others arrive by ship in containers. Tamimi and Al Azizia-Panda also import a significant percentage of dry goods, chilled beef, and dairy products directly from the U.S., employing the use of consolidators.

The recently opened Max Discount Center has introduced a unique concept to the Kingdom's food retail sector. Owned by the Bahraini conglomerate, Kanoo, the store comprises 8,000 square meters of floor space, half of which is devoted to grocery products. The store is unusual in that its main clients are small "corner grocery" stores, or bakalas, rather than individual customers. Store managers indicate that Max Discount Center is striving to be the premier wholesale market for small grocers by offering rebates and discounts on large purchases. A second store of 15,000 square meters will soon be completed in Riyadh and a third store is planned.

#### ***6. Structure of Wholesale Markets:***

Traditional wholesale markets normally cover a large area and are divided by product category: a fresh fruit and vegetable market; cold storage shops selling meats, cheeses, and poultry; and stores selling a wide range of dry goods. The largest wholesale markets in Riyadh are the Utega Center and Rabwa, each located 15 minutes from downtown. About 30-40 percent of all food purchases by Saudis are done at wholesale markets. Drivers employed by Saudi families normally spend several hours weekly shopping at wholesale markets. Women are not permitted to drive in the Kingdom.

#### ***7. Structure of Corner Grocery Stores (Bakalas):***

Corner grocery stores, commonly referred to as Bakalas, are found in every neighborhood in the Kingdom. They cater mainly to Saudis and citizens from developing countries. Despite the growing number of modern supermarkets in Saudi Arabia, the number of bakalas has not decreased, as once predicted. The reasons are that women can not drive and depend on grocery stores within walking distance; most third nationals working in the Kingdom do not own automobiles; and continued urban and suburban sprawl. Most compounds housing expatriates contain one or two corner grocery stores. Arabian Food Supplies owns and operates 48 corner grocery stores in "Western" compounds throughout the Kingdom.

Bakalas are filled with many consumer-oriented products originating from the United States and most have chillers and the capability to store frozen foods. In addition to corner grocery stores, there are hundreds of ethnic stores in the Kingdom, catering to Indians, Pakistanis, Filipinos, and other Asians. Foods from many

parts of the world are found in the Kingdom.

### **SECTION III. COMPETITION**

#### **1. Local Food Processing Sector:**

Local manufacturing of food products has expanded rapidly over the past 5 years. The Saudi government assists the food industry by providing attractive financing and subsidies on selected equipment and by imposing higher import tariffs on certain imports which compete with locally-produced products (poultry meat, table eggs, infant foods based on milk, macaroni and similar products, etc.). Locally-produced food products also have an advantage over imported food products because they can be exported duty free to any country within the Gulf Cooperation Council (GCC): Kuwait, Oman, Qatar, Bahrain, United Arab Emirates, and Saudi Arabia. Hence, the market for locally-manufactured products consists of the entire Arabian Peninsula, including Yemen. The expanded market has prompted many international companies to set up licensing agreements with local manufacturers in Saudi Arabia to produce their brand. Such companies include Kraft/General Foods, Delmonte, Pepsico, and Coca-Cola.

The vast majority of consumer-ready food items sold in Saudi supermarkets are imported. Most manufactured food products are made with imported ingredients. Sunbullah, for example, imports blocks of frozen vegetables, and subsequently breaks the blocks down to consumer-size packages for sale in Saudi retail outlets.

#### **2. Imports:**

The Saudi market for imported consumer food and edible fishery products has increased 4 percent annually in recent years, reaching 2.3 billion U.S. dollars in CY 1998 (total Saudi food and agricultural imports totaled about \$5 billion in 1998). U.S. exports of consumer-oriented food products to Saudi Arabia reached \$126 million in 1998, a record high and continue to gain strength in 1999. Markets for selected imported products are summarized below:

- % **Apples:** Saudi Arabia is the largest market for imported apples of the 6 Gulf Cooperative Council (GCC) countries, buying \$42 million in 1997. With a 20 percent market share, the U.S. was the second largest supplier in 1997 after Chile, and followed by Iran and Turkey. Red apples dominate the market. The overall demand for apples is forecast to grow by 4 percent in the next six years, with the U.S. share expected to increase slightly higher at 5 percent. Promotional activities to create more awareness of U.S. apples and varieties will be needed to maintain and increase U.S. market share.
- % **Cheese:** Saudi Arabia imported \$153 million of cheese in 1997. Leading suppliers were France, Denmark, Australia, and New Zealand. The U.S. market share was a paltry 2 percent. With a steady increase in demand for cheese and cheese products, coupled with the development of new cheese processing companies (there are now 5), the demand for imported cheeses in blocks is expected to

increase.

- % **Natural Honey:** Saudi imports of natural honey totaled \$16.3 million in 1997. Australia was the leading supplier with 26 percent of the total value, followed by Yemen, Turkey, Germany, and Mexico and the United States (5%). It is interesting to note that Yemen supplied only 47 metric tons (MT) in 1997, yet Yemeni honey was by far the most expensive, valued at \$60,091 per MT versus U.S. honey at \$2,845/MT and honey from Turkey at \$6,575/MT. Honey is an integral part of the Saudi diet and imports are expected to slightly exceed the population growth rate (currently 3.4 percent).
- % **Non-fat Dry Milk Powder:** Saudi imports of nonfat dry milk powder totaled \$185 million in 1997. The U.S. share declined from \$5 million in 1995 to \$791,200 in 1997, owing to higher prices. Leading suppliers were the Netherlands (33%) and New Zealand and Denmark, 16 and 13 percent of the market (in terms of value) respectively. About 35 percent of NFDMP is imported in bulk for reprocessing, with New Zealand leading in this area (45 percent) followed by the Netherlands and Denmark.
- % **Poultry:** The Saudi poultry sector is dominated by chicken meat less than 16 weeks, and accounts for 60 percent of local demand. The gap is filled by imports of frozen broilers and parts, mainly for Brazil, France, and the U.S. According to Saudi Customs, Brazil and France accounted for 94 percent of total poultry meat imports to the Kingdom in 1997, with the U.S. a distant third at 2 percent. Strong competition from the EU and Brazil coupled with increases in local production are the major hurdles facing the United States. Poultry meat sold in Saudi Arabia must be slaughtered in accordance with Islamic rituals, or "Halal".
- % **Almonds:** Saudi Arabia imported \$4.5 million of almonds in 1997. The U.S. was the dominant supplier, accounting for 75 percent, with Iran a distant second with 5 percent. Almonds are an integral part of the Saudi diet, used in sweets, cakes, and biscuits. A marked increase in demand occurs during the fasting month of Ramadan and Haj (the pilgrimage to Mecca and Medina).
- % **Prunes:** Saudi imports of dried prunes totaled \$432,800 in 1997. South Africa (\$269,867), and the United States (\$84,540) were the leading suppliers. Competition from South Africa is high and recent, yet U.S. prunes continue to gain recognition by Saudi consumers. U.S. market share has steadily decreased since South Africa entered the market in 1996: from 60 percent in 1994 to 20 percent in 1997.
- % **Red Meats:** The United States accounted for 5 percent of the total Saudi bovine meat import market in 1997. Leading suppliers were Ireland with a 44 percent share followed by the Netherlands and Germany. U.S. beef is sold primarily in Class A supermarkets, "Western" hotels, and American fast food chains. The main barrier to U.S. beef is its high price, on average more than double the price of

Irish beef. However, a current Saudi ban of beef imports from the Netherlands, Germany, France, and an increase in “Western” establishments (fast food restaurants, hotels, and Class A supermarkets), the market for U.S. beef should remain stable or increase slightly. Red meat sold in Saudi Arabia must be slaughtered in accordance with Islamic rituals, or “Halal”.

% **Miscellaneous:** This category comprises an assortment of high value food products selected from Saudi Customs data. Included were flavored powders for soft drinks, soups, and mayonnaise. Per official Saudi import data, 1997 imports in this category totaled \$165 million. With a 29 percent market share, Ireland was the dominant supplier, followed by U.S.(17%), and Egypt (12%). Products in this category comprise retail packed dry food items as well as ingredients for food processing such as powders for flavored drinks. With an expanding food processing sector heavily dependent on imported ingredients and a growing number of retail outlets, growth in this sector should continue to increase.

#### **SECTION IV. BEST PRODUCT PROSPECTS**

##### ***A. Products Present in the Market Which have Good Sales Potential***

Most Saudi importers buy for mass distribution and employ the use of consolidators. Consolidators source products from wholesalers, apply bilingual stickers, and put together mixed containers for shipment to Saudi Arabia. Consolidators, some of whom are relatives of the Saudi importer, often recommend new-to-market products to the importer. Given the penchant for new products by Saudis and ex-pats (particularly those from the United States and Europe), Saudi importers and supermarket executives are constantly searching for new food items to introduce into the already strong market for grocery products. Popular product categories include prepared fruits and vegetables, beverages, poultry parts, snack foods, candies, honey, sauces, mayonnaise, cereals, bakery products, condiments, jams and jellies, peanut butter, salad dressings, gravies, desserts, sunflower seeds, chips, dried beans, peas, soups, seasonings, almonds, and many more. .

##### ***B. Products Not Present in Significant Quantities but Which Have Good Sales Potential***

Demand for dietetic and health foods is increasing in the Kingdom as Saudis are becoming more health conscious. Saudi Arabia has one of the highest rates of diabetes in the world and obesity is widespread.

##### ***C. Banned Products***

For religious reasons, Saudi Arabia bans imports of alcoholic beverages, live swine, pork, and foodstuff ingredients or additives which contain pork products, including pork fat, and gelatin. Other banned products include meat of asses, mules, hinnies (fresh chilled, or frozen), frog legs, poppy seeds, hemp seeds, opium and

hops and leather of swine.

## ***SECTION V. POST CONTACT AND FURTHER INFORMATION***

### ***1. Post Coordinates:***

U.S. Agricultural Trade Office  
Regional Director  
American Embassy  
Unit 61307  
APO AE 09803-1307

OR

U.S. Agricultural Trade Office  
Regional Director  
American Embassy  
P.O. Box 94309, Riyadh 11693  
Tel: 966-1-488-3800 Ext. 1560  
Fax: 966-1-482-4364  
Internet E-Mail Address: fasriyadh@hotmail.com

### ***2. Post Reports Relating to the Saudi Food Industry:***

By accessing the website: [www.fas.usda.gov](http://www.fas.usda.gov) (Country, Saudi Arabia, Attache Reports), one can obtain the following reports on the Saudi food industry, submitted by the U.S. Agricultural Trade Office/Riyadh:

SA9018: Exporters Guide to Saudi Arabia  
SA9014: Food and Agricultural Import Regulations and Standards of Saudi Arabia  
SA9007: The Saudi Market for Peanut Butter  
SA9006: The Saudi Market for Tomato Ketchup, Paste, and Sauces  
SA8037: The Saudi Market for Mayonnaise  
SA8035: The Saudi Market for Breakfast Cereals  
SA8032: The Saudi Market for Vegetable Oils  
SA8030: The Saudi Market for Popcorn and Savory Snacks  
SA8029: The Saudi Market for Rice  
SA8028: The Saudi Market for Non-Alcoholic Beer  
SA8021: The Saudi Market for Frozen French Fries  
SA8016: The Saudi Market for Prunes  
SA8010: The Saudi Market for Honey  
SA8008: The Saudi Market for Almonds

***END OF REPORT***