Required Report - public distribution

Date: 11/10/2002

GAIN Report #SA2021

Saudi Arabia

Retail Food Sector

Report

2002

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Report Highlights:

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.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Riyadh [SA2], SA

Table of Contents

Saudi Arabia Retail Food Sector Report

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:

Saudi Arabia's annual population growth rate remains above three percent. Virtually 40 percent of the population was born after the 1990-91 Gulf War and nearly 70 percent are under the age of 30. Saudi Arabia's per capita GDP peaked in 1981, when both the US and Saudi Arabia had a per capita GDP, in current dollars, of about $28,600. U.S. GDP per capita in 2001 was $36,000, whereas Saudi Arabia's was less than $7,900. The country's economy is highly dependent on oil and oil derivatives, which account for 90 to 95 percent of Saudi export earnings, 75 percent of budget revenues and about 35 to 40 percent of the GDP. Per capita income will continue to decline unless economic growth increases significantly and/or the birth rate drops. The Kingdom's population is expected to double in 20 years from its current level of 23 million to over 40 million.

Over the past few decades Saudi Arabia has undergone tremendous changes, both economically and socially. In 1930, there were no paved roads in Saudi Arabia. The city of Riyadh consisted mainly of mud structures. Today, Riyadh is a thriving metropolis of over four million, landscaped with multi-lane highways and glass and steel skyscrapers. 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 and plans are underway to extend the railway services to major cities in the Kingdom in the next few years.

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, modern Western-style Class A supermarkets are popular with the Saudis and continue to increase in number in the major urban areas of the Kingdom: Riyadh (Central Province), Jeddah (Western Province), and Dammam, Al Khobar, and Dhahran (Eastern Province). Increases in the number of outlets has made it feasible for many 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.

Total Population: 23 million (7 million ex-pats)	
Per Capita GDP (2000):	$7,863
Total Agricultural Imports (1999):	$5.5 billion
Total Imports of Consumer-Oriented Food Products (2000):	$2.4 billion

Total U.S. Agricultural, Fish & Forestry Product Exports to Saudi Arabia reached $506.9 million in CY 2000 of which:

Bulk:	$213.0 million
Intermediate:	$146.5 million
Consumer-Oriented:	$117.6 million
Forest Products:	$ 29.2 million
Fish and Seafood:	$ 0.5 million

2. Trends in the Saudi Food Retail Sector:

Of the Kingdom's 23 million inhabitants, about 7 million are non-Saudis, or ex-pats. The ex-pat population in Saudi Arabia consists mainly of workers from Arab countries, 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.

- The Saudi market for imported consumer food and edible fishery products increased by seven percent from 1999 to 2000, reaching 2.6 billion U.S. dollars in CY 2000 (total Saudi food and agricultural imports totaled about $5.5 billion in 2000). U.S. exports of consumer-oriented products to Saudi Arabia declined from $125.6 million in CY 1999 to $117.6 million in CY 2000 and to $113.5 in CY 2001 due to the implementation of new poultry meat and beef imports requirements in March 2001. Also, there was increased competition from locally produced food products and from imported food products from Europe and the Far East. Saudi consumers are discriminating 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.

- 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, modern Western-style Class A supermarkets are popular with the Saudis and continue to increase in number in the major urban areas of the Kingdom: Riyadh (Central Province), Jeddah (Western Province), and Dammam, Al Khobar, and Dhahran (Eastern Province).

- 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.

- Increases in the number of outlets has made it feasible for many 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.

- 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:

ADVANTAGES	**CHALLENGES**
The Saudi population is growing at over 3 percent annually.	Increased competition from locally produced food products and from imported food products from Europe and the 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 Europe and Hong Kong. The 2001 MOC decree banning the transshipment of livestock meat through Europe and other countries affected by BSE and FMD makes shipping products to Saudi Arabia more difficult.
ADVANTAGES	CHALLENGES
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, GMO labeling and shelf life restrictions.
The rapidly growing food processing sector depends on imported ingredients.	Halal certification required for all meat and poultry products exported to Saudi Arabia. Additional statements on the health certificate accompanying poultry & livestock meat shipments to indicate that the animals slaughtered for export to the Kingdom were not fed animal protein ruminants and were not treated with any kinds of growth hormones.
Saudi consumers have a penchant to try new products and shop more often at supermarkets.	Saudi regulations requires that the number of different food items in one container not exceed 25.
The acceptance of Saudis to mass media advertisement.	

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 and will increase in the future.	
Young population: Virtually 40 percent of the population was born after the 1990-91 Gulf War and nearly 70 percent are under the age of 30. 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 purchased prepared food items.	
Per capita income of $7,863 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 fluent English.

C. Understand Saudi Arabia's labeling requirements: A product label showing a woman's legs would not be acceptable, for example. Likewise, a product with a hidden recipe inside the box calling for pork would not be accepted, nor a product containing alcohol. Saudi Arabian Customs rejected several containers of gelatin a few years ago because of the detection of traces of pork in the product, even though the product label clearly indicated beef gelatin. Alcohol is banned in the Kingdom as a product and as an ingredient.

D. Genetically Modified Organism (GMO) Labeling: On December 1, 2001, the Saudi Ministry of Commerce (MOC) implemented the Ministerial decree no. 1666 issued on December 11, 2000 regarding labeling of foodstuffs containing genetically modified animal products.

Following is the summary of the MOC's Directive No. 1666:

1. Ban on GMO Animal Products: One of the main features of the Ministerial Directive No. 1666, is the IMMEDIATE AND TOTAL ban placed on the imports of foodstuffs containing genetically engineered animal products into the Kingdom. The directive did not give reasons for the total ban of animal products. However, ATO trade sources believe that the decision was taken to make sure that all imported foodstuffs are Halal and do not contain products from swine and other animals banned for consumption by the Islamic religion.

2. Positive GMO labeling: If a product contains one or more genetically modified plant ingredients, the information should be clearly communicated to the consumer by labeling. A triangle should be drawn and in it the text should read "Contains Genetically Modified Product (s)."

3. Bilingual Labeling: The GMO statement must be clearly written in both Arabic and English with an ink different from that of the main product table.

4. Health Certificate: GMO products or genetically engineered products which are exported to Saudi Arabia must have been approved in the country of origin for human consumption. Each shipment must be accompanied by a health certificate issued by appropriate government agencies stating that the GMO ingredient (s) used in the foodstuff is approved in the country of origin (United States) for human consumption. One certificate could be issued that certifies a list of GMO items used in a foodstuff.

5. Quality Standards: All genetically modified food products should be in compliance with legal and ethical controls observed in the Kingdom and must meet pertinent Saudi Arabian standards specifications.

6. Locally Produced Foodstuffs: The GMO labeling requirements will also apply to locally produced agricultural products.

E. 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).

F. 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 it in Saudi Arabia.

G. Consider attending U.S. & International Food Shows: The 2001 Food Marketing Institute (FMI) Convention will be held in Chicago, May 4-6, 2003, 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 and ANUGA in Cologne, Germany. Saudi importers attend and participate in the biannual Gulf Food Show, scheduled to be held in Dubai, United Arab Emirates, February 23-26, 2003. Saudi Food will be held in Riyadh March 2-6, 2003.

H. 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:

% 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.

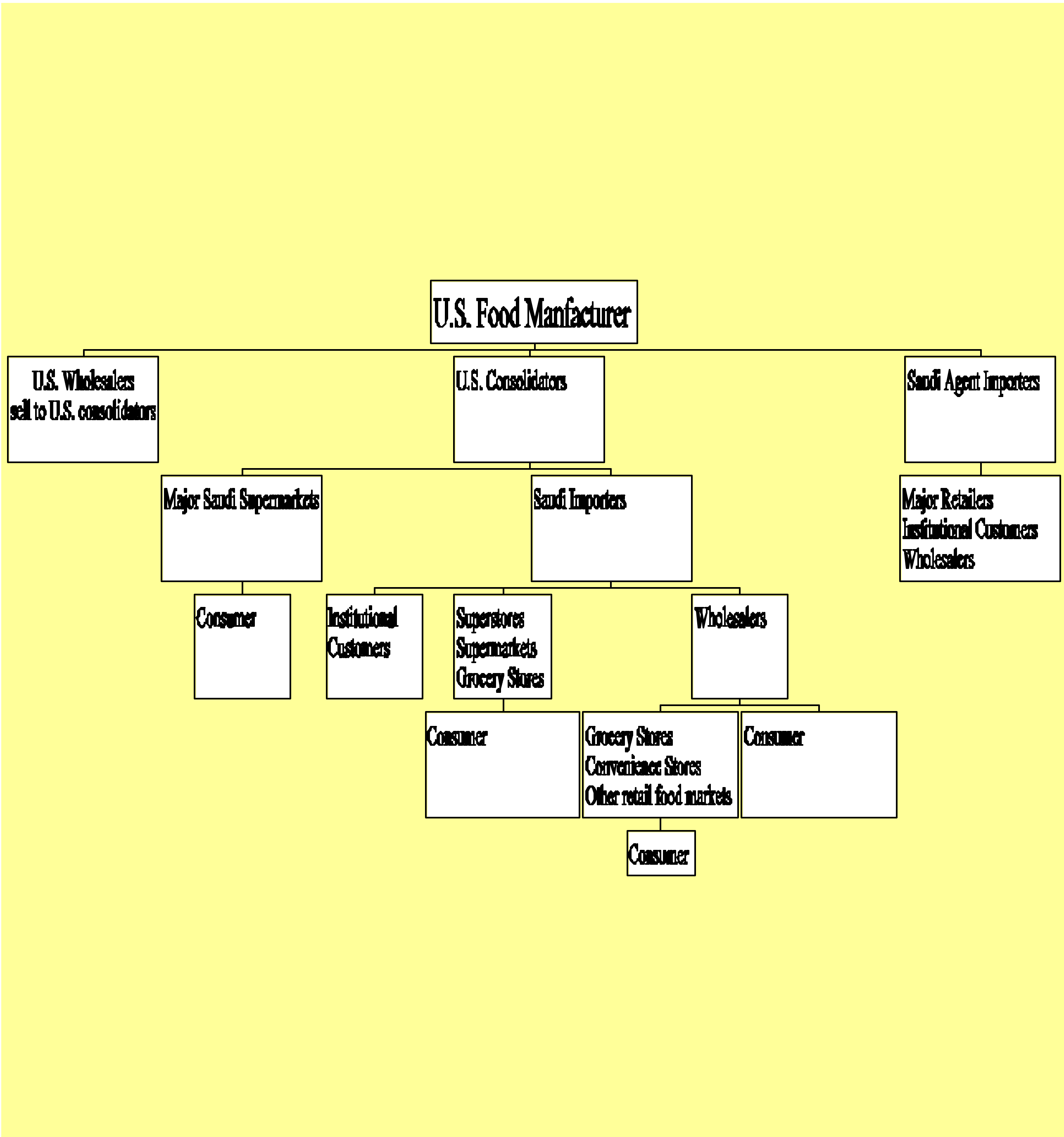
% Private Label Importers: Several Saudi importers are willing to test-market a new food product under the condition that if it succeeds, the product will be labeled under its own private brand. As in the United States, private labels are becoming commonplace in Saudi Arabia.

% 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. producers and/or wholesalers and providing services such as placing bi-lingual stickers on product labels and shipping consolidated containers. Saudi Arabia allows consolidation of up to 25 foodstuff items in a container. 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. Stickering is a laborious task and most manufacturers do not want to bother with this. Most U.S. consolidators are located close to large wholesalers and are based in Houston, New York, Miami and other ports.

% Supermarkets As Importers: Expansion in the number of supermarket stores has 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 in Saudi Arabia from a manufacturing plant in the United States:



- Food manufacturers normally sell directly to sole agency importers, wholesalers, or U.S.

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 Danub Supermarkets. Over 80 percent of all U.S. high value products exported to Saudi Arabia are sold by about ten consolidators.

- Major Saudi importers operate 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 partial list of 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.

Retailer Name and Outlet Type	Ownership	Sales ($Mil)	No. of Outlets	Location (city/region)	Purchasing Agent Type
Al Azizia Panda	Local	N/A	46	Riyadh, Jeddah, Dammam, Dharan, Jubail, Rastanura, Mecca and Qassim	Importer/local buyer
Universal Marketing(Al-Othaim)	Local	N/A	20	Riyadh, Qassim, Hafralbatin	Importer/ Local Buyer
Bin Dawoud Superstores	Local	N/A	14	Jeddah, Mecca	Importer/ Local buyer
Tamimi Markets	Local	N/A	11	Riyadh, Dammam, Al-Khobar	Importer/ Local buyer
Giant Sores	Local	N/A	11	Dammam, Jeddah, Khamis, Jubail	Local buyer
Al Raya	Local	N/A	7	Jeddah, Mecca	Local buyer
Farm Supermarkets	Local	N/A	7	Dammam, Al-Khobar, Dharan and Jubail	Local buyer
Omar Ali Balsharaf Supermarkets	Local	N/A	7	Riyadh	Local buyer
Star Supermarkets	Local	N/A	6	Jeddah, Yanbu	Local buyer

Arabian Food Supplies	Local	N/A	5	Dharan	Importers/ local buyer
Danube	Local	N/A	5	Jeddah	Importer/ local buyer
Sarawat Supermarkets	Local	N/A	4	Jeddah, Medina	Local buyer
Food Basket	Local	N/A	4	Riyadh	Local buyer
Al Hamada Stores	Local	N/A	4	Jeddah	Local buyer
Marhabah	Local	N/A	3	Jeddah	Local buyer
Halwani	Local	N/A	3	Riyadh, Jeddah	Local buyer
Al Sadhan	Local	N/A	3	Riyadh	Local buyer
Sawary Superstores	Local	N/A	3	Jeddah	Local buyer
Al-Salhiya Supermarkets	Local	N/A	3	Hail	Local buyer
Astra Supermarkets	Local	N/A	2	Tabuk	Local buyer
Al-Ghounam Supermarkets	Local	N/A	2	Abha, Khamis	Local buyer
Euromarche Superstore	Local	N/A	1	Riyadh	Local buyer
Watani Super Center	Local	N/A	1	Jeddah	Local buyer
Max Discount Center	Local	N/A	1	Riyadh	Local buyer
Ahmed Al-Ghamdi Supermarket	Local	N/A	1	Dammam	Importers/ local buyer
Al-Mandarin Supermarket	Local	N/A	1	Madina	Local buyer
Al-Owaida Supermarket	Local	N/A	1	Hail	Local buyer

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 176. Smaller supermarkets (those which contain grocery carts) number over 100 are referred to as Class B supermarkets. 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 supermarkets increased from about 80 in 1984 to over 280 in 2002 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), Max Discount Center and Watani Superstores are significantly larger than most other upscale supermarkets in the Kingdom, comprise large parking areas, contain both food and non-food items, and offer discounted prices for items purchased in bulk. The stores cater to 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.

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 percent of all food purchases by Saudis are done at wholesale markets.

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 are not permitted to 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 over 50 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 derived from milk, sugar, 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). GCC members are 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 increased by seven percent from 1999 to 2000, reaching 2.6 billion U.S. dollars in CY 2000 (total Saudi food and agricultural imports totaled about $5.5 billion in 2000). U.S. exports of consumer-oriented products to Saudi Arabia declined from $125.6 million in CY 1999 to $117.6 million in CY 2000 and to $113.5 in CY 2001 due to the implementation of new poultry meat and beef imports requirements in March 2001. Also, there was increased competition from locally produced food products and from imported food products from Europe and the Far East. Markets for selected imported products are summarized below:

- **Apples:** Saudi Arabia is the largest market for imported apples of the 6 GCC countries, buying $47.9 million in 1999. With about 33 percent market share, Chile was the dominant supplier in 2000 followed by the U.S. (20%), France (15%) and Iran (12%). Red apples dominate the market. The overall demand for apples is forecast to grow by 4 percent in the next five 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 the U.S. market share.

- **Cheese:** Saudi Arabia imported $221 million of cheese in 2000. Leading suppliers were Denmark (29%), Australia (26%), and France (25%). The U.S. market share was less than 1 percent. With a steady increase in demand for cheese and cheese products, coupled with the development of new cheese processing companies (there are now 6), the demand for imported cheeses in blocks is expected to increase.

- **Natural Honey:** Saudi imports of natural honey totaled $13.3 million in 2000. Pakistan was the leading supplier with about 18 percent of the total value, followed by Germany (17%) and Mexico (14%), Australia (13%) and the United States about five percent. Honey is an integral part of the Saudi diet and imports are expected to slightly exceed the population growth rate (currently 3.5 percent).

- **Processed Fruit & Vegetables:** The United States accounted for 17 percent of the total Saudi Arabian processed fruit & vegetables import market valued at $160 million in 2000. Other major suppliers were the Netherlands (11%), Spain (8%), and Egypt (8%)and the U.A.E. (6%). Processed fruit and vegetables are sold in all types of retail outlets from Class A supermarkets to neighborhood convenience stores.

- **Almonds:** Saudi Arabia imported $4.4 million of almonds in 2000. The U.S. was the dominant supplier, accounting for 82 percent, followed by Iran (10%), and Syria (3%). 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 the Haj (the pilgrimage to Mecca and Medina).

- **Red Meats:** The United States accounted for 3 percent of the total Saudi Arabian red meat import market valued at about $215 million in 2000. Leading suppliers were Australia (19%), New Zealand (19%), Ireland (17%) followed by the United Arab Emirates (U.A.E.) at 9 percent (imports from U.A.E. are transhipments). Virtually all imported red meat from the U.S. is beef which 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 other suppliers. However, the 2001 Saudi Government's ban of red meat imports from EU countries and an increase in "Western" establishments (fast food restaurants, hotels, and Class A supermarkets), has enhanced the demand for U.S. beef in the last several months. Red meat sold in Saudi Arabia must be slaughtered in accordance with Islamic rituals, or "Halal" and must be obtained from cattle fed on 100 percent vegetable protein.

- **Poultry:** The Saudi poultry sector is dominated by chicken meat less than 16 weeks old, 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, total poultry imports in 2000 totaled more than about $368 million with Brazil, France and China accounting for 60 percent, 32 percent and 6 percent of the total imports respectively. The U.S. ranked a distant fourth at 1 percent. Strong competition from EU and Brazil coupled with increases in local production and the 2001 Saudi Government requirement that poultry meat exported to the Kingdom must be obtained from chicken fed solely on vegetable protein are the major hurdles facing poultry meat exporters. Poultry meat sold in Saudi Arabia must be free of growth hormones and slaughtered in accordance with Islamic rituals, or "Halal".

SECTION IV. BEST MARKET PROSPECTS

A. Products in the Market that 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 often recommend new-to-market products to the importer. Given the affinity 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 much 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 swine leather 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 (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:

SA1002: Saudi Arabia Bans Beef, Mutton, Lamb and Meat Products for EU
SA1003: Saudi Arabia Puts New Requirement for Imported Poultry Meat
SA1007: Recent Saudi Arabian Regulations on Imported Livestock Meat
SA1009: Saudi Arabia Reduces Import Tariffs on Foodstuffs
SA1010: New Directives on Meat and Livestock Imports
SA1012: Food and Agricultural Import Regulations & Standards Update
SA1014: Saudi Arabia Bans Offal Imports
SA1020: Update on Saudi Arabian GMFs Labeling
SA2008: Detailed Information on Saudi Arabian GMF Testing
SA2009: Saudi Arabian Poultry & Products Semi-Annual
SA2011: Trade Policy Monitoring Report Update
SA2016: Saudi Arabian Poultry & Products Semi-Annual

END OF REPORT