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GAIN Report

Global Agricultural Information Network

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UAE Alcoholic Beverages Report

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Beverages

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Report Highlights:

The UAE market for alcoholic beverages has been growing at an annual rate of 8%. In 2010 the UAE imported about \$107 million worth of alcoholic beverages of which \$7.4 million were re exported to other countries. Imports from the United States were valued at \$3 million, almost 3% of the total.

General Information:

Introduction

The Islamic Sharia law observed in the United Arab Emirates prohibits the production and consumption of alcoholic beverages for Muslims. The law is strictly applied on all Muslim residents in the country, regardless of national origin. However, given the large number of non-Muslim expatriates living in the UAE, and their demand for access to alcoholic beverages, the government has made allowances for this group to purchase and consume imported alcohol, which is strictly regulated and only sold in designated locations. The bulk of the imported alcohol is traded through the major emirates of Abu Dhabi (\$14.6 million), Dubai (\$89.1 million), and Sharjah (\$3.5 million).

Customs Tariffs

Most imported food products in UAE are subject to 5% customs duty, except for staple goods and fresh produce which are exempt from duty. The duty on alcoholic beverages is 30%. An additional sales tax of 50% is levied on all alcoholic beverages sold in Dubai.

Legislation

The sale of spirits is permitted in dedicated retail stores and licensed outlets such as restaurants, bars and night clubs that are either part of a hotel or selected sports clubs. Stand-alone retail outlets like grocery stores, supermarkets and restaurants are not authorized to sell or serve alcohol.

All hotels serving alcoholic beverages in their facilities are required to have a valid liquor license issued by the local police authorities. Similarly, consumers are expected to have a liquor license to be able to consume alcohol legally. Although consumers are not asked to show their liquor license before being served, it is advisable that they have it with them while drinking.

To be able to purchase alcohol, eligible residents of UAE should have a valid liquor license. The license is an annual permit issued by the Criminal Investigation Department (CID) of the Police Department in each Emirate. It is only issued to non-Muslim residents of UAE who are at least 21 years of age and have a monthly income of at least Dhs.3,000 (US\$815).

The license is valid in the issuing Emirate only and entitles the holder to buy, consume and transport alcohol throughout the seven Emirates. The license sets the maximum monthly amount the holder is entitled to buy based on his/her monthly salary. The law prohibits the holder of a license to sell alcoholic beverages to a third party. Any criminal offense resulting from the influence of alcohol is severely punished by law.

Violations and Penalties

The consumption of alcoholic beverages in public is strictly prohibited in the UAE. Muslim offenders are punished as per the Islamic Shariah law. Expatriates are penalized by paying a fine, confiscation of their driving license, serving jail term, and possibly deportation to their home country.

There is zero tolerance towards driving under the influence of alcohol. To help avoid the strict penalties, consumers under the influence of alcohol are advised to take a taxi home or use the services provided by organizations such as Safer Driver in UAE (www.saferdriver.ae), which sends a chauffeur to drive the client home in his/her own vehicle.

Of all the seven Emirates, trade and consumption of alcohol in Sharjah is strictly forbidden. Sharjah is considered a 'dry emirate', with the exception of Sharjah Wanderers Sports Club which is the only place in the Emirate in which alcohol is allowed. The only retailer of alcoholic beverages in Sharjah is the Duty Free store at Sharjah International Airport. Although Sharjah is considered a dry Emirate, it is legal for holders of a liquor license from other Emirates to bring alcohol into Sharjah for personal use.

Market Segments and Distribution Channels

Alcoholic beverages trade in UAE can be divided into three broad segments:

1. On-Trade and Off-Trade channels
2. Duty Free and Dubai Ports
3. Re-Export to other countries

The terms on-trade and off-trade usually refer to sales of any product that requires licensing, which includes alcoholic beverages. In the United States the terms 'on-premise' and 'off-premise' are more commonly used, whereas in UK 'on-license' or 'off-license' is commonly used. In all cases, 'on-trade' is used to refer to consumption on the premises where alcohol is bought (hotels, bars, restaurants, night clubs) and 'off-trade' for consumption off/or away from the premises (retail stores).

Almost 75% of alcoholic beverages traded in UAE are sourced through on-trade and 25% through off-trade channels. With a total of 137 four and five star hotels, Dubai alone has more than 1200 on-trade outlets such as restaurants, pubs and night clubs.

Duty free stores at the UAE ports form the second largest segment of alcohol trade in the UAE given the large number of passengers visiting the country every year. Passenger traffic in Dubai Airports reached a historic 51 million in 2011, coinciding with the airport's 51st year of operations. Abu Dhabi Airports reported a record 12.4 million of passengers in 2011, whereas Sharjah Airport received 6.6 million passengers.

In 2011 more than 11 million guests stayed in hotels in the UAE, with Dubai hosting more than 80% of the total in its 371 hotels. Ongoing expansion projects in the UAE airports and the construction of new hotels reflect the anticipated growth in the number of visitors expected in the near future, which is likely to result in a surge in consumption and sale of alcoholic

beverages.

Trade data released by the customs authority in each emirate indicate that the value of re-exported of alcoholic products reached almost US\$7.4 million in 2010, about 7% of total imports. The top 10 re-export countries by value of exports are shown below.

2010 UAE RE-EXPORT BY VALUE		
Country	Value (USD)	Weight (Kg)
SAUDI ARABIA	1,386,548	873,335
SULTANATE OF OMAN	891,072	635,726
SRI LANKA	571,837	33,000
GERMANY	475,259	93,647
UK (UNITED KINGDOM)	440,220	86,615
AUSTRALIA	431,047	34,536
SOUTH AFRICA	331,374	105,741
ITALY	312,790	91,321
LEBANON	203,479	1,353
IRAQ	200,073	152,709

Major Distributors

In the UAE, the number of importers and distributors of alcoholic beverages is restricted to a select few. Two major distributors in Dubai: African and Eastern (a+e) and Maritime & Mercantile International (MMI). MMI is a subsidiary of the Emirates Group holding around 57% of the market share whereas African & Eastern (40% owned by SAB Miller), has 43% of the market share.

African and Eastern operates 24 retail stores in the UAE (16 in Dubai and 8 in Abu Dhabi), and Maritime & Mercantile International (MMI) operates 13 stores located in Dubai and the Northern Emirates. Both companies are licensed to stock, distribute, and retail alcohol in approved locations all over UAE through their warehousing facilities and network of retail stores.

A third distributor in Dubai is Coastal Communities Distribution (CCD) owned by the Dubai based Nakheel Company, which is licensed to distribute exclusively to the coastal communities of the Palm Jumeirah and The World projects. The Palm Jumeirah is a man-made island resort in the form of a palm tree with about 50 restaurants, 4 five star hotels and 13 beach clubs, all with permits to serve alcohol to their clients. The World project, still in its development stage, is a collection of artificial islands in the form of the world, located off the coast of Dubai.

In Abu Dhabi, the Abu Dhabi National Hotels (ADNH), a leading hospitality group, is one of the major distributors of alcoholic beverages in some five star hotels. ADNH is a joint venture company with the UK based Compass Group, one of the largest catering companies in the world. Two other major distributors in Abu Dhabi are African Eastern and Gray MacKenzie & Partners, the liquor arm of Abu Dhabi Maritime and Mercantile International (ADMMI).

A number of other companies based in Dubai and the Northern Emirates supply to the UAE market. One retailer based in the Northern Emirate of Umm Al Quwain (UAQ) operates a retail store with an annual turnover which almost equals the total sales of one of the major distributors in Dubai. Its success is due to the 50% sales tax applied on retail stores in Dubai which is non-existent in the Northern Emirates.

Advertising and Promotional Activities

Given religious sensitivities, openly advertising alcoholic beverages in newspapers and mass media is prohibited. Showing product names, brands and pictures of alcoholic beverages are not allowed in the UAE. Advertisements and promotions are carried out in closed doors at the point of sale, through on-trade and off-trade channels. Even window displays in licensed retail stores are not allowed. Any offense in this regard is considered a violation resulting in revocation of the liquor license. The same applies if the retailer sells alcoholic beverages to clients not holding a license.

Liquor companies may hold events such as sampling and in-store weekly promotions on selected products. Flyers, magazines, banners and other printed media are distributed during these various promotional events. Liquor catalogues including discount vouchers are distributed free of charge at authorized retail stores. Similar promotional activities are carried out through on-trade channels in pubs, bars, restaurants, and night clubs that are part of a hotel or sports club.

Market Size and Direct Trade Data

In the absence of unified trade data base in the UAE, figures shown in the tables below were compiled from the Customs Authorities of the three largest Emirates of Abu Dhabi, Dubai and Sharjah where most of the trades take place.

About \$107 million worth of alcoholic beverages were imported in 2010 of which \$7.4 million were re-exported to neighboring countries.

UAE ALCOHOL TRADE IN 2010 (IN USD)*		IMPORT		RE-EXPORT	
HS. Code	Description	Value (USD)	Weight (Kilos)	Value (USD)	Weight (Kilos)
22 03	Beer made from malt	10,140,081	15,379,873	460,688	405,463
22 04	Sparkling wine, Wine of fresh grapes & grape must with fermentation prevented or arrested by the addition of alcohol, in containers holding 2 liters or less.	49,970,722	10,019,914	2,916,874	613,908
22 05	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances in containers holding 2L or less	28,826	7,888	377	70
22 06	Other fermented beverages (ex. cider, perry, mead); mixtures of fermented	711,046	728,897	166,220	13,736

	beverages & non-alcoholic beverages				
2207	Undenatured ethyl alcohol of strength by volume of 80% or higher, including concentrates of alcoholic beverages; Denatured Ethyl Alcohol and other spirits of any strength	26,259,479	24,296,358	1,910,589	1,021,616
22 08	Spirits obtained by distilling grape wine or grape marc, Whisky, Rum and other spirits obtained by distilling fermented sugar-cane products, Gin & Geneva, Vodka, Liqueurs & Cordials, Spirits & spirituous beverages.	20,046,757	3,460,600	1,919,793	606,704
TOTAL		\$107,156,912	53,893,530	\$7,374,540	2,661,497

The total value of imported alcoholic beverages from the United States in 2010 reached \$3 million, about 3% of all imports. Wine makes up almost 45% of the total alcoholic beverage imports from the U.S. and beer about 35%. Not all the wineries in the United States are aware that some of their brands are available in the UAE market, the reason being that some products are usually brought in by third party companies who consolidate shipments from different wine distributors in the United States. This situation is similar to U.S. food manufacturers that rely on exporting companies to sell their products in foreign markets.

The following alcoholic beverages are some of the U.S. brands available in the UAE market.

Wine: 14 Hands, Andrew Quady, Benziger, Beringer, Blossom Hill, Bonny Doon, Cakebread, Chateau Ste. Michelle, Columbia Crest, Conn Creek, Cooks, Domaine Drouhin, Duckhorn Vineyards, E&J Gallo Winery, Erath, Esser, Fetzer, Frog's Leap, Grgich Hills Estate, Hartford Court, Hawk Crest, Heitz Cellars, Highland Estate, Joseph Phelps, Kendall Jackson, Matanzas Creek, Northstar, Oakville, Paul Masson, Ravenswood, Ridge, Robert Mondavi, Saintsbury, Seghesio, Smoking Loon, Stag's Leap Wine Cellars, Stonehedge, Swanson Winery, Yountville.

Beer: Budweiser, Miller

Whiskey & Bourbon: Ancient Age 10 Star, Baker's Bourbon, Basil Hayden's Bourbon, Bernheim Wheat Whiskey, Booker's Bourbon, Buffalo Trace, Bulleit, Early Times, Elijah Craig, Evan Williams, Fighting Cock, Georgia Moon Corn Whiskey, Jack Daniel's, Jim Beam Bourbon, Knob Creek Bourbon Whisky, Maker's Mark, Mellow Corn Whiskey, Pappy Van Winkle, Parker's Heritage Collection, Rittenhouse, Wild Turkey Rye, Woodford Reserve, Old Premium Bourbon.

Other Spirits: Gilbey's Gin.

USA – UAE Direct trade data:

2010 USA - UAE DIRECT TRADE TOTAL*		TOTAL IMPORT		TOTAL RE-EXPORT	
H.S. Code	Description	Value (USD)	Weight (Kg)	Value (USD)	Weight (Kg)

22 03	Beer made from malt	601,125	589,500	0	0
22 04	Wines of fresh grapes, including fortified wines, sparkling wines, Grape Must, Vermouth & others	1,353,139	153,267	73,504	10,794
2207	Undenatured ethyl alcohol of strength by volume of 80% or higher, Denatured Ethyl Alcohol and other spirits of any strength	203,527	102,494	0	0
22 08	Spirits & spirituous beverages, Whiskies, Rum, Gin & Geneva, Vodka, Liqueurs & Cordials	871,893	133,807	0	0
TOTAL		\$3,029,684	979,068	\$73,504	10,794

BEER: UAE IMPORT BY VALUE (2010)		
HS Code 2203: Alcoholic beer made from malt		
Country	Value (USD)	Weight (Kg)
NETHERLANDS	5,512,820	8,946,249
USA	601,125	589,500
UK (UNITED KINGDOM)	570,835	577,790
ITALY	504,476	652,657
AUSTRALIA	503,179	1,258,805
BELGIUM	480,365	739,349
GERMANY	437,427	505,008
TURKEY	370,794	450,451
MEXICO	363,850	398,065
IRELAND	225,115	390,460

BEER: UAE RE-EXPORT BY VALUE (2010)		
HS CODE 2203: Alcoholic beer made from malt		
Country	Value (USD)	Weight (Kg)
SULTANATE OF OMAN	334,274	311,624
IRAQ	69,974	50,145
KUWAIT	12,355	9,451
SOUTH AFRICA	11,339	5,507
PAKISTAN	7,847	16,943
GERMANY	7,454	1,829
ITALY	6,017	3,724
UK (UNITED KINGDOM)	4,717	1,709
MAURITIUS	3,135	2,138
CHINA	1,985	1,789

WINE: UAE IMPORT TRADE BY VALUE (2010)		
HS Code 2204: Sparkling wine, Wine of fresh grapes & grape must with fermentation prevented or arrested by the addition of alcohol, in containers holding 2 liters or less. HS Code 2205: Vermouth & other wine of fresh grapes flavored with plants or aromatic substances, in containers holding 2 liters or less.		
Country	Value (USD)	Weight (Kg)
FRANCE	28,436,670	2,653,819
AUSTRALIA	5,686,190	1,348,987

SOUTH AFRICA	3,003,764	958,648
ITALY	2,536,698	498,433
SPAIN	2,085,353	533,446
UK (UNITED KINGDOM)	1,659,371	2,588,325
NEW ZEALAND	1,448,496	315,387
USA	1,353,139	153,267
CHILE	971,861	356,971
ARGENTINA	785,561	239,123

WINE: UAE RE-EXPORT TRADE BY VALUE (2010)

HS Code 2204: Sparkling wine, Wine of fresh grapes & grape must with fermentation prevented or arrested by the addition of alcohol, in containers holding 2 liters or less. **HS Code 2205:** Vermouth & other wine of fresh grapes flavored with plants or aromatic substances, in containers holding 2 L or less.

Country	Value (USD)	Weight (Kg)
AUSTRALIA	402,839	31,399
GERMANY	359,728	73,238
UK (UNITED KINGDOM)	320,446	67,131
SULTANATE OF OMAN	317,092	132,266
ITALY	241,508	66,429
SOUTH AFRICA	198,022	47,861
CHINA	157,667	33,801
SWITZERLAND	122,147	20,479
HONG KONG	93,613	14,126
USA	73,504	10,794

MIXTURES OF FERMENTED BEVERAGES: UAE IMPORT BY VALUE (2010)

HS Code 2206: Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages & mixtures of fermented beverages & non-alcoholic beverages.

Country	Value (USD)	Weight (Kg)
UNITED KINGDOM	530,749	510,699
PHILIPPINES	53,678	80,267
SOUTH AFRICA	42,208	26,864
AUSTRALIA	36,989	105,620
GERMANY	23,617	2,275
JAPAN	21,873	2,627
IRELAND	902	360
FRANCE	748	175
SWEDEN	283	10

MIXTURES OF FERMENTED BEVERAGES: UAE RE-EXPORT BY VALUE (2010)

HS Code 2206: Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages & mixtures of fermented beverages & non-alcoholic beverages.

Country	Value in USD	Weight in Kg.
UNITED KINGDOM	40,064	4,046

FRANCE	25,578	482
JAPAN	16,274	1,503
AUSTRALIA	16,267	1,368
GERMANY	15,213	1,061
QATAR	11,382	2,625
IRELAND	9,460	442
SOUTH AFRICA	6,107	372
SINGAPORE	5,865	880
THAILAND	5,676	262

UNDENATURED AND DENATURED ALCOHOL IMPORT BY VALUE (2010)

HS Code 2207: Undenatured ethyl alcohol of strength by volume of 80% or higher, including concentrates of alcoholic beverages; Denatured Ethyl Alcohol and other spirits of any strength.

Country	Value (USD)	Weight (Kg)
SOUTH AFRICA	16,141,758	14,847,084
PAKISTAN	7,379,772	7,756,069
FRANCE	941,360	700,476
GERMANY	656,593	351,979
UNITED KINGDOM	372,091	233,490
USA	203,527	102,494
VIETNAM	110,091	103,120
CHINA	103,476	80,035
SAUDI ARABIA	100,519	10,801
INDIA	57,495	45,722

UNDENATURED AND DENATURED ALCOHOL RE-EXPORT BY VALUE (2010)

HS Code 2207: Undenatured ethyl alcohol of strength by volume of 80% or higher, including concentrates of alcoholic beverages; Denatured Ethyl Alcohol and other spirits of any strength.

SAUDI ARABIA	1,386,548	873,335
LEBANON	201,067	1,150
IRAN	123,618	87,611
MALDIVES	81,796	5,000
KUWAIT	45,050	11,075
IRAQ	29,426	29,400
ETHIOPIA	20,612	11,125
PAKISTAN	11,359	457
SUDAN	4,498	45
OMAN	2,532	1,000

SPIRITS AND SPIRITUOUS BEVERAGES UAE IMPORT BY VALUE (2010)

HS Code 2208: Spirits obtained by distilling grape wine or grape marc, Whiskies (whisky), Rum and other spirits obtained by distilling fermented sugar-cane products, Gin & Geneva, Vodka, Liqueurs & cordials, Spirits & spirituous beverages.

Country	Value (USD)	Weight (Kilos)
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UNITED KINGDOM	10,596,760	1,583,852
FRANCE	2,986,961	348,669
USA	891,755	134,523
SWEDEN	642,176	148,050
RUSSIA	603,076	124,022
NETHERLANDS	590,453	103,082
ITALY	494,477	139,934
MEXICO	481,933	99,752
BAHAMAS	457,433	102,216
IRELAND	374,502	79,835

SPIRITS AND SPIRITUOUS BEVERAGES UAE RE-EXPORT BY VALUE (2010)

HS Code 2208: Spirits obtained by distilling grape wine or grape marc, Whiskies (whisky), Rum and other spirits obtained by distilling fermented sugar-cane products, Gin & Geneva, Vodka, Liqueurs & cordials, Spirits & spirituous beverages.

Country	Value in USD	Weight in Kg
SRI LANKA	571,837	33,000
SULTANATE OF OMAN	239,706	191,836
ERITREA	150,173	14,147
INDIA	118,421	16,957
SOUTH AFRICA	115,906	52,001
GERMANY	92,864	17,519
BAHRAIN	90,378	65,595
IRAQ	80,816	66,139
UNITED KINGDOM	74,993	13,729
OMAN	67,657	24,600

Prospects for increased U.S. alcoholic beverages exports to the UAE

Over the last few years the UAE economy spurred by a vibrant tourism industry and government investments in infrastructures has been recovering from the economic downturn. This trend is expected to continue as UAE Authorities have embarked on new massive infrastructural projects that include a new airport and expansion of existing ones, a national rail freight project to link all the Emirates, expansion of ports, as well as addition of hundreds of new hotels. While these projects will create immediate employment for many expatriates, when completed, they are expected to significantly boost tourism. The increasing number of hotels and food service establishments, and thousands of tourists visiting the country including those attending conferences, are expected to boost the demand for alcoholic beverages. U.S. wines, in particular medium priced ones are well positioned to compete with wines from other countries. Another area of opportunity for U.S. wines is the flight catering sector, which is also growing at a rapid rate. However, only companies willing to engage in long-term contracts with catering companies in this sector have a greater chance to capture a share of the market.

