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## United Arab Emirates

### Food Processing Ingredients Sector

### UAE Food Processing Sector 2007

### 2007

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Report Highlights: The UAE's food processing sector continues to grow. The number of processors increased from 225 to 300 between 2003 and 2005 when investment in the sector reached nearly \$10 billion. This sector represents a growing opportunity for suppliers of bulk and intermediate products and increased competition for exporters of retail-ready products.

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**SECTION I.****MARKET SUMMARY**

In 2006, the United Arab Emirates' (UAE) population was estimated at 4.3 million with one of the world's highest per capita GDPs, estimated at \$49,500. In the absence of favorable production conditions, the agricultural sector in the U.A.E. is relatively limited and produces just over a million tons of food crops, a significant portion of which is comprised of dates. Limited agricultural production requires the importation of an estimated 85-90 percent of UAE food needs.

The UAE economy continues to rely heavily on revenues generated from oil exports, principally from the Emirate of Abu Dhabi. The country has worked to diversify its economy, especially in the Emirate of Dubai, where oil revenues are waning and tourism, services, finance, and construction now play a significant role in the economy. Dubai, and to a lesser extent other emirates, are also major cargo handling and re-export centers that have developed free trade zones as centers for a variety of activities including food processing

Excluding the oil and gas sector, among the group of industries that are considered processing industries, food processing attracted the highest level of investment in 2005, accounting for nearly half of the total investment of \$19 billion. Other industries in this category include textiles, metal, chemicals, and equipment. Between 2002 and 2005, the number of food and beverage processing facilities grew from 225 to 300 establishments. Nevertheless, the value of imports of processed foods continues to exceed the value of raw materials for further processing by a significant margin.

While food processors often started small, the UAE's strategic location, excellent ports, and strong infrastructure have helped many to expand. Industries such as flour and feed milling, edible oils, soft drinks, vegetable canning and snack food production are currently able to compete with industries and products in the Middle East and Asia. International brands such as Heinz, Hershey, General Mills, Del Monte, and Blue Bird Juices are currently producing in the UAE, utilizing their own facilities or co-packing with other existing processing facilities. New industries such as fresh juice production, vegetable preparation and soybean crushing have been introduced.

Processors depend solely on imports for sourcing their raw material, which has opened new export opportunities for U.S. suppliers of high quality bulk and intermediate food products in light of the limited local agricultural production. In the absence of accurate trade statistics, it is very difficult to provide an estimation of the total value of food ingredients imported into the country.

Seafood processing is another rising industry. Processors utilize seafood products caught locally or others imported from Oman, India and Iran. The U.S., Europe and other Asian countries are the principle importers of U.A.E. processed seafood products.

**Table - 1: Number of major establishments in the Food Processing Sector**

Type of Food Production	Number of Firms
Juices	8
Dairy Products	10
Meat Processing	8
Bakeries	25
Flour Milling	4
Sugar Refining	1
Edible Oil Refining/Packaging	5
Fruits/Vegetable Processing	8
Ice Cream	7
Macaroni & Pasta	6
Snack Foods	8
Soft Drinks	8

**Source: ATO Dubai reference materials**

Locally produced foods are of high quality and many are very price competitive with imported products. The number and volume of U.A.E. companies producing products such as juices, fresh milk and other dairy products, pasta and macaroni, snack foods and edible oils has grown rapidly, which has led to a significant reduction in the importation of these products from foreign markets. In turn, this has boosted demand for the raw materials used for processing such products.

#### KEY MARKET DRIVERS FOR FOOD PROCESSING

- ◆ Gulf Food Industries (Canned Beans)
- ◆ Al Ghurair Food Industries (Flour, feed, and many others)
- ◆ Al Rawabi Dairy Company (Dairy products and juices)
- ◆ Strategic Food Industries (Biscuits)
- ◆ Saigol & Gulf (Snack foods)
- ◆ Hassani Food Industries (Baby Foods, Snacks, Tea & Herbs, Salt Packaging)
- ◆ Gulf & Safa Dairies (Dairy Products & Juices)
- ◆ Al Ain Vegetables Processing & Packaging Factory (Frozen Vegetables)
- ◆ Al Ain Juice & Refreshment Co. (Juices)
- ◆ Emirates Dates Factory (Dates Processing)
- ◆ Tiffany Foods Limited (Biscuits, Flour, Ice Cream, Juices, Meat/Poultry Processing)
- ◆ Emirates Refining Company (Edible Oils)
- ◆ Al Buhaira Lacnor (Dairy Products and Juices)
- ◆ Sahar Enterprises (Seafood, Meat and Poultry Processing)
- ◆ Al Khaleej Sugar (Sugar)
- ◆ United Kaipara Dairies Co. (Dairy Products & Juices, Ice Cream)
- ◆ Kolson Food Industries (Pasta & Macaroni)
- ◆ Dubai Refreshment Company (Carbonated beverages & drinking water)

**Table - 2: Advantages and Challenges Facing U.S. Products  
in the U.A.E. Food Processing Sector**

<b>Advantages</b>	<b>Challenges</b>
Strong reputation of U.S. juices sparks demand for U.S. juice concentrates	Low quality/priced juice concentrates from other countries threatens U.S. exports
U.S. bulk soybean and corn oils are in great demand for further refining and packaging	Though currently inexistent, demand for GMO free edible oils could cause a shift to other suppliers if they could meet this demand at competitive prices
Increasing demand for joint ventures with U.S. manufacturers to achieve high quality end products	Distance from United States creates opportunities for regional suppliers.
U.S. origin products tend to use high quality ingredients and state of the art packaging	Locally produced/labeled products will have an advantage over similar imported products and face less pressure for shelf life labeling requirements

## **SECTION II.**

### **ROAD MAP FOR MARKET ENTRY**

#### **A. Entry Strategy**

Although food processors are always looking for high quality food ingredients for their production, intense competition usually forces them to compromise on the ideal set of inputs in order to produce a product that is able to compete in the market. Firms should be prepared to talk about the advantages of quality and consistency and how those factors offset higher prices or freight costs for US products.

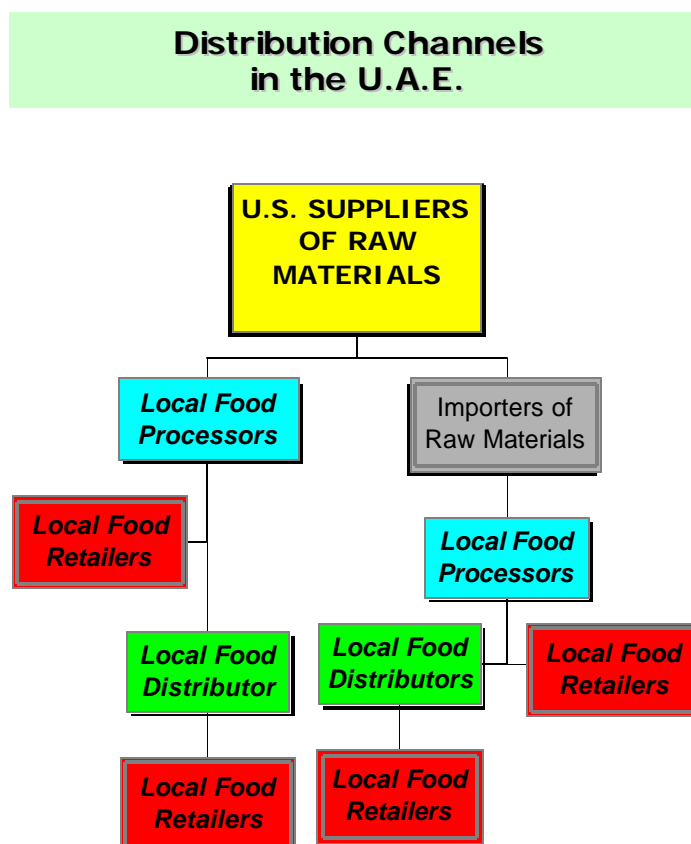
The following provides some basics when considering how to enter the UAE marketplace:

1. Study the market. This may seem like obvious advice, but importers often complain that U.S. suppliers are ignorant of local market conditions and needs.
2. Serious companies should visit the region. It is the single most important step a U.S. company should take. Letters and faxes alone will not suffice. Follow-up visits are equally important, even if the first visit did not materialize. Business relationships are very important in this region.
3. Exhibit at major specialized food shows in and outside of the United States and inform potential customers of your participation well in advance. A large number of Gulf food importers attend specialized shows such as the Private Label show and Bakery Ingredients and Food Ingredients Show.

4. Target reliable importers. ATO Dubai, Fax: 971-4-311-6189, E-mail: [atodubai@usda.gov](mailto:atodubai@usda.gov) can assist with verifying the experience and viability of local companies.
5. Be prepared to discuss product price, preferably on a C&F basis.
6. Participate in the Gulf Food Show which is held every year in Dubai, U.A.E. Gulfood has grown to be the largest food show in the region. Please contact ATO Dubai for more details about the February 24-27, 2008 exhibition.
7. Stress USA quality. Local consumers are increasingly aware that "Made in the USA" is synonymous with high quality.

## B. Market Structure

The flow of raw materials from the foreign supplier to the local processor runs through a typical channel. Food processors may import their requirements of raw materials directly or through a middleman. On the other hand, final products may be channeled to the retailers and consumers directly from the producing company, or through an appointed specialized food distributor to distribute the production to retailers and the HRI sector.



### C. Company Profile

**Table - 3: Major Food Processors in the U.A.E.**

Company (Product Types)	Estimated Sales (\$Mil)	Production		Procurement Channels
		End-Use channels	Location	
International Foodstuffs Co. (IFFCO) (Frozen meat)	\$20	Retail/HRI	Sharjah, UAE	Direct Import/Local
Emirates Refining Co. Ltd. (Edible Oil)	\$190	Retail/HRI	Sharjah, UAE	Direct Import
Emirates Grain Co. (Grains)	\$135	Retail/HRI	Sharjah, UAE	Direct Import
Seville Products Ltd. (Frozen Seafood)	\$30	Retail/HRI	Sharjah, UAE	Locally
Empire Foods (Juices)	\$9	Retail	Dubai, UAE	Direct Import
United Kiapara Dairies Co. PSC (UNIKAI) (Dairy products, Ice Cream, Juices, Frozen Vegetables, Rice)	\$70	Retail/HRI	Dubai, UAE	Direct Import/Local
Emirates Meat LLC (EDAM) (Meat, Poultry)	\$15	Retail	Dubai, UAE	Direct Import/Local
Al Ghurair Foods (Pasta, Flour, Edible Oil, Soya)	\$700	Retail/HRI	Dubai, UAE	Direct Import/Local
Modern Bakery LLC (Bakery Ingredients)	\$80	Retail/HRI	Dubai, UAE	Direct Import/Local
Best Food Company LLC (Canned nuts/snacks)	\$25	Retail/HRI	Dubai, UAE	Direct Import
Al Kabeer Group of Co. (Meat, poultry, seafood)	\$100	Retail/HRI	Dubai, UAE	Direct Import
Strategic Food International (Biscuit)	\$25	Retail/HRI	Dubai, UAE	Direct Import

### D. Sector Trends

Though many local food producers would favor joint ventures with U.S. companies; thus far, U.S. food companies have not expressed a strong interest in this market. There are however a few examples including U.S. food companies such as Blue Bird Juices, Heinz, Hershey chocolates and General Mills which have started to pack some of their products in the U.A.E.

**SECTOR III.****COMPETITION**

Many types of locally produced foods have recently gained popularity compared to imported products, particularly juices, bakery products, pasta, canned beans, processed meats, snack foods and biscuits. There are several advantages for locally produced foods over imported ones. They are:

1. Less expensive
2. Fresh stocks are available essentially daily
3. Reduce companies' needs for large warehousing
4. Avoid the condition of minimum orders
5. Avoid labeling problems which frequently occur with imported products
6. Avoid long shipping periods
7. Being national products, they have an acceptability/marketing advantage over imported products in some national organizations such as universities, schools, hospitals and armed forces. Nevertheless, the combined effect of these forces have not adversely affected U.S. consumer ready food and ingredients exports because:

a. U.S. origin consumer ready products are recognized as high quality products for which demand continues to be strong.

b. Ingredients that are required for the production of soft drinks under license from some U.S. companies have to be imported from the United States to meet quality control standards. Juice concentrates such as orange and apple are often imported from cheaper sources such as Brazil and China, but similar U.S. products are still in demand for their high quality.

Because of the lack of raw materials, high cost of electricity, and high cost of recruiting skilled manpower, ATO Dubai estimates that up to 25 percent of local food consumption could eventually be covered through locally produced and processed foods. Local importers are skilled and able to scour the world for competitive pricing and freight, especially for bulk and intermediate commodities. U.S. total food exports to the U.A.E., including food ingredients, have grown in the past few years to record levels, surpassing \$358 million in 2006. U.S. exports of commodities have been small, yet growing.



Product Category	Major Supply Sources In 2006	Strengths Of Key Supply Countries	Advantages And Disadvantages Of Local Suppliers
<b>Beef</b>  Net Imports: 33,000 MT  US \$10 mil	1. India: 70% 2. Australia: 10% 3. New Zealand: 5% US: Minor Supply 3.5%	<b>India:</b> Very price Competitive due to low cost of production, negligible freight cost due to proximity. <b>Australia:</b> Competitively priced due to low production cost for range fed cattle, low freight cost due to bulk shipments. <b>New Zealand:</b> Good Quality products which are less expensive than similar U.S. origin products.	No local production
<b>Poultry</b>  Net imports: 171,000 MT  US \$ 15,000 mil	1. Brazil: 80% 2. U.S: 8% 3. France: 6% Denmark: 2%	<b>Brazil:</b> Very competitive priced due to low cost of production. <b>France and Denmark:</b> Proximity to the U.A.E.	Local chicken is known for high quality, yet expensive. Financially capable consumers desire it for their trusted Halal slaughtering
<b>Powdered Milk</b>  Net imports: 70,000 MT  US \$1.2 mil	1. Holland: 30% 2. New Zealand: 22% 3. Denmark: 8% 4. India: 10% U.S.: Negligible	<b>Holland:</b> Lower Price, good marketing practices., <b>New Zealand:</b> Aggressive marketing has helped NZ to establish a solid market for all of its dairy products.	Fresh milk is available at higher prices. Reconstituted dairy products are cheaper and reach wider consumer base.
<b>Rice</b>  Net Imports: 650,000 MT  US \$ 1.5 mil	1. Pakistan: 40% 2. Thailand: 35% 3. India: 15% US: Negligible	<b>Pakistan:</b> Lower Price, good marketing practices. <b>Thailand:</b> Favored by large local Asian population.	No local production
<b>Chocolates</b>  Net imports: 18,850 MT  US \$ 2 mil	1. Turkey: 13% 2. U.K.: 12.7 % 3. France: 12.2% US: Negligible	<b>Turkey:</b> Proximity, Low cost of production. <b>U.K.:</b> Traditional supplier with broad name recognition. <b>France:</b> Reputation for good quality, strong marketing program.	Locally produced is generally cheaper. Could be pricey if of high quality. Imported chocolate is known for its high quality.
<b>Confectionery</b>  Net imports: 20, 000 MT  US: \$1.6 mil	1. China: 10.6% 2. Turkey: 10.3% 3. Indonesia: 9.6% US: 1%	<b>China:</b> Low Cost Products. <b>Turkey:</b> Low Cost of production <b>Indonesia:</b> Low cost of production	Mostly imported. Locally produced is lower in quality and price.
<b>Fresh Vegetables:</b>	1. Pakistan: 23% 2. India: 22% 3. Iran: 12%	<b>Pakistan, India and Iran:</b> Proximity, low cost of production	Local production competes with products imported from major supplying countries.

Net imports: 650,000 MT  US: \$ 4 mil	US: Negligible		
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**SECTION IV.****a. Products Present in the Market with Good Sales Potential**

- ◆ Almonds
- ◆ Beverage Bases
- ◆ Juice Concentrates
- ◆ MDM Chicken
- ◆ Bulk Edible Oils

**b. Products Not Present in Significant Quantities but with Good Sales Potential**

- ◆ Peanuts
- ◆ Bulk Powdered Milk
- ◆ Ice Cream Powder
- ◆ Baking Ingredients
- ◆ Bulk Chili Sauce
- ◆ Butter
- ◆ Flavors and food additives
- ◆ Dried Beans and Pulses
- ◆ Honey in Bulk
- ◆ Chocolates
- ◆ Milled Rice

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

If you have any questions or comments regarding this report or need assistance exporting to the United Arab Emirates or the other markets covered by this office (Bahrain, Kuwait, Oman and Qatar), please contact the U.S. Agricultural Trade Office in Dubai at the following address:

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