

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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United Arab Emirates

Exporter Guide

Exporter Guide Annual Report for the United Arab Emirates

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Report Highlights:

This report is an introductory tool for U.S. food suppliers who wish to export food products to Kuwait, Oman, Qatar and the UAE (GCC-4). It also provides information on best business practices and a list of U.S. products with high potential for increased sales in the region.

Post:
Dubai

Executive Summary:

Executive Summary:

SECTION I. MARKET OVERVIEW

The Gulf Cooperation Council-4 (GCC-4) countries covered by the Dubai based Office of Agricultural Affairs (OAA) are a relatively homogeneous group of small nations with a total population of 19.0 million. Energy related businesses are the main source of revenue. Per capita income levels are high (Qatar \$101,000, U.A.E. – \$49,000, Kuwait – \$40,800, and Oman - \$28,800), according to 2013 data. Inflation rates are between 2 and 5 percent.

Driven by a relatively large population, the large influx of tourists and businessmen coupled with their active re-export activities, the United Arab Emirates (UAE), compared to other GCC-4 countries, is the largest market for U.S. food products, followed by Kuwait. Dubai is the commercial center and the regional trade hub. This is backed by efficient infrastructure (state of the art sea and air ports), a large number of free-trade zones and a strong business orientation. Dubai generates sizable revenue from the re-export business and invests heavily in infrastructure improvements to attract foreign investment and buyers. Other countries in the region and other Emirates in the UAE, particularly Abu Dhabi, the UAE capital, continue to follow Dubai's lead to improve its infrastructure and attract business investments.

The harsh climate, coupled by limited water resources and poor soil, continue to represent the ultimate challenge to increasing agricultural production in the GCC-4. Consequently, the countries, inevitably, are required to import nearly 90 percent of their food and feed needs, including raw materials for further processing. According to UN trade data, annual GCC-4 food imports reached \$24 billion in 2013, of which the U.A.E. share is about 60 percent. Rising populations and a currency pegged to the dollar for all but one of the GCC-4 currencies have helped to boost exports of U.S. agricultural products to the GCC-4, particularly consumer-ready food products which account for about 60 percent of total U.S. food exports to the region. Due to the vast number of exit points, accurate re-export trade data are not readily available, it is estimated that 40-50 percent of U.A.E. food imports are re-exported to the Middle East, Asian and African countries. Growth in population is not the only determining factor for import growth. The increasing level of investments in the GCC-4 and consequent recruitment of skilled labor and executive officers, growing business and tourism travel are decisive factors fueling import growth. Many food importers have reported aggressive expansion plans, improvement in sales and optimism about the future, particularly for the retail and food service sectors. Prospects for organic, gourmet and natural foods are good, yet on a slower pace.

Demand for seafood products is mostly met through local production and imports from neighboring countries such as Oman, Iran, and India. High-end specialized items are imported from other countries, particularly the European Union and Far East countries. Small quantities of specialty U.S.

seafood are imported for the Hotel, Restaurant and Institution (HRI) sector.

Population growth rates across the region are estimated at 3.5 percent annually. An interesting aspect of the GCC-4 population is that in Kuwait, Qatar and the U.A.E., the local population is outnumbered by expatriates, majority of whom are from Asia, particularly the Indian subcontinent, and to a lesser extent, from other Arab countries. These expatriate groups tend to perform manual labor. They also occupy a sizable share of the clerical, technical and middle and upper management positions. A significant population of Western expatriates from Europe and North America also work in professional positions. In Dubai, home to the regional headquarters of most multi-national companies operating in the Middle East, the expatriate population comprises an estimated 80 percent of the population. The expatriate community throughout the GCC influences food imports. Of the local population, a sizeable percentage travels annually to Western countries for business, pleasure or to obtain university degrees, which exposes them to Western and U.S. foods. With the spread of international television via satellite and cable networks, consumers buying decisions are being influenced by region-wide advertising campaigns. Also, the increasing number of women working outside the home, particularly married ones has helped introduce new consumption patterns such as more dining out, home deliveries of prepared meals, retailing of prepared and semi prepared meals.

Table 1: U.S. Agricultural Exports to the GCC-5 Countries (Million U.S. Dollars, FOB)

| Country | CY 2011 | CY 2012 | CY 2013 | January – September Comparison | |
|-------------|---------|---------|---------|--------------------------------|---------|
| | | | | CY 2013 | CY 2014 |
| Kuwait | 209 | 196 | 227 | 173 | 188.5 |
| Oman | 122 | 141 | 60 | 46 | 49 |
| Qatar | 65 | 75 | 81 | 58.7 | 69.4 |
| U.A.E. | 1191 | 1151 | 1381 | 979.4 | 1065.7 |
| Total GCC-4 | 1587 | 1563 | 1749* | 1257.1 | 1372.6* |

*Record

| <i>Advantages</i> | <i>Challenges</i> |
|---|--|
| <i>High quality image of U.S. products.</i> | <i>High price of U.S. goods</i> |
| <i>Weak dollar provides advantage as GCC currencies are pegged to the dollar except Kuwaiti Dinar</i> | <i>Higher freight rates for U.S. foods compared to other suppliers</i> |
| <i>High regional per capita incomes.</i> | <i>Significant competition from producers in the EU, Asia, Australia, New Zealand and, increasingly, from local and regional processors.</i> |
| <i>Broad familiarity with U.S. culture.</i> | <i>Large Indian subcontinent population with easy access to "home grown" products and modest incomes.</i> |
| <i>Increasing interest in U.S. products.</i> | <i>Lack of interest from some U.S. exporters who are not</i> |

| | |
|---|---|
| | <i>willing to entertain small orders, consolidate shipments and meet local labeling requirements.</i> |
| <i>Increasing number of tourists to, Oman and the U.A.E. in particular; U.S. military presence in Kuwait and Qatar.</i> | <i>Importers often want to start with small quantities and consolidate shipments.</i> |
| <i>Low tariffs and relatively transparent import procedures.</i> | <i>Food products must carry production/expiry dates and Arabic labels.</i> |

SECTION II: EXPORTER BUSINESS TIPS

1. Study Each Market: Importers often complain that U.S. suppliers are not well informed about local market conditions, requirements, and governing regulations that are regularly updated. Market information and trade data for the GCC-4 can be obtained from the internet at <http://www.fas.usda.gov>. U.S. companies may obtain information on Office of Agricultural Affairs activities by contacting the office directly.

2. Visit the Region: Making personal contacts is perhaps the single most important action a U.S. company can take. Letters, faxes, and e-mails alone do not generally suffice in terms of generating serious interest among potential buyers. Repeat visits are also important as they demonstrate a commitment to the market.

3. Participate in Local Food Shows: If serious about penetrating this market, participating in local food shows are the shortest and fastest way for U.S. suppliers to meet with food importers from GCC countries. The UAE hosts the following recommended shows:

1. Gulfood Show: Currently, it is the Middle East's largest food show. This annual Dubai-hosted food show, is regarded as the 3rd largest in the world, after ANUGA and SIAL Paris shows
2. SIAL Middle East: Hosted by the Emirate of Abu Dhabi. This annual show is gaining popularity among both food importers and exhibitors.

There are also several smaller specialized shows such as Seafex for seafood, Snack and Sweets, Gulfood Food Manufacturing and many others.

4. Exhibit at a Major U.S. or International Food Show: If you cannot visit the region or attend local shows, notify potential customers of your participation in various U.S. or international food shows. Give your contacts plenty of advance notice so travel arrangements can be made. Each year approximately 40-50 major GCC-4 based food importers travel to the U.S. and other foreign food shows such as ANUGA, SIAL, Private Label Show, National Restaurant Association (NRA) convention, Bakery Ingredients, SNAXPO and Fancy Foods.

5. Target Reliable Importers: In addition to the foreign buyers lists that are available through

USDA offices in Washington, you may contact the Dubai based Office of Agricultural Affairs (OAA Dubai) by Fax: 971-4-354-7279; E-mail: atodubai@state.gov for lists of food importers in any of the GCC-4; also for a directory of GCC-4 companies known to be importing U.S. food products. This directory is arranged by product category, brand and country. It is also updated annually.

6. Study Local Food Regulations and Requirements and Be Prepared to Discuss Product Price, Preferably on a C&F Basis: Be sure to include the cost of label modification to meet local regulatory requirements. Production and expiry dates are mandatory on the original package label. You will also be required to include an Arabic label or sticker on your product.

7. Bring Samples and be Prepared to Discuss Marketing Strategy and Possible Promotional Assistance: Samples are an important market introduction tool. To help encourage introduction of new-to-market products, offering importers assistance with advertising, in-store displays and even price discounts may be necessary.

8. Help Advertise: Print advertising is perhaps the most cost effective means of promoting a new product. Television advertising is quite effective if targeting a regional audience, but it is expensive. Be prepared to assist in payment of listing and shelf keeping fees, these costs have increased considerably in recent years.

9. Provide Website URL: Provide contacts and consumers with contact information through which they can submit queries on the products. Websites help importers to browse through your line of products and view your label.

10. Be Willing to Entertain Smaller Orders, to Consolidate Shipments, or to Share a Shipment with Someone: In many cases, local importers will want to purchase small initial quantities, particularly for new-to-market products, to test the product's market potential and to develop the supplier/buyer relationship.

11. Be wary of agency agreements: The GCC-4 countries take different stands towards agency agreements. These agreements have been virtually impossible to terminate without penalty in some of the GCC-4, even if the local company fails to comply. The UAE and Oman opted to not recognize any new food agency agreements for most products.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

U.S. agricultural, fishery and forestry product exports to the GCC-4 have grown over the past few years to unprecedented levels, reaching a record \$ 1.749 billion in 2013. Exports in 2014 are expected to grow further. OAA Dubai estimates that 55 percent of this trade went directly to food retail. In the case of the UAE, reliable trade sources estimate that up to 40-50 percent of imported foods are re-exported to other GCC countries, East Africa, Iran, Iraq, Yemen, former Soviet Union countries, and other South Asian countries.

The HRI sector consumes about 40-50 percent of imported U.S. consumer-ready foods and beverages, particularly red and poultry meats. The HRI sector is expanding in the GCC-4 markets as countries develop their tourism and business sectors. Numerous 5 star hotels have been added,

particularly in the UAE, Oman and Qatar. Institutional demand is driven in large part by labor camps that provide housing for thousands of laborers and middle to lower wage workers. Many of whom are from South and East Asia. Semi-processed commodities like frozen chicken and rice are more in demand in this sector as compared to more highly processed food products. U.S. military troops and ships are served by ship chandlers. Products of particular demand in the HRI sector in the GCC-4 include red meat, poultry meat, dairy products, rice, edible oils, nuts, processed and fresh fruits and vegetables, snack foods, and processed eggs.

About 430 food processing firms operate in the UAE and a smaller number of food processors in other Gulf countries such as Kuwait, Oman and to a much lesser extent in Qatar. This sector consumes much of the bulk, intermediate, and semi-processed products the United States sells to the region. In the food-processing sector, U.S. ingredients are mainly used in the following product categories – flour and bakery products, vegetable oil, canned beans, carbonated and non-carbonated beverages, chicken franks, manufactured snack foods and reconstituted juices. Two soybean crushing facilities with 6 million metric ton processing capacity/year are operating in the UAE. They mostly crush canola seed for the production of oil and meals, targeting the EU market. Soybeans are sourced from the United States and Latin America. Local dairies and poultry farms are not large enough to meet local demand. Consequently, a number of local companies reconstitute dairy products from milk powder, primarily sourced from Europe, New Zealand, and Australia. It is expected that an increasing number of multinational food companies will look to link up with local processors. A major U.S. food manufacturer has built a cheese processing plant in Bahrain to serve the Middle East and North Africa area.

More details on the food-processing sector in the UAE are available in the Food Processing Sector Gain Report.

Food Retail Consolidation: While expansions in hypermarkets and superstore types have flourished in the past 5 years, the trend has shifted to smaller type stores. This is attributed mainly to a) lack of sufficient spaces in highly populated areas; and b) the surge in cost of acquiring land, as well as development and investment cost. Consumer cooperatives are strong in the UAE and Kuwait markets, and to a lesser extent in Qatar. While they dominate almost 70 percent of the retail market in Kuwait, they have a 25 percent market share in the UAE. In addition to their loyal local shareholders and customers, the coops attract a wide range of middle class consumers of Arab and Indian origin. Increasingly, several retail chains are providing home delivery services to their customers. Some retailers introduced loyalty programs to attract and maintain shoppers by providing privileges such as:

1. Special check-out counters
2. Reduced prices and promotions for holders of the loyalty cards
3. Accruing points against their purchases. The points may be redeemed in different ways.

Tourism's Potential: The Gulf region offers business and casual visitors excellent wintertime weather, a long inviting coastline for water activities, and first-rate hotels with top quality food and services. In addition, the region offers some of the richest international sporting events ranging from golf and tennis tournaments, Formula 1 car racing (in Abu Dhabi, UAE), horse-racing's largest purse

(Dubai), power boat racing, camel races and a host of trade events that garner broad attendance from across the Middle East and beyond. The GCC-4 countries, in particular the U.A.E. are working hard to make travel to this region more pleasurable. Overall, OAA Dubai projects U.S. food export growth to the GCC-4 at 5-10 percent annually for the next few years.

Trends in promotion/market strategies and tactics: In view of the intense competition, promotions and aggressive product marketing are essential not only to gain bigger market share, but to also maintain existing one. Newcomers to this market should be prepared to include product marketing and promotional support in their plans as the importer may not be prepared to invest in new-to-market products without initial support from the supplier.

While the spread of satellite channels are making multi-market advertising easier, the cost too small to medium size companies could be prohibitive. Regular in-store promotions and newspaper ads are still the most commonly applied advertising tools in this field.

| Product Category | Market Size | Imports | Annual Import Growth | Import Tariff Rate | Key Constraints over market development | Market attractiveness for USA |
|------------------|-------------|------------|----------------------|--------------------|--|--|
| Beef | 92,752 MT | \$ 333 Mil | 5-10% | 5% | ..High cost of U.S. beef ..Competition from lower quality beef | The growing tourism industry and introduction on new hotels presents opportunities for high quality beef |
| Mutton and lamb | 49,541 MT | \$ 331 Mil | 5-10 % | 5 % | U.S. sheep are considered fatty and expensive compared to other imported products | High per capita GDP opens door for products that are expensive and of high quality |
| Poultry Meat | 361,135 MT | \$ 584 Mil | 10 % | 5 % | ..Competition from other suppliers ..lack of interest among U.S. suppliers to improve the handling and packaging of U.S. products | The GCC-4 countries import nearly 90 percent of their food needs |
| Hay | 2.1 MMT | \$ 562 mil | 5-10 % | 0 % | High freight rate compared to other products imported from Europe and | ..Demand for high quality hay is growing among the consumers |

| | | | | | | |
|----------------|------------|--------------|-------|-----|--|---|
| | | | | | nearby countries | ..Increasing investment in growing hay in the U.S. |
| Rice | 725,578 MT | \$605 Mil | 5 % | 0% | GCC nationals and expatriates of Indian subcontinent origin which represent most of the population favor Basmati rice imported from India & Pakistan | ..Expatriates of Arab origins such as Egypt prefer the calrose rice. ..The growing population could trigger interest in other rice varieties such as wild and brown rice. |
| Almond | 500,600 MT | \$ 366.1 Mil | 5 % | 5 % | None | ..U.S. almonds are regarded as superior products.Growing re-export market for U.S. almond through Dubai |
| Milk and Cream | 333,500 MT | \$ 786 Mil | 5-10% | 5 % | Consumers and other end users are not familiar with the wide range of U.S. cheeses. | The UAE imports large volumes of cheese from many countries and retailers always like to expand the range of displayed products |

UN COMTRADE statistics is the base of above information in the absence of updated UAE Foreign Trade Statistics.

SECTION IV: BEST HIGH-VALUE PRODUCT PROSPECTS

1. Almonds (shelled)
2. Beef & products (chilled & frozen)
3. Poultry Meat (frozen parts)
4. Snack foods
5. Fresh Apples & Pears
6. Edible oils
7. Cheeses
8. Fruit and vegetable juices
9. Condiments and Sauces
10. Breakfast Cereals
11. Confectionary Products
12. Frozen Vegetables
13. Pulses
14. Planting Seeds
15. Sweeteners & Beverage Bases
16. Pet Foods
17. Rice

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

U.S. MAILING ADDRESS: OFFICE OF AGRICULTURAL AFFAIRS
6020 Dubai Place
Dulles, VA 20189-6020

LOCAL MAILING ADDRESS: OFFICE OF AGRICULTURAL AFFAIRS
U.S. CONSULATE GENERAL
P.O. BOX 121777
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TELEPHONE: +971-4-309-0000
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Pertinent Government Food Import Contacts:

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1 Kuwait, Oman, Qatar and the U.A.E.

