

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

**Date:** 12/15/2014

**GAIN Report Number:** SA1417

## Saudi Arabia

### Retail Foods

**2014**

**Approved By:**

Hassan F. Ahmed, U.S. Embassy, Riyadh

**Prepared By:**

Hussein Mousa, U.S. Embassy, Riyadh

**Report Highlights:**

Saudi Arabia's retail food market continues its rapid growth, with several leading Saudi and international retailers expanding operation in response to stiff competition and changing consumers' preferences. In 2013, the number of food retail outlets in Saudi Arabia was estimated at 40,435 stores, an increase of 15 percent over their number in 2012. The total value of food sales at these outlets was estimated at about \$40 billion in 2013, an increase of 10 percent over the previous year. The total value of retail food sales is forecast to reach \$45 billion in 2017. The steady growth of retail food outlets in Saudi Arabia provides U.S. suppliers of consumer products with an excellent opportunity to expand exports throughout the Kingdom. In FY2013/14, U.S. exports of consumer-oriented food products to Saudi Arabia reached a record-high of \$588 million, an increase of 14 percent over exports in the previous year.

## **SECTION I. MARKET SUMMARY**

Saudi Arabia is the largest importer of food and agricultural products among the Gulf Cooperation Council (GCC) countries, with a population more than double that of the five GCC states (UAE, Kuwait, Qatar, Oman and Bahrain). Saudi Arabia's population was estimated at about 30 million in 2013, and expected to reach 40 million by 2025. This will help boost demand for food imports, as Saudi Arabia relies mostly on foreign suppliers to satisfy about 80 percent of its food consumption needs. Continued economic growth has helped increase Saudi per capita income to \$25,000, while changing lifestyle and diets are expected to increase demand for high quality food products.

In 2013, Saudi Arabia's total food and agricultural product imports rose 8 percent, to \$19 billion. Food products accounted for about 92 percent of the total imports at \$17.5 billion, with processed food products' share accounting for 46 percent of the total food and agricultural imports. In FY2013/2014, U.S. agricultural and food product exports to Saudi Arabia were at a record high of \$1.425 billion. U.S. exports of consumer-oriented food products have been growing steadily in the past few years, reaching \$588 million in FY2013/14. U.S. food products are generally viewed as meeting higher quality standards compared to those produced locally or imports from other countries. Although U.S. food products command higher price margins compared to imports from Asia and Arab countries, demand for U.S. food products in the Saudi market has been increasing in the past few years. The total value of food sales at these outlets was estimated at about \$40 billion in 2013, an increase of 10 percent, compared to sales in 2012. The total value of retail food sales is forecast to reach \$45 billion in 2017.

The Saudi food retail units are divided into three categories: hypermarkets, supermarkets and bakalas (convenience stores). The number of hypermarkets is relatively small, around 220 units, but account for about 22 percent of the total retail food sales. Hypermarkets entered the Saudi retail market in 2004 and have become very popular, as trips to the mall are considered a family outing and a form of entertainment that substitutes for going to movie theaters or nightclubs since many hypermarkets have play grounds for children. The supermarkets, a total of 680 outlets, accounted for about 23 percent of food sales at retail food outlets in 2013. Currently, the bakalas are the dominant retail outlets in terms of both number and food retail value. In 2013, the total number of bakalas was estimated at about 39,540 units, and accounted for about 55 percent of food sold in retail outlets. With the expected expansion in the number of food retail outlets, mostly hypermarkets and supermarkets, the overall retail food sales is forecast to reach \$45 billion by 2017. The Tamimi Market group, the most upscale supermarket based in Saudi Arabia, is planning to open about 35 new supermarkets by 2020. Currently, Tamimi has 25 outlets in Saudi Arabia. The Lulu Hypermarkets, which is an international company based in Dubai, has a more ambitious plan to open 15 new hypermarkets in Saudi Arabia in the next five years, which is a huge increase from its current number of three outlets in the Kingdom.

The changing lifestyles in Saudi Arabia have created an excellent opportunity for many of the hypermarkets to introduce ready-to-eat meals and take-away food dishes as a substitute for home cooking for many of the working families. This food service is very popular, especially with working women and millions of single foreign expats working in Saudi Arabia.

Currently, there are no food retailers that offer online/internet sales of food products in Saudi Arabia. Al-Othaim Supermarkets, the second largest food retail chain in Saudi Arabia, introduced internet based

grocery sales in the city of Riyadh in 2011, but the service was discontinued in the summer of 2013 due to lack of interest from its customers.

#### **Key factors driving the huge growth in retail food sales:**

- a) **Population Growth:** the Saudi population which estimated at 30 million in 2013 grows at a rate of about 3 percent annually and is expected to reach 40 million by 2025. Currently, more than 70 percent of Saudis are under the age of thirty.
- b) **Increased Disposable Income:** Saudi Arabia's economic growth in recent years has helped in increasing per capita income, from \$20,267 in 2008 to \$25,000 in 2013. With higher income, large number of Saudis can afford to shop high quality food products at retail outlets; and Saudis spend about 27 percent of their income on food. The Saudi government offers various direct or indirect subsidies to keep the prices of staple food products at very low levels.
- c) **Huge Increase in the Number of Retail Outlets:** In 2013, the total number of food retail outlets in Saudi Arabia was estimated at about 40,435, an increase of 15 percent over 2012. Saudi food retailers carry a wide range of food products, from domestically processed food to imported upscale specialty and organic food products. The fast growth of retail food outlets in Saudi Arabia provides an excellent opportunity for U.S. suppliers of consumer products to expand their exports throughout the Kingdom. In 2013, U.S. exports of consumer-oriented food products totaled \$588.2 million in FY2013, making the country the 20th largest importer of U.S. consumer ready food products. In FY2013, the top ten U.S. processed foods product categories imported to Saudi Arabia were dairy products, tree nuts, processed vegetables, prepared foods, condiments and sauces, snack foods, prepared foods, fresh fruit, chocolate and cocoa products, and poultry meat.
- d) **Other Factors:** Other factors that have been contributing to the growth of modern retail chains are the increased urbanization, more exposure to high quality foods and westernized food consumption patterns via satellite television advertisements, grocery shopping as a form of family outings, changing lifestyles, and a craving by Saudi consumers for more variety foods.

#### **Advantages and Challenges for U.S. food suppliers in the Saudi Market**

<b>Advantages</b>	<b>Challenges</b>
The U.S. is considered a supplier of quality food	Price competitiveness of local products and imports from

products. Major retail chains are constantly looking for new to market U.S. products.	EU, Brazil, Turkey, New Zealand and Asian countries has impacted U.S. market share.
Saudi Riyal (SR) is pegged to the U.S. dollar at the rate of \$1 to 3.75 SR.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
High per capita income and purchasing power help increase demand for relatively expensive imports	Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
Hypermarkets have become popular destinations for shopping as well as family outings.	Saudi Arabia maintains dual date labeling system (production and expiration) for all food products.
The U.S. is recognized among the business community as a reliable supplier.	High markups, listing and other fees that major retailers charge significantly increase the cost of launching new products in the Saudi market.
Consumers have affinity for trying new food products.	Some food retailers require to get reimbursed for expired products they sell in their outlets.
Ready-to- eat meals, fast-food and take-away foods are becoming increasingly popular with the young Saudi population.	General lack of brand awareness and loyalty by most of the Saudi consumers.
The about 10 million expats that live and work in Saudi Arabia create a strong demand for diversified and ethnic food imports.	Negative consumer attitude towards food containing or made from biotech products.
Saudi retail outlets are well equipped to carry all types of food products, including fresh as well as frozen items.	Some consumers perceive U.S. food products as promoting relatively unhealthy life-style.
An increasing number of pilgrims come to Saudi Arabia every year (over 8 million pilgrims) create demand for food products.	Rejection of food packages which contain trade logos that may imply religious connotation, such as trade symbols for Kosher food have.

## SECTION II. ROAD MAP FOR MARKET ENTRY

### A. Entry Strategy

In general, leading hypermarkets and supermarkets import a relatively small percentage of the total Saudi imports of consumer packed food products directly. Some of these outlets import a limited range of food products under their own brand names for distribution to their outlets in order to save cost and increase profit margins. There are a few U.S. exporters who are currently engaged in these kinds of food export channels. The U.S. suppliers usually do not carry any stocks and their role is to help source Saudi importers of high value products directly from the U.S. at agreed prices that will give the U.S. supplier reasonable profit margins. The importers play a critical role in navigating the maze of the Saudi food import regulations and standards, and eventually the success of the new food product entering into the Saudi market.

The key to establishing a successful and growing business in Saudi Arabia is for U.S. supplier to get connected with a reputable Saudi food product importer. The U.S. exporter should look for partner with a knowledgeable and reliable domestic importer who knows how the Saudi retail food sector operates. The prospective importer should have a professional sales team and strong distribution network

Kingdom-wide or at least in the major Saudi cities, particularly in Riyadh, Jeddah, Makkah, Medina, Dammam, Taif and Al-Khobar, where the bulk of the hypermarkets and supermarkets is concentrated.

Most food importers in Saudi Arabia are specialized in certain products, while some may deal with dry foods or import frozen and chilled food products, others handle fresh fruit and vegetables. It is very rare to find one company that imports all food categories. Some major hypermarkets and supermarkets import limited quantities of dry, frozen and chilled meat and fruit and vegetables. Some importers will deal with a new-to-market product only if it has a good potential could import the product under their own brand names, or be exclusive agents. They may also ask for the exporters' commitment not to deal with competitor importers in their geographical regions. The following is suggested guideline for U.S. companies considering entering the Saudi retail food market:

- i. Obtain an updated list of Saudi food importers and their contact information from the OAA Riyadh. Contact the importer directly to introduce your company and products and discuss future business.
- ii. Exhibit at regional shows: it is vital that prospective U.S. retail food products exporters consider exhibiting at regional food shows, particularly the Gulfood Show, which is held in Dubai annually. The Gulfood is the most important trade event for Saudi agribusiness, where more than 4,500 Saudi companies attend the show each year. Other regional food shows that attract a significant number of Saudi food buyers include Anuga in Cologne, Germany and SIAL in Paris. There are also a few smaller domestic food shows held annually in Jeddah and Riyadh.
- iii. A visit to Saudi Arabia will enable U.S. exporters to meet one-on-one with key potential importers to introduce your products to the Saudi importer and discuss potential business deals. The visit should assist the U.S. exporters to see for themselves the importers distribution network, evaluate product lines and provides the opportunity to size up potential importers as to whether or not they are good fit. Over all, the face-to-face meetings should help build trust and confidence. Most Saudi businessmen speak English. The OAA Riyadh would be happy to assist in setting up these meetings and provide other required assistances for U.S. companies who are interested to visit Saudi Arabia.

U.S. exporters should be aware of the financial costs that a food importer would incur in order to get a new product listed at one of the major retailers, such as listing fees, new store opening fees and rebates for expired items etc. The Saudi importers tend to spend a significant amount of time negotiating these issues with prospective U.S. suppliers in order to get favorable import prices. As a result, reaching an export deal with a potential Saudi importer could take months of strenuous negotiations before the deal is concluded. According to trade contacts, the Saudi importer may ask the prospective U.S. exporter to pay for the supermarket's listing fees of the new product that could range between \$300 and \$18,000 for each stock keeping unit (SKU) to be listed at the retail outlet. The amount of listing fees usually depends on the size of the retail chain, its popularity and market share. For example, Panda retail food chain, which is the largest retailer in Saudi Arabia with 43 hypermarkets and 107 supermarkets, charges listing fees up to \$18,000 per SKU for most new-to-market importers. Large importers that carry well-known brand names would have more clout in negotiating lower listing fees than smaller suppliers.

Other fees that local hypermarkets and supermarkets charge to food importers include new store opening fees, which range between \$1,330 and \$8,000 per supplier. They may also charge importers

annual rebates of 5 to 15 percent of annual their sales. In addition, distributors are often asked to contribute to advertising and promotional campaigns, and some may be asked to provide at least 60 day interest free payment terms as well as reimbursements for expired product items. In order to account for these charges and obtain reasonable returns on their investments, some local importers add 100 percent markup margin on their imported food products. The U.S. exporter should assess the Saudi importer's distribution capacity and make sure that the importer can accommodate the retail outlets requirement. In general, most Saudi food importers are financially sound and usually do not default on payments. However, it is recommended for a new-to-market exporter to ask his prospective importer for an irrevocable letter of credit until close working relationships and mutual trust between parties are established.

## **B. Competitiveness Analysis**

U.S. food products are generally viewed as meeting higher quality standards compared to imports from other countries or those produced locally. U.S. origin and brand products have highly favorable consumer preferences and are well in demand so long as they are priced competitively. Some local retailers often put shelf talkers or signs to identify U.S. products and to impress their customers that they carry high quality products.

Growing competition from both locally produced and competitively priced imported food products from third countries threaten the continued expansion of U.S. foodstuff exports to the Kingdom. Food products produced in Gulf Cooperation Countries (GCC) countries enter Saudi Arabia duty free. Foodstuffs imported from other Arab countries, South Africa, Latin America, New Zealand, Australia and Asian are often lower priced than similar U.S. products because of mostly lower shipping costs. Usually, local importers prefer to initiate business deals by making small trial orders; conditions that many of U.S. exporters are not willing or able to accommodate.

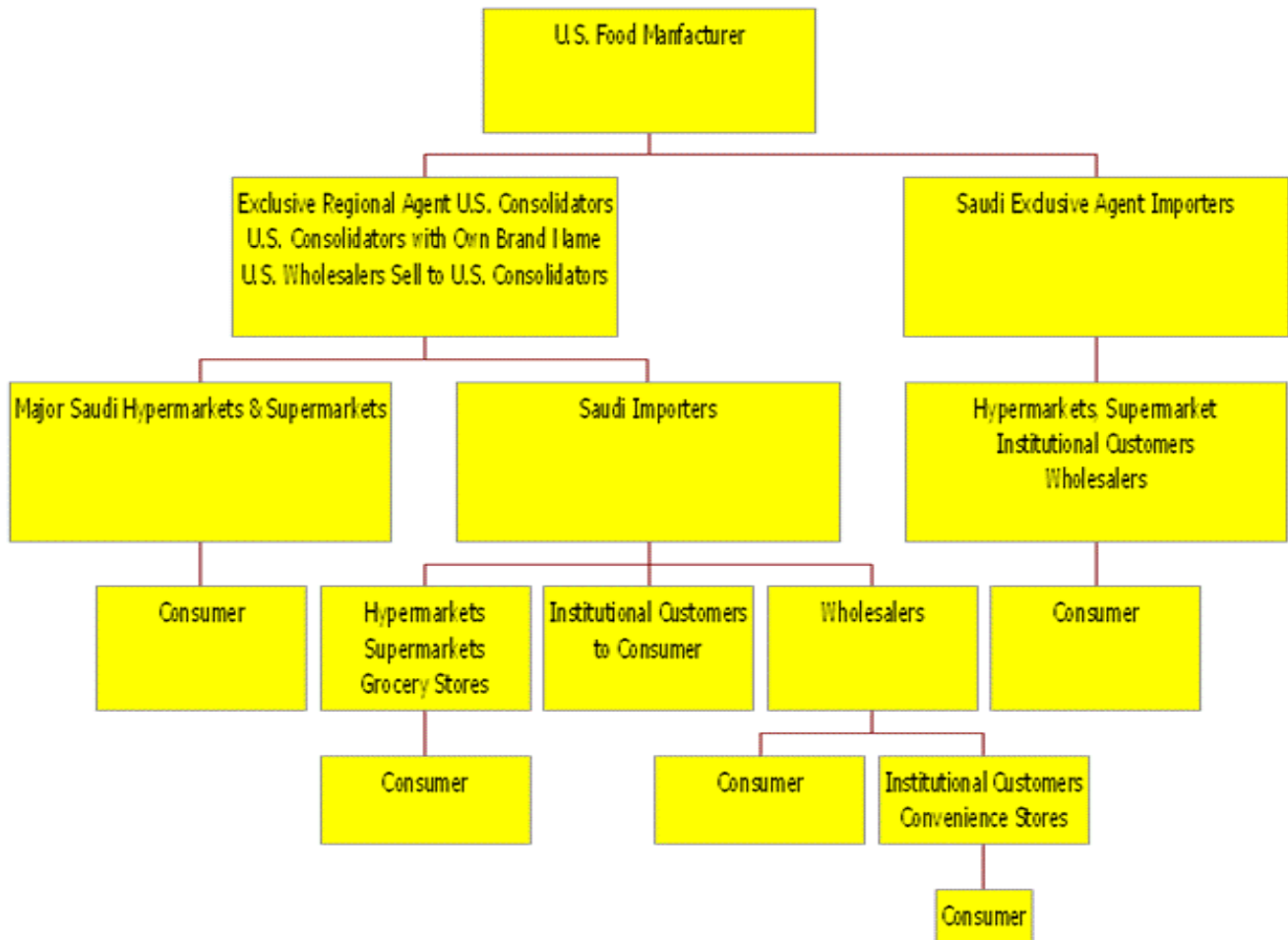
## **C. Market Structure**

- Most U.S. food suppliers usually sell directly to their Saudi agents, pack for Saudi private label owners or sell exclusively to a U.S.-based consolidator.
- U.S. consolidators sell mostly to Saudi importers and, to some extent, to major retailers. Often, the consolidator is the sole regional agent of the U.S. manufacturer or brand owners covering the entire Middle East and African regions. The consolidators may also provide other services such as placing Arabic stickers or labels on food packages. Sticker is a laborious task and many manufacturers do not want to bother with it.
- Most major Saudi importers operate well established country distribution networks and sell directly to retailers, wholesalers and the HRI sector.
- Chain retailers have central purchasing offices where each outlet sends purchase orders on a daily basis. The central purchasing offices consolidate the orders and make the local or international purchases accordingly.

- The wholesalers usually sell to smaller retailers, HRI clients or directly to consumers. There are many wholesalers in the major cities throughout the Kingdom.

#### **D. Distribution Channels Flow Chart**

The flow chart below highlights the various marketing and distribution channels through which an imported food product will be handled from its arrival into the Saudi market.



In 2013, the total number of food retail outlets in Saudi Arabia was estimated at about 40,435, an increase of 15 percent over 2012. The combined total food sales value of the retail outlets in 2013 was estimated at about \$40 billion, an increase of 150 percent compared to sales in 2008 which was estimated at \$16 billion. The Saudi retail units are divided into three categories: hypermarkets, supermarkets and bakalas (convenience stores).

### 1. Super Stores (Hypermarkets)

Hypermarkets were first introduced into Saudi Arabia in 2004. Their sizes are huge (about 200,000 square feet or 18,580 square meters) and have up to 50 checkout counters. They usually carry over 50,000 items including foodstuffs, clothing, tools, toys, and electronics. In 2013, there were about 220 hypermarkets (an increase of 85 outlets from 2008). They are mostly located in the three major cities of the Kingdom (Riyadh, Jeddah and Dammam). Hypermarkets accounted for about 22 percent or about \$8.8 billion of the total retail food product sales in Saudi Arabia in 2013. Some hypermarkets such as Hyper Panda, Al-Othaim, Danube, Lulu, and Carrefour directly import parts of the food sold in their outlets. Shopping at hypermarkets is becoming very popular as it offers outings for the family and is considered a form of entertainment that substitutes going to movie theaters. Many hypermarkets have play



grounds for children and families tend to spend several hours during their shopping trips in the vicinity of hypermarkets.

## **2. Supermarkets**

Supermarkets sizes range from 500 to 5,000 square meters, five or more checkout counters with complete self-service, modern IT systems and which carries comprehensive grocery and other products such as produce, butchery, bakery, frozen, chilled, and non-food ranges. Products are supplied direct from suppliers and there are about 680 supermarkets in Saudi Arabia, accounting for about \$9.2 billion of all food products sold by retailers in 2013. Major Saudi supermarket chains such as Tamimi and Danube import a significant percentage of food products directly from the United States, employing consolidators. The products they import include cheese products, nuts, fresh fruit, condiments & sauces, cereals, ketchups, fruit juices, vegetables and several varieties of high value food products directly from the United States. Some products like strawberries, lettuce, and other fresh produce are shipped by air, while most products by shipped by sea containers.

Major Saudi hypermarket and supermarkets chains attend U.S. based FMI show and as well as regional shows such as Gulfood in Dubai, SIAL in Paris and Anuga in Cologne, Germany to seek new products and establish contacts with potential U.S. suppliers.

Hypermarkets and supermarkets strive to reduce costs and enhance their competitive position in the market. The Saudi retailers are constantly searching for new products, and often request support from the suppliers for product promotion and advertising. Product advertisement is a necessity to win Saudi consumers. Competitive pricing, weekly promotional offers, as well as offering advertisement support are key elements for a successful strategy for a new-to-market product entering the Saudi food market.

## **3. Convenience Stores**

Convenience stores, commonly referred to as bakalas are found in every n neighborhood. They have floor size of up to 100 square meters. Bakalas have limited access to distributors. They deal on a cash basis and purchase most of their stocks from wholesalers except for a few fast moving brands that are delivered by importers. Despite the growing number of modern supermarkets in Saudi Arabia, the food-retailing role of bakalas continues to be important. In 2013, the number of bakalas was estimated at 39,540, increased by about more than 1,410 compared to 2008. Bakalas accounted for 55 percent or \$22 billion of all food products sold by retailers in 2013. The term bakalas include Gas-Marts and ethnic stores (geared to expats). The number of bakalas is expected to continuously grow with the increased urbanization and openings of new gas stations.

Prices tend to be high but bakalas maintain an advantage over supermarkets by providing services to shoppers looking to quickly buy a few items. A number of bakalas have developed a credit system that allows customers to pay at the end of the month. Women in Saudi Arabia are not permitted to drive and depend on bakalas within walking distance of their homes. Also bakalas are very important to third country nationals working in the Kingdom who do not own automobiles. Most compounds housing expatriates contain one or more corner grocery stores.

Bakalas are filled with many consumer-oriented products originating from the United States and most have refrigeration and the capacity 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.

**A. Profiles of Major Saudi Hypermarkets and Supermarkets**

There are no specialized food publications or retail outlet journals in Saudi Arabia. Reliable data on food retailers’ sales and floor space figures are not readily available. Below is a summary profile and information we collected on major food retailers in the Kingdom.

Retailer Name	Ownership	No. of Outlets	Locations	Purchasing
---------------	-----------	----------------	-----------	------------

<b>&amp; Market Type</b>			<b>(city/region)</b>	<b>Agent Type</b>
<b>Panda Supermarkets</b>	Saudi	240 retail outlets (50 hypermarkets & 102 supermarkets and 88 Pandaty convenience store)	In major cities across the Kingdom and has one store in Dubai	Direct imports as well as domestic purchase.
Al-Othaim Supermarket	Saudi	109 retail stores(7 Hypermarkets, 68 supermarkets, 11 Wholesale Outlets, 23 corners stores	Central, Northern, Eastern and Western regions.	Direct importer as well as domestic purchaser.
Farm Supermarkets	Saudi	45 supermarkets and 17 mini markets	Eastern, Western and Southern regions.	Domestic purchaser and importer.
Al Raya Supermarkets	Saudi/UAE	39 supermarkets	Western and Southern regions.	Domestic purchaser and importer.
Tamimi Markets	Saudi	25 supermarkets	Central and Eastern regions.	Direct importer as well as domestic purchaser.
Bin Dawood Supermarkets	Saudi	18 retail outlets (13 supermarkets and five hypermarkets)	Western region	Domestic purchaser and importer.
Carrefour Saudi Arabia	Saudi/UAE under license from Carrefour France	14 hypermarkets	Eastern, Western and Central regions.	Direct importer as well as domestic purchase.
Danube Supermarkets	Saudi	14 retail outlet (9 hypermarkets & 5 supermarkets)	Western, Central and Eastern regions.	Direct importer as well as domestic purchaser.
Balsharaf Supermarkets	Saudi	13 supermarkets and 5 wholesale outlets	Central region.	Direct importer as well as domestic purchaser.
Al Sadhan Supermarkets	Saudi	8 retail outlets (4 hypermarkets & 4 supermarkets)	Central region.	Direct importer as well as domestic purchaser.
Sarawat Supermarkets	Saudi	4 supermarkets	Western and Central regions.	Domestic purchaser.
Nesto Hypermarkets	UAE	4 hypermarkets	Western, Central and Eastern regions	Direct importer as well as domestic purchaser.
Manual Hypermarkets	Saudi	4 hypermarkets	Western region	Direct importer as well as domestic purchaser.
Star hypermarkets	Saudi	3 hypermarkets	Western region.	Domestic purchaser.

### **Additional information on major Saudi food retailers**

1. Panda Supermarkets chain was established in 1979 and today is the largest food products retail in Saudi Arabia. Currently the firm has 102 supermarkets and 50 hypermarkets and 88 Pandaty convenience store outlets Kingdom wide. The firm has plans to increase the number of its

outlets to 250 by 2020. In 2007, the company entered international operations by opening its first hypermarket in Dubai. Panda is owned by SAVOLA Group, the leading food products producer and retailer in Saudi Arabia with business interests in edible oil, sugar, dairy farm, confectioneries, fast food restaurants and packaging. In 2012, Panda entered into convenience stores business by opening five Pandaty stores which reached 88 outlets in 2014. The firm has an aggressive plan to open 600 Pandatys in Saudi Arabia in the next five years. \_

2. With 68 supermarkets, 7 hypermarkets, 11 wholesale outlets and 23 corner stores, Al-Othaim Markets is the second largest food products retail chain in Saudi Arabia. Al-Othaim's other business include food products imports under own brand names, food production and ownership of shopping malls. Al-Othaim is the second largest retailer after SAVOL Group's Panda retail chain.
3. Farm Supermarkets was established in 1978 in Dammam. Currently, it the company operates a chain of 45 supermarkets concentrated in the Eastern, Western and Southern provinces of Saudi Arabia. Besides, the company owns and operates 17 mini markets serving upscale residential compounds.
4. Al Raya Supermarkets chain was set up in Jeddah in 1992. Since then the retailer has increased the number of its stores to 39 covering seven regions (Jeddah, Najran, Taif, Khamis Mushayt, Baha, Sabya and Jizan.) The company is owned by Saudi and UAE investors. Al Raya has plans to open five new stores annually for the next few years.
5. Tamimi Markets, which was launched in Riyadh in 1979, is considered the pioneer of the upscale supermarket concept in Saudi Arabia. The firm currently has 25 stores in the Eastern and Central Provinces of the Kingdom. Tamimi Markets carries the largest range of American foodstuffs compared to any supermarket in Saudi Arabia. Tamimi has plans to open additional 35 supermarkets in Saudi Arabia by 2020, raising the total number of its supermarkets to 60. Tamimi Markets is one of 30 companies owned by the Dammam based Tamimi Group. The group's business interests range from upscale catering company to chemical, electrical and power manufacturing.
6. Bin Dawood Supermarkets chain was founded in Jeddah in 1962 with businesses that include supermarkets, bakeries, restaurants, catering, manufacturing, direct imports and exports. Currently, the firm has 13 supermarkets and five hypermarkets covering the cities of Jeddah, Makkah and Medina.
7. Carrefour Hypermarkets (Saudi Hypermarkets CO) was established in Riyadh in 2004 as a joint-venture between Al-Olayan Group (Saudi company) and the Majid Al-Futtaim Group (U.A.E. company). Currently, the company has 14 hypermarkets in three main Saudi cities. Carrefour has plans to increase the number of its outlets to 20 in the next few years.
8. Danube Supermarket chain was established in Jeddah in 1987. In 2001, the outlet was purchased by Bin Dawood Group of Companies. Currently, Danube has nine hypermarkets and five supermarkets in Jeddah, Riyadh and Al-Khobar.

9. Balsharaf Supermarkets is one of subsidiaries of Balsharaf group which was established in 1955 as a small corner store in Mecca. Currently, Balsharaf Supermarkets operates twelve retail outlets and five wholesaler operations in Riyadh. Another company in Balsharaf Group is Balsharaf Importing Company. The firm imports and distributes food products to more than 16,000 retailer outlet across.
10. Al Sadhan Supermarkets was established in Riyadh in the 1970s. Currently, the firm has 4 hypermarkets and 4 supermarkets in Riyadh. The firm has plans to increase the number of its retail outlets to 18 in the next ten years.
11. Sarawat Supermarkets was established in Jeddah in 1981. Currently, the firm has five supermarkets (3 in Jeddah and one each in the cities of and Medina.) The retail chain is owned by Binzager Group, one of the leading Saudi conglomerates engaged in food and none food imports, distribution and production. The firm has several food production joint ventures with well-known international companies such as Best Food of U.S. to produces and distributes Mazola brand corn oil and oil based products in Saudi Arabia. Binzager Group is the sole agent for several international brands such as Unilever, Kellogg's, Heinz, Tyson, Hershey, Dunlop and McCain products in Saudi Arabia.
12. Marhaba Supermarkets was established in Jeddah in 1980. Currently the company operates five stores in Jeddah.
13. Star Hypermarkets was established in 1982 by Abbar Group in Jeddah. Currently, the company has two supermarkets in Jeddah and another one in Yanbu city. Also, the firm runs four commissaries in the Royal Commission of Yanbu.
14. Manual Hypermarket was established in 2010 by a group of Saudi investors and currently has four hypermarkets in Jeddah.
15. Nesto, a Dubai based retailer which has currently three hypermarkets. The firm has plans to open four more hypermarkets in Saudi Arabia in the next two years. Its supermarkets cover up to 200,000 square feet of retail area.
16. Lulu Hypermarket, which entered the Saudi food retail market in 2009, is owned by EMKE Group, Abu Dhabi, United Arab Emirates based company. In June 2012, the company opened its third hypermarket in Riyadh with an area of more than 200,000 sq. ft. of shopping space. Like other hypermarkets in Saudi Arabia, Lulu caters to the growing consumer demands that include all types of food products, garments, electronics and home appliances. Lulu Hypermarket is the most preferred retail chain among the South Asian expatriates community residing in Saudi Arabia. Lulu has plans to open 15 more outlets in major Saudi cities in the next few years.
17. There are several regional supermarkets that have one or more stores such as Sunbulah, Euromarche, Jazeera, Mandarin, Badruddine, Matajer, Nakheel, Nouri, Anoud, Refaat, Surat, Astra and Consumer Oasis. These supermarkets and others are estimated to have a combined total of 164 outlets.

**SECTION III. COMPETITION**

U.S. faces fierce completion in the Saudi food import market from major suppliers such as Brazil, India, Netherlands, China, Thailand, Turkey, France, Belgium, New Zealand, other EU countries. The catering and restaurant subsectors are very price sensitive, due to the stiff completion that prevails in the market. Catering companies and fast food chains compete on both prices and quality. They seek suppliers that provide good quality products at most competitive prices. The table below illustrates quality and price competitiveness from the major suppliers’ countries, which have affected U.S. market share in many high value products in the Saudi market.

**Table 1. Saudi imports of select food products by major suppliers in 2013**

Product Category & Total Import	Major Supply Sources	Strengths of Key Supply Countries	Advantages & Disadvantages of Local Suppliers
---------------------------------	----------------------	-----------------------------------	---

Value			
Frozen Broiler Meat \$1.8 billion	Brazil (79%), France (17%), U.S. (2%)	Brazil is the most price competitive supplier that also meets food service size, moisture and fat content requirements.	Local broiler meat production accounts only for 42 percent of total consumption.
Dairy Products \$1.2 billion	New Zealand (24%), U.S. (13%), Netherlands (12%), France (7%), Egypt (7%) Germany (7%)	Price competitiveness and quality are the key factors in making purchasing decision in this market. New Zealand has been the dominant export of cheese to Saudi Arabia.	Some local food processors imports cheese blocks for repacking into smaller consumer-sizes for sale in the market.
Fresh Fruit \$729 million	Egypt (19%), South Africa (11%), Chile (9%), India (8%), Turkey (8%), U.S (5%)	Price and availability are the major criteria when importing fresh fruit.	Saudi Arabia produces very limited fruits such as citrus, grapes, and pomegranate.
Processed Vegetables \$495 million	Egypt (16%), Netherlands (14%), U.S. (12%), China (11%), Belgium (10%), Spain (10%)	U.S. exports of these products have been steadily increasing in recent years due to its price competitiveness and quality	Some local food processors imports blocks of frozen vegetables for repacking into smaller consumer-size containers for sale in Saudi market.
Beef \$488 million	India (53%), Australia (31%), Pakistan (5%) New Zealand (5%), Canada (3%)	India benefited the most from SFDA beef import bans placed on U.S. and Brazilian beef imports.	No significant beef production in the country.
Vegetable Oils, excluding palm oil \$464 million	U.S. (25%), Ukraine (15%), Oman (14%), Malaysia (8%), Russia (5%)	U.S. has been the leading corn oil supplier to Saudi Arabia for the past decades. Recently, however, Ukraine and Oman have been increasing their market shares. Oman does not produce its own corn oil but imports in bulk, retail pack and re-export mainly to the GCC countries. Indonesia is the dominant supplier of palm oil to Saudi Arabia.	Saudi Arabia does not produce cooking oil. Saudi companies such as SAVOLA Oil Company imports refined palm and corn oil and retail pack them for local distribution.
Fish and Seafood Products \$420 million	Thailand (29%), Yemen (25%), Indonesia (15%), India (7%), Pakistan (5%), U.S. (1%) and Japan (4.5%).	Thailand has been the dominant and the most price competitive supplier of fish and seafood to Saudi market.	Saudi Arabia has recently become a significant exporter of high quality commercial produced red sea shrimp to EU, U.S. and Japan.
Snack Foods \$298 million	Italy (19%), Turkey (13%), Poland (10%), U.K. (8%), China (8%), U.S. (6%)	EU countries to dominate the snack food sector due to products quality and competitive prices,	Local snack food producers depend on imported raw materials and they do not pay import tariff on food products imported for reprocessing.

**Table 1 continued. Saudi imports of select food products by major supplier in 2013**

Product Category and Total Import Value	Major Supply Sources	Strengths of Key Supply Countries		Advantages and Disadvantages of Local Suppliers
Fresh Vegetables \$283 million	Egypt (30%), Jordan (24%), China (11%), Netherlands (6%), India (6%) and U.S. (2%)	China has been gaining market share in the fresh vegetables market due to its price competitiveness compared to other suppliers.	Saudi Arabia is 85 percent self-sufficient in fresh vegetables production. Prices of locally produced vegetables are usually higher than imports.	
Spices \$212 million	Guatemala (31%), India (29%), China (13%), Pakistan (9%), Singapore (3%), U.S. (2%)	Guatemala and Asian countries have been the traditional suppliers of spices to Saudi Arabia because availability of abundant variety of spices at competitive prices.	Saudi Arabia does not produce spices. It depends on imports meet its spices need.	
Processed fruit \$203 million	India (23%), China (14%), U.S. (9%), Thailand (8%), Egypt (7%), Canada (6%)	U.S. exports of these products have been steadily increasing in recent years due to its price competitiveness and quality.	Some local food processors imports blocks of frozen fruit and vegetables for repacking into smaller consumer-size containers for sale in Saudi market.	
Condiments & Sauces \$187 million	Indonesia (26%), U.S. (14%), Oman (14%), Egypt (14%), U.K. (6%)	Indonesia has been the largest Condiments & Sauces supplier to Saudi Arabia because of its competitive prices. The U.S. is known as the supplier of high qualities sauces in Saudi Arabia.	Local production in this group is limited mostly to ketchup processing and its quality has been improving.	
Tree Nuts \$142 million	India (38%), United States (38%), Turkey (10%), Australia (4%), Sri Lanka (3%)	Almonds accounts for the largest percentage of tree nuts imported to Saudi Arabia. The U.S. has been a dominant supplier of almonds to Saudi Arabia for the past several years.	No local production of tree nuts.	

#### SECTION IV. BEST PRODUCT PROSPECTS

The following is a list of some consumer ready food products with high export potential.

Potato chips and savory snacks, mayonnaise, tomato ketchup, sauces, beverage ingredients non-alcoholic beer, tree nuts, dairy products, red meats, fresh apples and pears, processed fruits and vegetables, jams and jellies, fruits and vegetable juices, honey, sweet pastry and biscuits, dietetic foods, snack foods, poultry meat, fresh fruit, processed fruit and , vegetables, organic foods.



## **V. KEY CONTACTS AND FURTHER INFORMATION**

### **1. Post Coordinates**

Office of Agricultural Affairs  
American Embassy, Riyadh, Saudi Arabia  
P.O. Box 94309, Riyadh 11693  
Tel: 966-11-488-3800 Ext. 4351  
Fax: 966-11-482-4364  
Internet E-Mail Address: [Agriyadh@fas.usda.gov](mailto:Agriyadh@fas.usda.gov)

### **2. OAA Riyadh Reports**

Several reports on the Saudi food industry published by the Office of Agricultural Affairs in Riyadh can be accessed by visiting FAS website at the link below:

<http://gain.fas.usda.gov/Pages/Default.aspx>