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Report Highlights:

Saudi Arabia is a significant market for U.S. food and agricultural products with direct U.S. exports of \$1.39 billion in 2019. Post anticipates a slightly similar export level for 2020 despite some hiccups related to COVID-19 and lower oil prices in Saudi that depressed overall sales. However, there are still plenty of opportunities for a wide range of new U.S. products to enter Saudi Arabia, especially healthier products aimed at a generation with more disposable income. Unfortunately, there are also significant impediments to trade including several halal related restrictions on meat and poultry products. Despite these issues, U.S. food products are generally viewed as a higher quality product and are well positioned to meet Saudi Arabia's changing dietary habits over the next several years.

Market Fact Sheet: Saudi Arabia

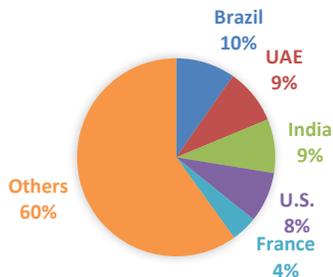
Executive Summary

Saudi Arabia is a significant market for U.S. food and agricultural products. In 2020, Saudi Arabia's GDP was estimated at \$785 billion, positioning the country as the largest economy in the Arab world. They are projected to invest nearly \$59 billion in the food manufacturing sector in 2021 making it a major producer of agricultural products in the region. In 2020, the United States exported approximately \$1.4 billion in agricultural products to Saudi Arabia.

Imports of Consumer-Oriented Products

U.S. exports of consumer-oriented food products to Saudi Arabia increased nearly 11 percent in 2019 and that trend should remain steady in 2020 despite the negative effects of COVID-19. In 2020, Post anticipates U.S. exports of consumer-oriented products will top out near the \$588 million level from 2019 as a result of more online grocery store apps entering the marketplace.

Total Ag Exports to Saudi Arabia



Food Processing Industry

Saudi Arabia is home to a growing food manufacturing sector that benefits from population and income growth, life-style changes, state support, and favorable trade agreements. Demand for packaged foods is growing due and more multinational companies are entering the market. In 2020, Saudi Arabia imported approximately \$2.7 billion worth of intermediate food products, mostly for further processing. U.S. suppliers provided around 13 percent, or \$350 million.

Food Retail Industry

In 2020, total retail sales in Saudi Arabia were estimated at approximately \$37 billion, and 59 percent was generated through traditional grocery stores. The other 41 percent passed through modern retail channels, but traditional grocery stores have been declining over the past several years due to rapid expansion of new urban centers throughout the country.

Quick Facts CY 2020

Imports of Consumer-Oriented Products (US \$7.8 billion)

List of Top 10 Growth Products in Saudi Arabia

- 1) Processed Meat & Seafood
- 2) Baby Food
- 3) Baked Goods
- 4) Ice Cream & Frozen Treats
- 5) Breakfast Cereals
- 6) Processed Fruits & Veggies
- 7) Ready Meals
- 8) Savory Snacks
- 9) Fruit Pie Fillings
- 10) Beverages

Top U.S. Processed Foods Exported to Saudi Arabia

- 1) Fats & Oils
- 2) Processed Veggies
- 3) Pulses
- 4) Processed Dairy Products
- 5) Condiments & Sauces
- 6) Food Preparations
- 7) Snack Foods
- 8) Potato Chips
- 9) Jams and Jellies
- 10) Beverages

Top 5 Suppliers of High-Value Food Products to Saudi

- 1) UAE (13.2 percent)
- 2) Brazil (11.1 percent)
- 3) The United States (5.9 percent)
- 4) Egypt (5.5 percent)
- 5) India (5 percent)

Top Host Country Retailers

Panda Retail, Othaim Supermarket Chain, BinDaWood Holding, Farm Superstores, Al Raya Supermarkets, Tamimi Super Markets, Lulu Hyper/Supermarkets and Carrefour Saudi Arabia

GDP/Population

Population (millions): 34.2
 GDP (billions USD): \$785
 GDP per capita (USD): \$22,953

Sources: UN Trade & Post Data

Strengths/Weaknesses/Opportunities/Challenges

Strengths	Weaknesses
<i>Dependent on food imports and U.S. food is considered high-quality</i>	<i>Freight costs from the United States are higher than competitors</i>
Opportunities	Threats
<i>Retail, food service and food processing sectors are growing</i>	<i>Increased competition and regulators routinely issue complicated rules</i>

Data and Information Sources: Euromonitor, U.N. Trade Data and FAS Post Data

SECTION I. MARKET SUMMARY

Saudi Arabia is the largest economy in the Arab world with a GDP and per-capita income of \$785 billion and \$22,953, respectively, in 2019. Saudi's population is currently 34.2 million people and is expected to exceed 40 million by 2030. According to U.N. trade data, Saudi imported more than \$18 billion worth of food and agricultural products in 2018, and the U.S. market share was more than 8 percent. The country has a growing population, a strong food service sector, a rapidly maturing food retail sector, a new and developing traditional tourism industry, and hosts millions of religious pilgrims each year. Saudi also imports most of its food and has become more open to business and tourism over the past several years. Post anticipates these factors will continue to support robust demand for imported food despite volatile oil prices and the effects of COVID-19.

The government has also undertaken a broad range of economic reforms that promise to improve economic stability. Relaxation of restrictions on activities, the issuance of tourist visas, and increased investment in tourist facilities should lead to more domestic Saudi tourism as well as support the development of Saudi trade shows. Meanwhile, new taxes and lower subsidies should reduce the government's dependence on oil revenues. According to experts, efforts to attract investment including the long-term mega project, Neom, should diversify the country's economy and deliver positive results for several years.

U.S. agricultural and related products exported to Saudi Arabia in 2019 reached approximately \$1.32 billion (FOB value), a decrease of 10 percent compared to 2018. According to U.S. Customs Data, the decline was concentrated in U.S. bulk agricultural products, particularly feed corn and soybean exports to Saudi. The total value of U.S. bulk agricultural products decreased from approximately \$530 million in 2018 to approximately \$342 million in 2019. U.S. intermediate products exported to Saudi Arabia decreased by approximately six percent to \$348.2 million in 2019 compared to 2018. While both bulk and intermediate products were down, U.S. exports of consumer-oriented food products to Saudi Arabia increased 11 percent. Consumer-oriented exports reached a record high of \$588 million, which accounted for approximately 45 percent of the total U.S. agricultural and related products exported to Saudi Arabia in 2019.

According to various experts, the prospects for U.S. food exports to Saudi Arabia should expand as the country depends on imports to meet about 70 percent of its food security needs. Many anticipate Saudi will remain a major importer of food and agricultural products, and as a result the outlook for sustainable U.S. food product exports to Saudi should expand. U.S. food products are generally viewed as a higher quality compared to food produced locally, or imports from other countries. U.S. food products command higher prices and higher margins compared to imports from other countries, especially throughout other Arab countries and parts of Asia, and demand for U.S. food products in the Saudi market continues to increase.

Table 1 – Major Advantages and Challenges in the Saudi Market

Advantages	Challenges
The U.S. is considered a supplier of quality food products.	Price competitiveness of local products and imports from 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, and historically favors U.S. exporters.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
High per-capita income and purchasing power has increased demand for healthier/organic type food products.	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.
Government regulations and awareness campaigns are driving Saudis to opt for healthier food products.	Some food retailers return products that are not sold by the expiration date and seek full refunds as a result.
An increasing number of pilgrims and tourists come to Saudi Arabia every year creating demand for food products targeting institutional customers.	General lack of brand awareness and loyalty by most of the Saudi consumers.
The more than 12 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 a relatively unhealthy lifestyle.
Major retail chains are constantly looking for new-to-market U.S. products.	The Saudi Food and Drug Authority (SFDA) has been issuing new regulations and standards at a rapid pace that has closed the market for several products.

SECTION II. EXPORTER BUSINESS TIPS

A. Local Business Customs

There are several food importers throughout Saudi Arabia and approximately 40 account for the bulk of food imports from the United States. Below are the ways food products are imported to Saudi Arabia.

1. **Private labels:** Some large Saudi importers and supermarket chains pack food under their own brand in foreign countries. These firms have developed private labels, which appeal to Saudis and expatriates in the Kingdom. For example, a jar of U.S. peanut butter can be marketed in Saudi Arabia under several different labels:
 - Under an established U.S. brand such as Smucker's, AFFCO or, American Garden
 - Under a Saudi private label: like Goody and Freshly
2. **Agency Agreements:** Some importers are agents of major U.S. manufacturers of national brands (e.g., Kellogg's, Campbell Soup, and Florida Natural Fresh Juices). The Saudi importer will help build the brand but will request support from the U.S. company. The U.S. manufacturer usually also offers promotional and marketing assistance.
3. **Consolidation:** Some companies import a wide range of food products for mass distribution employing the use of consolidators in the United States. Often, consolidators are sole regional agents of major U.S. manufacturers, or brand owners, covering the entire Middle East and African regions. Most U.S.-based consolidators assist Saudi food importers by sourcing products from wholesalers (e.g., C&S Wholesale Grocers, Sam's Club, and Costco Wholesale) and provide services such as placing Arabic stickers over labels. (Current Saudi regulations allow U.S. suppliers to place an Arabic language sticker on the original English language label.) The stickers translate key ingredient and product information into Arabic and is typically performed by U.S. consolidators as most manufacturers consider it a laborious task. Most of the U.S. consolidators are based in port cities that have large wholesalers like Houston, Miami and New York.
4. **Direct Imports by Hypermarkets\Supermarkets:** Saudi based hypermarkets and major supermarket chains import part of their food products directly from suppliers. For example, the LuLu Hypermarket Group works with a U.S. sourcing company (Y International) based in Lyndhurst, New Jersey, that is expanding to Texas and California. The company sources and exports most of its U.S. food products and consumer goods to LuLu stores in the GCC, Asia and Egypt.

However, Saudi importers are constantly searching for new products and often request support from suppliers for promotion and advertising. The Saudi consumer is a discriminating consumer, closely examining labels and looking for the best deal. Advertising is considered a necessity to win Saudi consumers. For example, "two-for-one deals" are very popular in large supermarkets and are often used to move items approaching their expiration dates. As a result, most major Saudi supermarkets have introduced category management and eliminated slow moving products.

Typically, most major supermarkets and hypermarkets request listing fees ranging from \$267 to \$17,067 per Stock Keeping Unit (SKU) from local distributors. The bigger the distributor, the more power it has to negotiate a lower listing fee. In addition to listing fees, distributors are asked to: provide a specified percentage rebate on total annual turnover, contribute to advertising campaigns, carry out store merchandizing activities seven days a week, provide payment terms of at least 60 days, rent gondolas, and provide reimbursement for expired items. Distributors frequently authorize retailers to make special offers to consumers (i.e., buy one, get one free);

especially for products with 60 days or less of remaining shelf life. Hypermarkets and supermarkets depend heavily on merchandising services offered by importers and distributors.

B. General Consumer Tastes Preferences

Saudi Arabia is a growing market for high-value food products, and consumers have an affinity for new food products, which benefits new-to-market U.S. foods. Ready-to-eat foods, home meal replacements, fast food and "take-away" foods are increasingly popular with the younger Saudi population. The approximately 13 million expatriates who live and work in Saudi Arabia also create demand for ethnic foods.

The high prevalence of obesity and diabetes in the country is driving healthier food options. Government regulations and awareness campaigns are also encouraging Saudis to opt for healthier foods where the United States has many respected brands. Demand for natural, diabetic, organic, and better-for-you products (e.g., low sodium, sugar free, high in fiber, or added vitamins) is growing. While supermarkets/hypermarkets are increasing the selection of these foods, mini-market sized specialized health stores are also being established.

In the past two decades, Saudi Arabia has experienced rapid socio-cultural changes caused by a fast-growing economy. Higher disposable income allowed Saudis to travel to the West for education and tourism, and to learn more about western food and culture. The rapid expansion in western style retail outlets (supermarkets and hypermarkets) and fast food restaurants has changed Saudi consumer tastes and preferences. An increasing number of Saudis look for high-quality foods and are willing to pay more, and as a result, most major retail outlets are selling cooked meals, marinated meat, ready-to-go salads and frozen pizza to meet the growing demand for prepared foods.

One of the noticeable trends in the Kingdom has been the decline in consumers' preference for canned food products in favor of fresh or frozen food items. An exception to this statement is the continued popularity of canned beans and tuna. In general, frozen foods are perceived by consumers as being of better quality than canned foods.

An increasing number of women, along with changing lifestyles, are entering the workplace and driving the demand for prepared foods. Women's participation in the workplace has risen from 15 percent to over 25 percent in less than a decade. The Saudi government's decision in June 2018 to allow women in Saudi Arabia to drive also increased the demand in the food service sector for prepared food options. Dining at restaurants, going out for coffee, and ordering food for lunch are growing trends among Saudi women. Meanwhile, eating out on the weekends has been very popular among both Saudi and expatriate families the past several years.

Some U.S. fast food and casual dining chains and some local fast food chains import part of their supplies from the United States and includes: Applebee's, Burger King, Chili's, Fuddrucker's, Herfy, KFC, Kudu, McDonald's, Sizzler, and TGI Fridays. Large catering companies, especially those serving Western expatriates, also buy a portion of their food items directly from the United States.

Saudi Arabia and the other GCC countries allow the importation of biotech food products if products containing more than one percent genetically engineered content are labeled. U.S. biotech animal feeds,

such as yellow corn and soybean meal, are freely imported. Even though Saudi Arabia has allowed the importation of biotech labeled consumer packed food products since 2001, no packaged foods with biotech labeling have been imported. High-value food importers in Saudi do not typically import food products with biotech labels as they are concerned these products could jeopardize their image.

C. Payment Method

Most Saudi food importers are financially sound and usually do not default on payments. However, it is recommended that new-to-market exporters ask a prospective importer for an irrevocable letter of credit until they build a close working relationship. Until both parties build a mutual trust, they should seek out other payment alternatives to reduce transaction costs.

SECTION III. IMPORT FOOD STANDARDS/REGULATIONS & IMPORT PROCEDURES

Import Food Standards & Regulations

The Saudi Food and Drug Authority (SFDA) is the only Saudi government entity that sets and enforces food products regulations and standards. It is also the main agency that conducts inspections of imported food products at ports of entry to determine if they meet established Saudi and/or GCC Standardization Organization (GSO) standards. The SFDA strictly enforces Saudi and GSO food import regulations, standards and circulars; particularly those related to halal, allowable limits for food additives, and labeling requirements. The Ministry of Environment, Water, and Agriculture (MEWA) inspects imports of live animals, such as lobsters and horses.

Some of SFDA's regulations are not compatible with U.S. regulations or are costly to enforce or implement. For example, the ban on animal protein in animal feed and on the use of poultry stunning/immobilization has been problematic. [This link](#) leads to recently published FAS GAIN Reports on FAS Riyadh's Food and Agricultural Import Regulations and Standards (FAIRS) Report as well as reports on Export Certificates. These reports discuss detailed information on Saudi food regulations and certification requirements.

Meanwhile, [this link](#) takes you to an SFDA compiled list of approved, food, seafood and agricultural products technical regulations and standard specifications implemented in Saudi Arabia. The Saudi technical regulations and standards can be purchased from SFDA's [regulations store](#).

Import Procedures

Imported food products, including food ingredients used in food processing, must obtain preapproval and be registered with SFDA. Registration of imported food products is the responsibility of local importers or agents. Each importer or agent is required to open an E-Account and set up an individual user name and password at SFDA's Operations Sector at [E-Services](#). Once the E-Account is created, importers can upload information about their products, including the harmonized code (HS Code), bar code, item code, and listed ingredients in English and Arabic, a picture of each product, and a copy of the product label. The label must contain all information required by the GSO under regulation number GSO 9:2013 "Labeling of Prepackaged Food Stuff".

Individual importers are required to register all food products they intend to import even if all the products were already registered by another importer. The electronic registration is free of charge and there is no expiration date for registration. However, importers are required to re-register their products when there are changes in product formulations or labels. (Please note: SFDA will not allow the importation of food products that are not registered in its E-Account database.)

Documents Generally Required for Imported Agricultural and Related Products

In general, a commercial invoice, a bill of lading, a country-of-origin declaration, a certificate of weight, and a packing list should accompany official certificates. For a more extensive list of documents that are needed, please review FAS Riyadh's "Export Certificate Report", at the following [link](#).

Import Tariffs on Food/Agricultural Products

According to Saudi Customs, a clear majority of food products are subject to a five percent import duty ([Saudi Customs](#)) while selected processed food products are assessed higher import duties. In order to protect local production and food processors from competitively priced imports, Saudi Arabia ties import duties to the level of local production of similar products. Generally, a maximum import tariff rate of 40 percent ad-valorem is applied when local production of a food, or agricultural product, exceeds a self-sufficiency level. Currently, a 40 percent import duty rate applies to fresh, dried/processed dates while a 25 percent duty is applied on wheat flour. Meanwhile, poultry imports face a mixed tariff; 20 percent or SAR 1.00 (\$0.267) per kilogram, whichever is higher. Ad valorem duties are levied on the CIF value.

Imports of rice, baby milk and animal feed (barley, corn, rice, sorghum, and soybean meal, etc.) are subsidized while coffee, tea and fresh red meat enter the country duty-free. Saudi Arabia has no tariff rate quota, but in April 2017, the country began levying a 50 percent excise tax on soft drinks and a 100 percent tax on cigarettes, tobacco products, and energy drinks.

On December 1, 2019, the Saudi General Authority of Zakat and Income Tax (GAZT) started collecting a 50 percent selective tax on sugary drinks in the local market. GAZT defined sugary drinks "as any product in which any source of sugar or other sweeteners is added, to be taken as a drink, whether ready for drinking, or in the form of a liquid concentrate, powder, gel, extract, or any form that can be converted into a drink."

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

In a normal economic situation, the hotel, restaurant and institutional (HRI) sector as well as the retail and food processing sector present great opportunities for U.S. exporters. However, the HRI sector is currently struggling while the retail channel is stronger than normal.

- **Food Retail Sector:** In 2019, total retail sales in Saudi Arabia were estimated at approximately \$37 billion. Of that amount, 59 percent was generated through traditional grocery stores and 41 percent through modern retail channels. Revenue in traditional retail channels has been declining due to rapid expansion of hypermarkets and supermarkets. The retail sector is expected to continue to expand with the creation of more urban centers.

- **HRI Sector:** The HRI sector was expanding prior to COVID-19. However, demand is currently down with fine dining restaurants being hit the hardest. In 2019, the HRI sector total revenue was approximately \$22 billion, an increase of 30 percent compared to \$17 billion in 2014. The HRI sector depends on imported food products to meet approximately 80 percent of its ingredient needs.
- **Food Production Sector:** Saudi Arabia's local food processing is significant. In 2019, the country imported more than \$3 billion dollars' worth of intermediate food products, with the United States supplying approximately 12 percent. The Saudi government provides various incentives for the expansion of the local food processing industry to improve food security. As such, the prospect for increased expansion of the domestic food processing industry should increase the demand for food ingredients.

V. BEST PROSPECTS

Currently, post is seeing an upward trend in the following products: healthier food options (fruits, tree nuts, organic products, etc.), beef, poultry meat, beverage ingredients, non-alcoholic beer, snack foods and various dairy products. [This link](#) provides data on U.S. Exports of Agricultural & Related Products to Saudi Arabia over the past five years.

VI. KEY CONTACTS AND FURTHER INFORMATION

FAS Riyadh maintains an extensive network of food and agricultural contacts and can provide lists of relevant Saudi food and agricultural product importers to U.S. exporters upon request. U.S. suppliers can also contact post for matchmaking services with prospective importers, assistance resolving issues clearing consignments of U.S. food and agricultural products, or for more information on the Saudi market and import regulations. FAS Riyadh also covers Bahrain.

1. Post Coordinates

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2. OAA Riyadh Reports

OAA Riyadh reports on the Saudi food industry can be found at [this link](#)

Attachments:

No Attachments