

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: 3/29/2018

GAIN Report Number: SA1804

Saudi Arabia

Food Processing Ingredients

2018

Approved By:

Alan Hallman, U.S. Embassy, Riyadh

Prepared By:

Hussein Mousa, U.S. Embassy, Riyadh

Report Highlights:

The Saudi food processing sector has been rapidly growing due to government support of food processors, rising per capita income, and major demographic and socio-economic changes. These factors have supported an increase in the number of Saudi food processing companies, from 691 firms in 2005 to 938 firms in 2016. Investment in this sector increased by approximately 11% per year from 2007 to 2016, and reached \$23 billion in 2016. Attractive investment conditions have lured some multinational corporations to establish production facilities in Saudi Arabia. Most Saudi food manufacturers depend on imports to secure their needs of food ingredients and raw materials. In 2016, Saudi Arabia imported about \$2.345 billion worth of food ingredients for further processing. U.S. suppliers provided about 6 percent of these food processing products. Saudi Arabia exports a significant part of its processed food production, estimated at \$1.22 billion in 2016, sharp decrease compared to approximately three billion exported in 2015.

SECTION I. MARKET SUMMARY

The Saudi food manufacturing and processing sector has rapidly grown in the past ten years. Support from the Saudi Government includes direct subsidies for selected food production equipment, low land leasing prices, long term interest free loans, duty free imports of raw materials, and highly subsidized utilities. This support helped boost investment in the food and beverage production sector and increased the number of food processing factories in Saudi Arabia, from 737 units in 2007, to 1,018 units in 2016, an increase of about 38 percent. During this period, the total investment in the Kingdom's food processing industry increased by a factor of four, reaching \$23 billion by the end of 2016 compared to about \$8.2 billion in 2007. Besides the various government subsidies, major factors supporting the continued increase in the domestic food processing industry are: increased demand for packaged foods, increases in per capita income, a high population growth rate, changing lifestyles and diets, and the growing popularity of rapidly expanding food retail outlets and the food service sector.

The rapid growth in the food processing sector has prompted several international companies to invest and engage in joint ventures with Saudi companies, enter into licensing agreements with local manufacturers, or takeover existing Saudi food processing companies. Recent examples include companies such as Mars Inc., Mondelez International, Cargill, Delmonte, Frito-Lay, Heinz, Danone Ltd., Arla Foods Amba, Fonterra's, United Biscuits (UK) Limited, Coro Foods, and the Lactalis Group. In 2016, the Kingdom imported \$2.348 billion worth of food ingredients, an increase of six percent compared to a year earlier. The United States accounted for approximately 6 percent of Saudi Arabia's food processing ingredient imports in 2016.

Saudi Arabia is a member of the Cooperation Council Customs (GCC) Customs Union that consists of Kuwait, Qatar, Bahrain, the United Arab Emirates, Oman, and Saudi Arabia. Membership in the GCC Customs Union confers special trade and investment privileges. The agreement allows duty free importation of 344 food and agricultural products to Saudi Arabia and the other five GCC countries. The duty-free import category includes unprocessed raw materials and bulk processed food products used by domestic food processors for further processing or retail packaging. The GCC Customs Union allows the free movement of food products manufactured in member countries. As such, food products produced in Saudi Arabia can be exported to the five GCC countries free of import duties.

Saudi Arabia has full self-sufficiency in at least three food products: dates, fresh milk and table eggs. In addition to government subsidies, several other factors contributed to the growth of the Saudi food processing sector. These include rising per capita income, high population growth, changing lifestyles and eating trends, and a rapid expansion of food retail outlets and the food service sector. In 2016, about \$40 billion worth of packaged food products were sold by the Saudi food retail sector, an increase of 67 percent compared to 2007. With the expected expansion in the number of food retail outlets, mostly in hypermarkets and supermarkets, packaged food sales are forecast to reach \$60 billion by 2022. Purchases by the Saudi food service sector are estimated at about \$5 billion annually.

The rapid growth of the Saudi food processing sector provides good export opportunities for U.S. suppliers of bulk and intermediate products, as most of these Saudi companies rely heavily on imported raw materials and food ingredients. In 2016, Saudi imports of food products used as inputs in the

domestic food processing industry, excluding wheat flour, were valued at \$2.14 billion, a decrease of about 14 percent compared to imports in 2015. The significant decline in intermediate food products imports was mostly due to lower prices of dairy products, sugars, sweeteners and vegetable oil.

Locally produced food products are considered of good quality and price competitive. Most of the food manufacturers in Saudi Arabia rely on imported raw material and ingredients. There is a wide range of products currently produced locally. (They include: dairy products, processed meat and poultry products, bread and bakery products, canned and frozen vegetables, canned fruits and jams, fruit juices, sugar, snack foods and crackers, peanut butter, spices, tomato paste and sauces, ketchup, cookies, pasta, honey, tea, cooking oil, butter, mayonnaise, and breakfast cereals.) Government support has enabled food processors to improve production technology and compete with international food suppliers in terms of price and quality. Many local producers are boosting their food quality claims by obtaining ISO certifications and developing their own food safety management systems, such as HACCP programs.

In 2016, Saudi Arabia exported \$1.22 billion worth of locally produced food and beverage products, a decrease of approximately 59 percent compared to 2015. A drastic reduction in dairy product exports is the main reason for reduction in the Saudi processed food exports. According to UN trade statistics, Saudi Arabia's dairy products exports decreased to \$4.2 million in 2016 compared to \$1.1 billion exported in 2015. The primary reasons for the decline were government regulations that require local dairy producers to import forage products used to produce the exported dairy products, the export embargo on products shipped to Qatar, and increased domestic demand for fresh dairy products. Food and beverage products are exported duty free to the other GCC countries (Kuwait, Oman, Bahrain, and the United Arab Emirates) which give them a competitive advantage over imports from other countries including the United States. Hence, the market for locally manufactured products consists of the entire Arabian Peninsula, including Yemen. Significant quantities are exported to other Middle Eastern countries, Africa, Europe and limited quantities to North America to cater to Muslim and Arab communities.

Key Factors Driving Growth in the Saudi Food Processing Sector

There are several key factors that have contributed to the fast expansion of the Saudi food processing industry. These include government policy favorable to investment, rising disposable income, changing lifestyles and new eating habits, demographic growth, expansion of modern food retail outlets, and a rapidly growing food service sector.

- **Government Policy:** Since the early 1970s, the Saudi government has offered direct and indirect subsidies to boost domestic food processing. Various Saudi agencies, such as the Industrial Development Fund (IDF), offer direct subsidies for food processing equipment and attractive financing options - such as interest free loans. In addition, the government leases land at nominal rents for the establishment of food processing factories. Food manufacturers have access to highly subsidized wheat flour for bakery and snack production, subsidized utilities (energy and water), and duty free imports for a long list of processed and unprocessed food ingredients. The Saudi government offers similar facilities and tax free incentives to foreign food manufacturers or processors that wish to establish production facilities in selected cities. The GCC countries' free trade agreement allows Saudi food exports, including those manufactured by foreign firms,

access to all GCC markets duty free. The Saudi government's revised foreign investment policy has attracted leading multinational food processors, particularly from the U.S., New Zealand, Denmark and the U.K., to establish new production facilities or enter into joint venture partnership agreements with existing Saudi companies.

- **Rising Disposable Income:** Saudi Arabia's per capita income increased from \$14,120 in 2007 to \$21,720 in 2017. With higher incomes, more consumers are able to buy meat and dairy products and quality processed foods and beverages. Saudis spend about 27 percent of their disposable income on food.
- **More Women in the Workplace and Changing Lifestyles:** In recent years, more Saudi women are joining the work force, contributing to a hectic lifestyle in the Kingdom. Working women tend to have less time to prepare traditional time consuming meals. This has increased demand for packaged and processed foods. This consumer group tends to opt for chilled, frozen, canned, and prepackaged processed foods for ease of preparation and portion control. They often pick up frozen foods or ready to eat prepared foods on their way home or order meals. Currently, Saudi women account for about 15 percent of the total native Saudi workforce and the number is expected to grow significantly. As more Saudi women enter the workplace, the demand for processed foods will increase considerably.
- **Demographic Changes:** In 2017, the Saudi population was estimated at 32.6 million. It is growing about 2.7 percent annually and is projected to reach 40 million by 2025. With its young population, where 70 percent of Saudis are under thirty years old, Saudi Arabia will continue to be a growth market for packaged foods. Young consumers with high disposable incomes have a penchant for convenient and new prepackaged food products, particularly for snacks, confectionary, savory and beverage products.
- **Expansion of Retail Food Outlets:** Urbanization in Saudi Arabia has increased the number of modern retail channels, mainly hypermarkets and supermarkets, throughout the Kingdom. According to recent data, the combined number of hypermarkets and supermarkets outlets increased by more than threefold from 300 in 2004 to more than 1,000 in 2015. The expansion of modern retail outlets throughout the country has widened the distribution of both domestically processed and imported packaged foods products, boosting the overall demand for processed high value foods. The number of modern retail outlets is expected to grow Kingdom-wide with urbanization, boosting the demand for packaged food products. Saudi consumers like to try new products and are shopping more frequently at hypermarkets and supermarkets. Shopping at these modern retail outlets is considered a form of entertainment in the Kingdom.
- **Increased Demand by the Food Service Industry:** Other important factors for the expansion of the local food processing industry are the growing trend of dining out and demand by food catering services. The Saudi hotel, restaurant and institutional (HRI) food service sector has grown rapidly over the past decade. It depends to a large extent on locally processed food products due to their improved quality and more competitive prices compared to imports. Other benefits that local processors offer include reliable and fast deliveries of fresh stocks (daily deliveries are possible, avoiding the need for keeping large stocks) and reasonable minimum order requirements. Large numbers of local catering companies depend on competitively priced

local food products to prepare meals for several million workers in labor camps. They also cater to more than eight million Muslims pilgrims who come to Saudi Arabia to perform Umrah and Hajj rituals in addition to several million meals served to the Saudi military, hospitals, schools and universities.

- **Halal Food Credibility:** The perceived credibility of Saudi manufacturers of Halal food, especially for meat, dairy and their products has helped the expansion of food processing facilities in the Kingdom. Most Saudi consumers tend to believe that locally produced meat and dairy products meet higher Halal standards than imported products from non-Muslim countries. This has been also a factor in the increased popularity of Saudi food products in Muslim countries and large Muslim communities in Europe and Americas.

Foreign Direct Investment in the Saudi Food Processing Sector

The rapidly expanding Saudi food processing industry has attracted multinational corporations to establish production facilities in Saudi Arabia. The revised Saudi Foreign Investment Act (FIA) allows foreign investors to wholly own food production facilities, or partner with Saudi nationals or companies to jointly establish processing factories. Projects licensed under FIA enjoy the same privileges, incentives and guarantees as a domestic company, including access to subsidized loans from the Saudi Industrial Development Fund (SIDF). Foreign companies enter the Saudi food manufacturing sector by establishing wholly owned facilities, acquiring or taking over of existing Saudi companies, joint venture partnerships with Saudi investors, entering into licensing agreements with local manufacturers or by having private labels produced for them by Saudi food processors.

Benefits to international partners from entering joint ventures with Saudi food firms include easy access to the growing Saudi as well as the GCC markets. Several of multinational corporations have established joint ventures or wholly owned production facilities in Saudi Arabia. These include Mars Inc., Cargill, Delmonte, PepsiCo, Heinz, Danone Ltd., Arla Foods Amba, Fonterra, United Biscuits (UK) Limited, Coro Foods, Lactalis Group, ULKER International, and Alami Vegetable Oil Products Sdn. Bhd Malaysian. More information on these companies is provided in the subsection of this report titled “Company Profiles of Leading Processors”.

Advantages and Challenges for U.S. Food Exporters in the Saudi Food Market

U.S. exports of intermediate food products, used in local food processing, have been growing steadily. They reached \$226 million in 2015, an increase of about 36 percent compared to 2010. In addition to the excellent export opportunities that U.S. suppliers have in the Saudi food market, we also face some challenges. The table below summarizes the advantages that the U.S. food ingredients suppliers have and the challenges that they may face in entering the Saudi food import market.

Advantages	Challenges
-------------------	-------------------

U.S. exporters are known to be a reliable source of large volume and consistent quality ingredients suppliers to major Saudi food processors.	U.S. exporters lack flexibility in consolidating and shipping smaller volumes, as well as in modifying labels and ingredients to meet Saudi and/or Gulf Standard Organization (GSO) requirements.
U.S. bulk tomato paste, white butter, cheddar cheese, skimmed milk powder and corn oil are in great demand for further refining and packaging.	Some U.S. food ingredients are more expensive than imports from competitors in Europe and Asia.
There are a large number of American fast food chain and casual dining restaurants in Saudi Arabia that require local food processors to use U.S. origin food ingredients and spices.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia
There is a strong demand for poultry meat by domestic food processors - particularly for U.S. turkey meat.	Beef and poultry meat exporters face difficulties meeting Saudi government's request for official U.S. attestation that imported beef or poultry products are obtained from animals that have not been fed animal protein.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

U.S. food products are generally viewed as meeting higher quality standards than imports from other countries. As such, some domestic food processors are willing to pay price premiums for U.S. made ingredients because of their recognized high qualities, consistency and reliability. These important factors tend to offset the higher prices associated with some U.S. food ingredients. Some local food processors promote the quality of their products by including statement such as "Produced from California Grade A Beans" or "From Concentrated Florida Orange Juice" on their labels. They do this to assure their customers that their products meet U.S. quality standards and are made from the same ingredients that U.S. food processors use for food products they export to Saudi Arabia.

Usually, local importers prefer to initiate business deals by making small trial orders - a condition that many U.S. exporters are not willing or able to accommodate. It is important for U.S. suppliers interested in entering the Saudi food processing ingredients market to understand customers' demands and how to meet their purchasing requirements or specifications. In addition to meeting product standards and regulatory requirements, it is imperative that new-to-market U.S. food ingredients suppliers consider the following points when contemplating entry into the Saudi food ingredient market:

Look for a Strong and Knowledgeable Importer: U.S. exporters should look for and partner with a knowledgeable and reliable Saudi importer who knows how the food processing sector operates. The prospective importer should have professional sales force and strong distribution network in the major cities where most food processors are located - particularly Riyadh, Jeddah and Dammam.

Develop Personal Relationships: Personal relationships are important in establishing long term and reliable working relationships in Saudi Arabia. The best way to accomplish this is to travel to Saudi Arabia. A visit will enable a potential U.S. exporter to see first-hand the types of food ingredients that are needed by the Saudi food processing sector and to meet one-on-one with key importers. Face-to-face meetings with buyers in Saudi Arabia are very important and help build trust and confidence. Most Saudi businessmen speak English fluently.

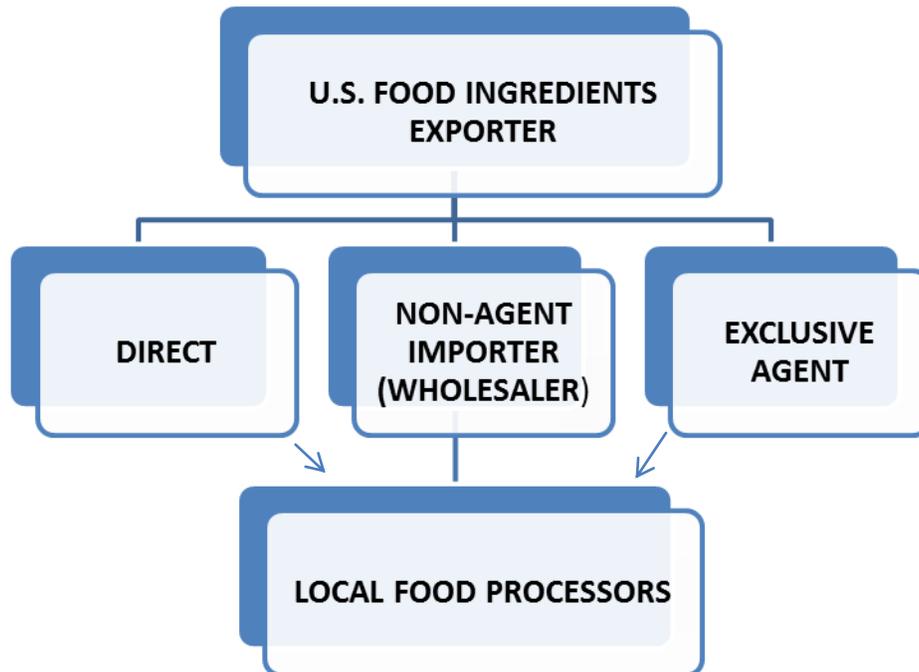
Attend Food Processing Industry Shows: It is important that prospective U.S. exporters of food processing ingredients consider attending U.S. based shows such as the annual Institute of Food Technologists (IFT) Exposition. Attendance at regional shows, particularly the Gulfood Manufacturing Exhibition held in Dubai annually, and major food EU based exhibitions such as Food Ingredients Europe held biannually in Frankfurt, Germany and Paris, France may also be helpful.

Comply with SFDA Regulations: Work closely with local importers to comply with SFDA food import regulations. Pay particular attention to product labeling and product preregistration and approval to facilitate smooth imports and to minimize rejections at Saudi ports of entry.

B. Market Structure

- **Direct Import:** Large Saudi food processors tend to import directly from exporters. They may have access to ingredient suppliers because of the large volumes they import. Examples of these types of producers include edible oil plants, meat and poultry processors, vegetable processors, dairy processors, canned vegetable processors, and other high value food processors such as tomato paste, jams, honey, confectionaries, snack, juice and beverages. If the required quantity is small (less than a container full), they usually purchase from local agents, other importers, or wholesalers.
- **Appointed Agents:** There are a few local importers who serve as exclusive agents for major international food ingredients suppliers based in EU, U.S. or Latin America. The agents solicit orders from various local food processors, consolidate orders, import and deliver to each client. Small and medium sized food processors as well as the food service industry (i.e. hotels, restaurants, and catering companies), source their food products ingredients from these importers who are also wholesalers, and international company representatives or agents.
- **Non-agent Importers:** These importers specialize in supplying the food processing and HRI sectors by importing and distributing a wide range of food ingredients (particularly spices condiments, sauces, bakery and pastry ingredients, seasonings and specialized flours) by employing the use of consolidators in the United States and other countries. Often, U.S. consolidators are the sole regional agents of major U.S. manufacturers or brand owners covering the entire Middle East and African regions. The consolidators assist Saudi food ingredient importers by sourcing products from U.S. manufacturers and wholesalers as well as providing services such as placing stickers on labels. The stickers include key ingredient and product information in Arabic. Stickers is a laborious task and many manufacturers do not want to bother with it. These importers operate well established country-wide distribution networks and sell directly to food processors and HRI customers.

Flow Chart: Distribution Channels for the Consumer Foodservice Industry in Saudi Arabia



C. Company Profiles of Leading Processors

1. Major Saudi Owned Food Companies

Saudi Vegetable Oils & Ghee Co (SAVOLA) Group

SAVOLA, which was formed in Jeddah in 1979 to import bulk vegetable oil, refine it, pack and market under its own brand names - these include Afia. SAVOLA is currently one of the largest food processing conglomerates in the MENA region. The SAVOLA Group, a joint stock company traded on the Saudi Stock Exchange (Tadawul), owns several large food processing companies in Saudi Arabia that process edible oil, vegetable ghee, sugar and pasta. Its corn oil is the dominant cooking oil in Saudi Arabia. SAVOLA's United Sugar Company (USC) is the only sugar processor in Saudi Arabia and has a production capacity of 1.2 million MT/year. USC is currently working to expand its sugar production capacity to 1.7 million MT. SAVOLA Group's business portfolio includes majority shares in leading publicly-listed Saudi food companies such as Herfy Foods and Almarai Co. SAVOLA's Egyptian subsidiaries manufacture pasta and sugar. The Group's food retail arm, Azizia Panda United, is the largest food retailer in Saudi Arabia with more than 240 retail outlets - including hypermarkets, supermarkets and corner stores. <http://www.savola.com/SavolaE/>

Almarai Food Company

Almarai Food Company is a conglomerate of four large food companies that are engaged in producing and marketing dairy, juices, poultry, infant foods, bakery products and snack foods. The companies' products are sold in the Kingdom and nearby Arab countries. As a whole, Almarai Company is one of the largest food products producers in the GCC countries. Almarai Dairy is the oldest and the largest subsidiary of Almarai Company. It was established in 1977. With about 140,000 dairy cows on six farms that produce about a billion liters of milk a year, Almarai is the largest vertically integrated dairy farm in the world. The company imports dairy products and juice concentrates for its dairy processing factory to produce various cheese, butter and fruit juices. The main food processing ingredients that the company imports include bulk cheese, low fat dry milk, butter and juice concentrate. Almarai Dairy has bought farms in Argentina and the U.S. to produce animal feed such as soybean, corn and alfalfa hay to export to Saudi Arabia for its dairy cattle. Almarai's Poultry Company is the 3rd largest poultry producer in Saudi Arabia. The company entered the broiler meat production business in 2009 by purchasing the former Hail Agricultural Development Company (HADCO) poultry farm. Since acquiring HADCO, Almarai has invested \$1.1 billion in various projects to increase its broiler meat production from 20,000 MT in 2009 to 150,000 MT. Almarai Company is publicly traded on Tadawul with the SAVOLA Group holding a majority stake. <http://www.almarai.com/en/>

Herfy Foods

Herfy Foods Company was established in 1981 in Riyadh as a fast food restaurant. In 1982, the firm set up its own bread making company and called it Herfy Bakery. Since then Herfy Foods has added several food processing factories including meat processing, rusk, maamoul and a wide- range of snacks processing and pastry lines. Herfy's bakery, meat and seafood products are distributed to retail outlets in Saudi Arabia as well as supplied to about 300 Herfy Fast Food restaurants in Saudi Arabia. The company imports most of its food processing ingredients, including beef and chicken meat to produce hamburgers and other meat products. Herfy Foods is publicly traded on Tadawul with the SAVOLA Group holding a majority stake. <http://www.herfy.com/en/>

The National Agricultural Development Company (NADEC)

NADEC was established in 1989 by a Saudi government decree and is headquartered in Riyadh. The company is one of the largest agricultural and food-processing shareholding companies in Saudi Arabia. While the Saudi government holds 20 percent ownership, the rest of the company's shares are publicly traded on Tadawul. NADEC has several business units, with dairy farming considered the largest one. The company's six dairy farms have a total of about 60,000 cows that produce more than 1.5 million liters of milk per day. The company's two processing plants produce several dairy products and a wide range of fruit juices. Its agricultural division is the leading producer of grains, forages, fruit, dates, vegetables and olive oil. The main food processing ingredients that the company imports are bulk cheese, nonfat dry milk, butter, juice concentrates and feed grains. In March 2018 Al Safi Dairy and NADEC announced an agreement to merge. <http://www.nadec.com.sa/>

Al Safi Dairy Company

Al-Safi Dairy Company was established in 1979 at Al-Kharj, Saudi Arabia to produce and market fresh milk and milk products. In 1998, the Guinness Book of World Records declared that their dairy farm was the world's largest integrated dairy farm in a single location. It covers 3,500 hectares of land. Currently, the farm has more than 40,000 Holstein cows.

Al-Safi Dairy Company depends on imported animal feed such as yellow corn, soybean meal, cotton seed, other feed ingredients, and increasing quantity of alfalfa hay. In March 2018 Al Safi Dairy and NADEC announced an agreement to merge. <http://www.alfaisaliah.com/>

Al Watania Poultry Farm (Al Watania)

Al Watania is the largest poultry producer in Saudi Arabia, accounting for more than one third of the Kingdom's broiler production. All of the company's facilities are located in Buraydah, Qassim Province. In 2013, Al-Watania's broiler production was estimated at 620,000 bird/day or 178 million broilers a year. Al-Watania embarked on an ambitious expansion program in 2010 to double its annual broiler meat production capacity from 550,000 broilers a day to 1.1 million broilers a day by 2016. Al-Watania is also working to increase its table egg production three folds, to 3 million eggs per day. Al-Watania produces more than 150 fresh and frozen value added poultry products such as marinated chicken, sausages, hot dogs, chicken popcorn, meat balls, salami, chicken nuggets and a wide range of microwavable poultry products. The company also runs its own fast food chain Al Dajen Restaurants, which was established in 1996 and currently has 14 outlets in the Kingdom. Al-Watania depends on imported feed grains for its poultry production. <http://www.al-watania.com/>

Fakieh Poultry Farms (Fakieh)

Fakieh is the second largest broiler meat producer in the Kingdom. It is currently undergoing a huge broiler production expansion project (\$800 million) to increase its annual production capacity from about 124,000 MT in 2010 to 288,000 MT by the end of 2020. It also plans to increase its table egg production from one million eggs in 2010 to 2.1 million by 2020. Fakieh Poultry was the first local poultry farm to open and operate a fast food chain that uses broiler meat produced exclusively on its own farms. Fakieh's restaurant brand "Taza Barbecue Chicken", which was first opened in 1989, now has more than 100 outlets throughout Saudi Arabia as well as branches in Kuwait, Jordan, Qatar, Egypt, Oman, Yemen, and the U.A.E. www.fakiehgroupp.com/

Halwani Brothers

Halwani Brothers was established in Jeddah in 1952 and has become one of the main food products processors in Saudi Arabia. Currently, the company has several food producing factories in Saudi Arabia and Egypt. Its main food products are maamoul (traditional Arabic cookies filled with dates), halawa (traditional Arabic desserts or "sweet), tahina (paste or spread made from grounded sesame seeds), dairy products, juices, cold cut processed meat, jams, honey, sweets and bakery products (cakes) are very popular in the Middle East. Halwani markets its products in Saudi Arabia and other Arab countries. Halwani depends on imports for its food production. www.halwani.com

Wafrah for Industry & Development

Wafrah for Industry & Development is a Saudi stockholding company that was established in Riyadh in 1989. The company's products include a wide range of pasta products, frozen/chilled and cooked meat, frozen French fries, peanut butter and breakfast cereals. Wafrah's products are marketed in Saudi Arabia and in several international markets. The firm packs private labels for both local and international customers. Wafrah depends on imports for its food production. <http://www.wafrah.com/>

Sunbulah Food & Fine Pastries Manufacturing Co. Ltd.

The company was formed in Jeddah in 1980 and currently is one of the leading food processors in Saudi Arabia. Its products include frozen pastry, frozen vegetables, frozen ready to cook red meat, poultry products, French fries, canned foods, cheese, jams, frozen seafood, frozen fruits, frozen potatoes, frozen cakes, and other frozen bakery products. Sunbulah's products are sold in Saudi Arabia and the other GCC countries. It is also engaged in packing private labels. The company depends on imports for its food production. www.ffpgroup.com

Deema-United Food Industries Corporation Ltd.

Deemah was formed in Riyadh in 1984 to produce confectionery and snack products. Currently, the firm is one of the largest producers & distributors of snack foods, confectioneries, juice powder, juice drinks, desserts and private labels. Its products are distributed in Saudi Arabia and MENA region. The company depends on imports for its food production. <http://www.deemah.com/>

Food Manufacturing Group Co. (FMG)

FMG is a Jeddah based contract packager specializing in the production and packaging of private label high value food products. Established in 2000, the firm is involved in packing several high value food products for famous brands such as Al-Alali. Al Alali is the brand name of Jeddah based Basamh Marketing Co. which is distributed in Saudi Arabia and the Middle East countries. FMG's other customers include large domestic retailers and famous international companies. Some of the high value food products produced by FMG include ketchup, tomato paste, vinegar, hot sauce, crème caramel, whipping topping, starch, jelly, cake mix, dumpling mix, pancake mix, custard powder, white oats, honey, chicken stock and jams. The company depends on imports for its food production. <http://www.fmg-food.com/>

Al Babtain Biscuit Manufacturing & Foodstuff Co. Ltd (ABISCO)

ABISCO is a Riyadh based company that was established in 1983 to engage in the production of biscuit products. Over the years, the company's production lines expanded to include crackers, macaroni, spaghetti, instant powder drinks, bakery ingredients, corn flour, jelly crystals, crème caramel, other high value food products and private labels production. ABISCO's products are sold in Saudi Arabia and MENA region. The company depends on imports for its food production. <http://www.abisco.com.sa>

Al Faris Food Industries Ltd.

Al Faris Food Industries Ltd. was established in Riyadh in 2000. Currently, it is a major producer of high value food products for the retail and institutional sector. The company mainly produces hot sauce, ketchup, mayonnaise, vinegar, pizza sauce, salad dressing and pasta sauce. The company depends on imports for its food production. <http://www.alfarisfoods.com/>

Saudi Grains Organization (SAGO)

GSFMO, the precursor to SAGO, was a Saudi government agency established in 1972 with exclusive authority to purchase food wheat, and mill and distribute wheat flour in Saudi Arabia. The agency imports wheat directly from the international market through public tenders. The organization mills wheat and sells wheat flour domestically to bakeries, industrial users and supermarkets according to their needs at a highly subsidized rate. SAGO has nine mills in major regions of the Kingdom with the combined wheat milling capacity of 11,430 MT per day. SAGO imported more than 3 million metric tons of food wheat in 2017. <http://www.sago.gov.sa/>

Riyadh Food Industries Co.

Riyadh Food Industries Co. is a Riyadh based food processing company that was formed in 1989. The company's high value foods include dairy products, powder instant juices, honey, tuna, bakery ingredients, drinking water, instant coffee, tree nuts products, noodles, sweet/dessert products, cooking oil, spices, cake mix, legumes and private labels packing. The firm depends on imports for its food production. www.riyadhfoods.com

2. Saudi-Based Foreign Owned and Joint Venture Food Producers

Mars Inc.

Mars Inc, a leading U.S. confectionary producer, has recently established a wholly-owned manufacturing facility in Saudi Arabia at an initial investment of \$60 million. The company's production facility, which is located at the King Abdullah Economic City (KAEC) in Rabigh, was inaugurated in early December 2014. The factory produces Galaxy brand chocolates for distribution in Saudi Arabia and nearby countries. Mars Inc. plans to invest additional \$150 million in the next few years to expand its production facilities and to add more production lines. The company depends on imports for its food processing needs.

<http://www.mars.com/middle-east/en/>

Nabisco Arabia Company Ltd.

Nabisco Arabia Company Ltd. (NAARCO) was established in Dammam in 1995 as a joint venture partnership between the former Kraft Foods (now Mondelez International) and The Olayan Group. The company produces Ritz Crackers, OREO brand cookies, belVita (locally developed cardamom-flavored biscuits) and wafers. <http://olayan.com/Product/8>

PepsiCo - Saudi Snack Food Co. Ltd.

The Saudi Snack Foods Company (SSFC) is a Riyadh based joint venture between PepsiCo and Saudi investors. It was established in 1995 when the group acquired the Riyadh based Ataib Snack Food Company. In 2001, SSFC expanded its domestic snack foods dominance by purchasing Tasali Snack Foods from the SAVOLA Group. In December 2014, PepsiCo further strengthened its leadership of the Saudi salty snack foods market by opening a multimillion dollar manufacturing facility in Dammam that covers more than 55,000 square meters. The facility will produce new to market snacks foods for distribution in Saudi Arabia and MENA region. The existing SSFC facilities produce Frito-Lay potato chips, Cheetos cheese puffs, Tasali potato chips and Quavers. The products are distributed in Saudi Arabia and throughout the Gulf region. <http://www.pepsico.com/>

Middle East Food Solutions Company (MEFSCO)

The Middle East Food Solutions Company (MEFSCO) is a subsidiary of Arabian Agricultural Services Co. (ARASCO) which is the largest compound animal feed producer in Saudi Arabia. For several years, ARASCO was the sole corn processor in Saudi Arabia and milled about 100,000 MT of corn annually to produce sweeteners and starch. In January 2013, ARASCO and the Cargill Co. established a joint venture company known as the Middle East Food Solutions Company (MEFSCO) to manufacture starch-based products for the Saudi market as well as for exports to the MENA region. MEFSCO expanded its corn processing capacity from 100,000 MT to 300,000 MT annually in 2019. The plant produces starches, sweeteners, glucose, high fructose corn syrups and other food processing ingredients for confectioneries, juices, and bakery. MEFSCO is based in Al-Kharj and depends on imports for corn processing needs <http://www.arasco.com>

Americana Group

Americana Group is a Kuwaiti based conglomerate that was established in 1964. The National Food Company (NFC) is a Jeddah-based subsidiary of the Americana Group. It has two factories that produce meat and snack foods under the Americana brand name. The NFC meat processing factory is one of the largest livestock, poultry, and seafood products processors in the Gulf region. The company is certified to supply various fast food and casual dining restaurants operated by the American Group, including KFC, Hardee's, TGI Friday, Longhorn Steakhouse, Red Lobster and Olive Garden. The NFC's cake division produces and distributes cakes, cookies, chocolate chips, biscuits, dates bar and other snacks foods in Saudi Arabia and the MENA region. In addition to Saudi Arabia, the American Group has several food processing facilities in Kuwait, UAE and Egypt. Americana Group's food products produced in other countries - such as California Garden brand ready-to-serve bean, seafood, vegetable, fruit preparations, sauces and dressings - are widely distributed in Saudi Arabia. The group depends on imports for its food processing needs. www.americana-group.net

Al Safi Danone

Al Safi Danone is a joint venture company that was formed in 2001 between Al Faisaliah Group (owner of Al-Safi Dairy Company) and Danone Group (leading French dairy products producer). The company purchases raw milk from Al-Safi Dairy Company and processes more than 300,000 tons of milk annually to produce several types of dairy products. Since its establishment, Al Safi Danone has introduced several new dairy products to the Saudi and GCC markets, including Actimel, Activia, Danino, Danao and Danette. In addition to the dairy products, the firm is one the largest fruit juice

producers. The company imports juice concentrates, nonfat dry milk and other dairy ingredients for use in its processed dairy products. The company's dairy and juice products are sold in Saudi Arabia, Kuwait, Bahrain, Qatar, UAE, Oman, Jordan, Iraq, Lebanon, Syria and Yemen. In March 2018 Al Safi Dairy and NADEC announced an agreement to merge. <http://www.alsafidanone.com/>

National Food Industries Company Ltd (NFIC)

NFIC is a joint venture partnership between Saudi and Yemeni investors. It was established in Jeddah and began operations in 1993. Currently, NFIC is considered the largest integrated canned food producer in the Gulf region. It produces about 1 billion cans of food annually. The main food products processed and packed by the company include legumes, a wide range of dairy products including milk powder, UHT milk, cream cheese spread, block cheese and other high value food products such as tomato paste, and peanut butter. The products are packed under Luna and Green Farm brands and sold in Saudi Arabia and the MENA region. The company also packs food products for both well-known domestic and multinational brand name owners. NFIC depends on imports for its food processing needs. <http://luna.com.sa/>

Saudia Dairy and Foodstuff Company (SADAFCO)

SADAFCO was established in 1976 in Jeddah to reconstitute powder milk and fat to produce long life milk. Currently, SADAFCO is considered the leading UHT milk, tomato paste and ice cream producer in Saudi Arabia. Other food products the company produces include, cheese, instant milk powder, breakfast cream, fruit nectars, fruit drinks, butter and French fries. The firm has two factories in Jeddah and one in Dammam. SADAFCO's products are distributed in Saudi Arabia and exported to the MENA region. The firm is a shareholding company listed on TADAWUL. Its major shareholders are Kuwaiti investors. SADAFCO depends on imports for its food processing needs. <http://www.sadafco.com/>

Food Manufacturers Company (FMC)-Ulker International

FMC was established in Jeddah in 1999 as a joint venture between Ulker Group Turkey, Saudi Dallah Group and OAB Establishment. The company manufactures and distributes Ulker brand biscuits, chocolates, cakes, wafers, sandwich biscuits and other snacks in Saudi Arabia and exports to MENA and Asian countries. <http://www.ulker.com.tr/en>

Saudi New Zealand Milk Products Company Limited

The company is a wholly owned subsidiary of Fonterra Co-Operative Group Ltd, the New Zealand dairy products producer and exporter. The company's Dammam factory engages in packing milk powder for its Saudi and regional clients, and processes cheese, butter and other dairy products. <https://www.fonterra.com/>

United Food Industries Corporation (UFIC)-Lactalis Saudi Arabia

The UFIC was established in Al-Khobar in 1984 to process and pack cheese for distribution in Saudi Arabia. In 2005, Lactalis Group (France's leading cheese manufacturer) purchased a majority stake in UFIC and entered the Saudi dairy processing sector. The company's various cheese products and butter

are distributed in Saudi Arabia and GCC countries under the President brand name.

<http://www.unitedgroup.com.sa/>

Danya Foods Ltd/Arla Foods Amba

Danya foods Ltd is a Riyadh based subsidiary of Arla Foods Ltd of Denmark. It processes and packs cheese, milk powder and butter under the Puck brand. Its juice products are sold under Danya brand.

<http://www.arla.com/>

Arab Malaysian Vegetable Oil Products Co. Ltd (ZEYUT)

ZEYUT is a subsidiary of Alami Vegetable Oil Products Sdn. Bhd Malaysian, which was formed in Yunbu in 2009 to process vegetable oils such as palm olein, soybean, sunflower, corn, and by products including shortenings, margarine, specialty fats, and vegetable ghee. <http://www.zeyut.com/eng/i>

D. SECTOR TRENDS

1. High Meat and Dairy Products Consumption

Over the past two decades, Saudi Arabia has experienced rapid socio-economic changes due to a fast growing economy, increased disposable income, changing lifestyles, increased urbanization, and rapid expansion of modern food retail and fast food outlets. Increased disposable income allowed consumers to shift from carbohydrate to protein based diets, and raised meat and dairy consumption to higher levels than ever before. Most of the animal protein comes from poultry meat consumption, which has been steadily rising because of its competitive prices. In 2017, per capita poultry meat consumption was estimated at 46 kg annually, making Saudi Arabia one of the highest per capita poultry consumers in the world. While most poultry meat consumption is in the form of whole broilers, demand for processed chicken meat has been rising due to increased demand by fast food restaurants and ready-to-cook poultry meals by singles and working couples.

Consumption of dairy products has doubled in the past two decades and is forecast to remain strong in the future due to population growth and increases in per capita income. Continued urbanization, hectic lifestyles, and other factors will continue to increase demand for high value processed foods.

2. Prepared Foods

The ongoing rapid expansion of modern food retail outlets, mainly hypermarkets and supermarkets, throughout the Kingdom, will provide good opportunities for wider distribution of processed food products, enhance their popularity, boost overall demand and increase consumption. Due to changing lifestyles, consumers are spending less time preparing meals. This has created an excellent opportunity for many local food processors to offer ready-to-cook microwavable meals. Hypermarkets have introduced take-away food dishes and salad bars as a substitute for home cooking and preparation. These have become very popular with working families and the large number of single foreign expats residing

in Saudi Arabia. This trend is expected to continue as the life style becomes more hectic and as consumers seek meal solutions that maximize their free time.

3. Snack Foods and Beverage Drinks

With 70 percent of its population under the age of thirty years, Saudi Arabia will continue to be a growth market for a wide range of high value food products, particularly for snack foods, confectionary products and beverages. This segment of the population is characterized by a fast-pace lifestyle, high disposable income, and is more amenable to trying new convenient food products. The extremely hot weather conditions which prevail for a large part of the year continue to drive demand for beverages - particularly for fruit juice, fruit drinks, mixed beverages, nonalcoholic beer and carbonated soft drinks.

4. Health Foods

The high consumption of fat and sugar rich processed foods and drinks as well as a sedentary lifestyle has resulted in high obesity and diabetic rates in the Kingdom. According to recent reports, 70 percent of Saudis are overweight and up to 30 percent of them are diabetic. The diabetic rate is forecast to more than double by 2030. The high obesity and diabetic rates have created opportunities for local food processors to offer a limited range of diet foods - mainly fat free and low fat dairy products. The limited demand for diet foods indicates a lack of awareness by the majority of Saudi consumers about the benefits and availability of healthy or diet foods. To take advantage of this untapped, potentially huge and lucrative market, local food processors have started to work with the concerned Saudi government agencies to increase consumer awareness of healthy eating styles. The expected increase in health consciousness is expected to accelerate demand for diet and healthy food products and drinks over the next coming years.

III. COMPETITION

In general, the Saudi imported food ingredients market is very price sensitive due to stiff competition among supplying countries. Local food processors seek suppliers that provide good quality products at the most competitive prices. The United States faces fierce completion in this sector from major suppliers, such as Brazil, India, Netherlands, China, Thailand, Egypt, France, Belgium, New Zealand, other EU and Asia countries. Table II below illustrates quantity and price competitiveness of major supplier countries.

Table 1: Saudi imports of select food products by major supplier in 2016

Product Category and Total Import Value	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Frozen Broiler Meat \$1.40 billion	Brazil (83.6%), France (12.8%), Malaysia (2.1%), and U.S. (1%)	Brazil is the most price competitive supplier, and meets food service size, moisture and fat content requirements.	Local broiler meat production accounts only for 47 percent of total consumption.
Dairy Products \$998 million	New Zealand (25.9%), France (10%), Germany (8.9%), Egypt (8.8%) and U.S. (6.7%)	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 \$894 million	Egypt (19.9%), South Africa (12.3%), Turkey (10.3%), Italy (8.8%), Ecuador (8.1%), Chile (6.7%), and U.S. (5.2%),	Price and availability are the major criteria when importing fresh fruit.	Saudi Arabia produces very limited quantity of fruits such as citrus, grapes, and pomegranate.
Fresh Vegetables \$421 million	Egypt (38%), Jordan (20.4%), China (18.9%), Turkey (7.4%), India (5.4%) and U.S. (1%)	Price and availability are the major criteria when importing fresh vegetables.	Saudi Arabia is 85 percent self-sufficient in fresh vegetables. Prices of locally produced vegetables are usually higher than imports.
Beef \$401 million	India (45.1%), Brazil (28.1%), Australia (17.6%), Canada (4.5%) and New Zealand (4.5%)	Indian buffalo meat and Brazilian beef target lower income consumers and the catering sector. But Indian buffalo meat is more price competitive than Brazilian beef. Australia, Canada and New Zealand beef compete for casual restaurants and five store hotels. The U.S. has just reentered Saudi beef market.	The only significant beef production is dairy steers and spent dairy cows.
Snack Foods \$324.7 million	Italy (20.8%), Turkey (15.7%), Poland (10.8%), U.K. (6.4%), China (6.1%) and U.S. (3.9%)	EU countries and Turkey dominate the snack food sector due to product 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
Fish Products \$260.4 million	Indonesia (24%), India (17.6%), Norway (8.7%) Oman (7.1%), Taiwan (5.9%) and U.S. (1%)	Indonesia has been become the dominant and the most price competitive supplier of fish to Saudi market, followed by Indian. Norway is a dominant supplier of high quality fish such as salmon.	Saudi Arabia has recently become a significant exporter of high quality commercial produced red sea shrimp to the EU, U.S. and Japan

Table I Continued: Table 1: Saudi imports of select food products by major supplier in 2016

Product Category and Total Import Value	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Processed Vegetables \$434 million	Egypt (19%), Belgium (16.5%), U.S. (14.5%), Spain (12.5%), China (10.2%), and Italy (5.4%),	U.S. exports of these products have been steadily increasing in recent years due to price competitiveness and quality	Some local food processors import blocks of frozen vegetables for repacking into smaller consumer-size containers for sale in the Saudi market.
Tree Nuts \$222.3 million	U.S. (40.6%), India (34.1%), Turkey (13.2%), Sri Lanka (2.5%) and China (1.8%)	Almonds account 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
Condiments & Sauces \$187.4 million	U.S. (32.6%), Indonesia (30.9%), Oman (13.3%), U.K (4.9%) and Philippines (4.1%)	The U.S. has become the largest condiment & sauces supplier to Saudi Arabia because of its competitive prices and high quality.	There are several competitive local producers of condiments and sauces, but all they are heavily dependent on imports for their ingredients.
Processed fruit \$175.7 million	India (24.3%), China (15.9%), U.S. (14.1%), Egypt (9.8%) and Turkey (6.8%)	Indian has been the largest supplier of processed fruit to Saudi Arabia in the past few years followed by China. The U.S. has remained the third largest supplier.	Some local food processors import blocks of frozen fruit for repacking into smaller consumer-size containers for sale in Saudi Arabia.
Spices \$150.3 million	India (52.8%), China (16.2%), Indonesia (7.6%), U.S. (4.5%) and Jordan (2.8%)	Indian, China and other 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 needs.

SECTION IV. BEST PRODUCT PROSPECTS

The following is a listing of food products and ingredients that have high export potential in the

Saudi food processing market:

Poultry meat, beef, skimmed milk powder, full cream milk powder, cheese, butter, milk protein concentrate, Anhydrous milk fat (AMF) and butteroil, whey powder, whey permeate powder, margarine, vegetable oil, vegetable fat, grape leaves, spices, fruit pie fillings, seasonings, shortenings, sauces, chocolates, cooking oil, vegetables, dehydrated chicken powder, jam ingredients, tree nuts, tomato paste, legumes, pulses, French fries, wheat, rice, beverage ingredients, bakery and pastry ingredients, juice concentrates, ice cream ingredients, chili sauce and specialized flours, sorbitol liquid, various syrups, wheat starch, wheat gluten, corn starch, potato starch, corn grits, rice flour, soya flour, soya protein, soya lecithin liquid and powder, semolina, cocoa powder, cocoa butter, gums, egg powder, food additives including coloring matters, flavors and stabilizers, and other food snack food ingredients.

V. KEY CONTACTS AND FURTHER INFORMATION

Contact Information

Office of Agricultural Affairs (OAA), Riyadh, Saudi Arabia
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

OAA Riyadh Reports

Reports on the Saudi food industry published by the Office of Agricultural Affairs in Riyadh can be accessed by visiting FAS website at [FAS GAIN Reports](#).