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## **Saudi Arabia**

### **Exporter Guide**

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**Report Highlights:**

U.S. food and agricultural product exports to Saudi Arabia in 2014 reached a record-high level of \$1.37 billion, an increase of 16 percent over exports in the previous year. In 2015, Saudi Arabia's regulatory authorities continued to strictly implement food import regulations and standards which have affected the flow of some U.S. food products exports to the Kingdom. The strict enforcement of import regulations included a ban on the use of unsubstantiated health benefits claims on labels of prepackaged food products, a ban on poultry and egg product exports from U.S. states that have confirmed cases of highly pathogenic avian influenza (HPAI) and a continued import ban on U.S. beef imports started in May 2012. This report updates Saudi Arabia's regulations and customs clearance procedures for importing food products and highlights issues that U.S. exporters should be aware of when exporting food products to the Saudi market.

## **I. MARKET OVERVIEW**

Saudi Arabia is the largest importer of food and agricultural products of the Gulf Cooperation Council (GCC) countries, with a total population 150 percent larger than that of the combined population of the five GCC states (UAE, Kuwait, Qatar, Oman and Bahrain). In 2014, Saudi Arabia's population was estimated at about 30 million, and expected to reach 40 million by 2025. This, in addition the continued growth in in Saudi Arabia's economy in the past decade which boosted per capita income to \$25,400 in 2014, will fuel demand for food imports since Saudi Arabia relies on foreign suppliers to satisfy about 80 percent of its food consumption needs. The high per capita income, changing lifestyle and diets in Saudi Arabia are expected to boost the demand for high quality food products.

The latest available U.N. trade data shows Saudi Arabia imported \$19 billion worth of food and agricultural products in 2014, a decline of about 5 percent from imports in 2013. The top five suppliers of food products to the Saudi market were India with 11.7 percent market share, Brazil 10.8 percent, U.S. 7.8 percent, Germany 3.9 percent and Argentina 3.7 percent. The significant decline in the Saudi agricultural and food products imports was mostly due to lower prices of grains such as corn, wheat, barley and rice.

In 2014, consumer-oriented food products accounted for about 48 percent of total Saudi food and agricultural products imports and reached about \$9.1 billion. Brazil was the largest supplier of high value products, with a market share of 14.1 percent, followed by India at 10.8 percent, U.S. at 6.5 percent, France at 5.9 percent and Egypt at 5.6 percent.

According to U.S. Customs data, U.S. agricultural and food products exports to Saudi Arabia in 2014 reached their highest levels, at \$1.37 billion (FOB value), representing an increase of 16 percent compared to 2013. U.S. exports of consumer-oriented food products to Saudi Arabia reached a record high of \$578.4 million, with about 9 percent growth over 2013 and accounted for 42 percent of the total U.S. food exports. Bulk products accounted for 33 percent of the total U.S. agricultural exports, while intermediate products accounted for about 22.5 percent.

The Saudi Food and Drug Authority (SFDA) is the sole Saudi government entity that sets and enforces food products regulations and standards as well as it is the main agency that conducts inspection of imported food products to ascertain that they meet established Saudi and/or GSO regulations and standards. The SFDA has recently started to strictly enforce Saudi and GSO food import regulations, standards and circulars particularly those related to allowable limits for food additives and labeling requirements, which they were lenient in enforcing in past years. For example, SFDA has rejected several containers of U.S. prepackaged food products for having misleading health benefits claims.

In the past several months, the SFDA has imposed temporary import bans on U.S. poultry and egg products from U.S. states that confirmed the presence of highly pathogenic avian influenza (HPAI) in their poultry farms. The imports ban imposed on U.S. beef in May 2012 is still effective despite continued negotiations between USDA and SFDA technical experts.

### **Advantages and Challenges for U.S. food exports to the Saudi Market**

<b>Advantages</b>	<b>Challenges</b>
Saudi Arabia depends on imports to meet about 80 percent of its food needs.	Price competitiveness of local products and imports from Arab and Asian countries has impacted U.S. market share.
The Kingdom is a growing market for high value food products and consumers have affinity for trying new food products, offering greater opportunities for new-to-market U.S. food products.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
Ready to eat foods, home meal replacements, fast foods and "take-away" are increasingly popular with the young Saudi population.	Some consumers perceive U.S. food products as promoting relatively unhealthy life-style.
The high per capita income and changing lifestyle and diets in Saudi Arabia continue to boost demand for high quality food products.	High markups, listing and other fees that major retailers charge significantly increase the cost of launching new products in the Saudi market.  Some food retailers require to get reimbursed for expired products they sell in their outlets.
The U.S. is a recognized reliable supplier of quality foodstuff products. Major Saudi importers are constantly looking for new to market food products.	Negative consumer attitude towards food containing or made from biotech products.
The more than 10 million expats that live and work in Saudi Arabia creates demand for greater diversity and ethnic foods.	Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
An increasing number of pilgrims come to Saudi Arabia every year (over 7 million pilgrims) create demand for institutional food services.	Rejection of food packages which contain health claims and trade logos that may imply religious connotation, such as the "Cross" or the "Stars of David".
Most Saudi food regulations and standards are typically based on CODEX Alimentarius regulations and to some extent on EU and U.S. FDA regulations, but are modified to reflect local religious, cultural and climatical conditions.	Continued import bans on U.S. beef since 2012 because of a case of BSE in a dairy cow in the state of California.
	Bans on poultry meat and egg products imported from several U.S. states confirmed the presence of highly pathogenic avian influenza (HPAI) in their poultry farms

## II. EXPORTER BUSINESS TIPS

### *A) Local Business Customs*

There are dozens of food importers in the Kingdom, with about 40 accounting for the bulk of food imports from the United States. Below are ways food products are imported to Saudi Arabia.

#### **1) Private labels are becoming common in Saudi Arabia**

Some large Saudi importers and supermarkets chains pack foodstuffs under their own brand names locally and in foreign countries, including in the United States. These firms have developed private labels, which appeal to Saudis and expatriates in the Kingdom. Salim Basamah Company, perhaps the largest importer of grocery products in Saudi Arabia, places its private label, "Goody" on a wide variety of food products imported from the United States. Other well-known private labels include Freshly, Al-Alali and Harvest.

Hence, a can of American peaches can be marketed in Saudi Arabia under several different labels:

- Under an established U.S. brand such as Monarch or Libbys
- Under a Saudi private label: like Goody, Freshly and Al-Alali
- Under a U.S. private label representing the exporter/consolidator: such as American Garden or AFFCO.

#### **2) Agency Agreements**

Some importers are agents of major U.S. manufacturers of national brands, such as Kellogg's, Campbell Soup, Florida Natural Fresh Juices and Budweiser non-alcoholic beer. The Saudi importer will help build the brand, but will request support from the U.S. Company. The U.S. manufacturer usually 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, the 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, such as Fleming, and providing services such as placing stickers on 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. Stickers is a laborious task and most manufacturers do not want to bother with this. Most U.S. consolidators are based in Houston, New York, Miami and in other port cities that have large wholesalers.

#### **4) Direct Imports by Supermarkets**

The French hypermarket chain, Carrefour, a Dubai based Lulu as well as many locally-based supermarket chains, such as Othaim, Panda, Tamimi, and Danube import part of their food products

needs directly from suppliers. Tamimi and Danube, the two most upscale Saudi supermarkets, import several containers of American food products each month for sale at their outlets, lending support to a wide range of brands without a binding agency agreement.

If a product has performed well in the market, a U.S. company may opt to go beyond the sticker stage and develop a bilingual label in both Arabic and English. Monarch is one of many U.S. companies, which have developed bilingual labels for the Middle East. Non-alcoholic Budweiser beer was launched in the Kingdom in 1999, with a red, white, and blue bilingual label. However, a significant number of U.S. origin grocery items found in Saudi supermarkets continue using stickers.

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. Two-for-one deals are very popular in large supermarkets in moving items that are approaching their expiry dates. Major Saudi supermarkets have introduced category management and eliminated low moving product brands. The entrance of the French hypermarket chain Carrefour in Saudi retail market in 2004 along with the opening of Hyper Panda (local chain) in the same year has launched a new era of retailing in the Kingdom characterized by a state of the art shopping experience and aggressive competition. Local distributors (depending on the size and power of the distributor) are being asked for listing fees ranging from \$267 to \$17,067 per Stock Keeping Unit (SKU) by major hypermarkets. The bigger the distributor, the more power he 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 for its products seven days a week, provide at least 60 day payment terms, rent gondolas and reimburse for expired items. Distributors frequently authorize retailers to conduct special offers to consumer such as buy one and get one mainly for products with 60 days or less of remaining shelf life. Hypermarkets and supermarkets depend heavily on merchandising services offered by importer/distributors, i.e., stocking shelves and keeping inventory.

## **B) General Consumer Tastes Preferences**

The Kingdom is a growing market for high value food products and consumers have affinity for trying new food products, offering greater opportunities for new-to-market U.S. foods. Ready to eat foods, home meal replacements, fast foods and "take-away" foods are increasingly popular with the young Saudi population. The about 10 million expatriates that live and work in Saudi Arabia create demand for greater diversity and ethnic foods. In the past two decades, Saudi Arabia has experienced rapid socio-cultural changes caused by the fast growing economy and increase personal income that 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 supermarkets and fast food restaurants has significantly changed Saudi consumer tastes and preferences. Increasing numbers of Saudis look for high quality foods and are willing to pay more for quality. Most hypermarkets are now severing cooked meals, marinated meat, ready to go salad and chilled pizza to meet the growing demand for prepared foods in retail outlets.

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. Frozen foods are perceived by consumers as being of better quality than canned foods. Changing lifestyles and an increasing number of women entering the workplace are driving demand for prepared foods.

Saudi consumers are becoming increasingly educated about food prices, quality, nutritional value, food safety and packaging. They pay attention to expiry dates on products and enjoy new products.

Despite the fact that Saudi Arabia allows the importation of biotech labelled consumer packed food products since 2001, no packaged foods with positive biotech labeling have been imported so far because of limited knowledge and negative attitude of consumers towards foods containing or made from biotech products. Saudi importers of high value food products do not import biotech foods as they are concerned that biotech labeling could jeopardize their product image and result in losing market shares. Saudi Arabia requires positive biotech labeling if a product contains more than 1 percent of biotech vegetable (plant) ingredients.

Dining at fast food restaurants has become very popular among Saudi families and expatriate workers. American fast food chains such as KFC, Burger King, and McDonald's as well as casual dining restaurants such as Chili's, TGI Fridays, Applebee's, Sizzler, On The Border, Fuddrucker's and some local fast food chains such as Herfy and Kudu, import at least part of their food needs from the United States. Large catering companies, especially those serving Western expatriates, also buy a portion of their requirements directly from the United States.

Saudi Arabia is located between Europe and Asia. With its large expatriate population, the Kingdom is a multi-ethnic society. Consequently, foods from around the globe are found in Riyadh, Jeddah, Dammam, and other urban areas in the Kingdom. There are two basic consumer categories in the Kingdom:

Saudi citizens (20 million) in 2014  
Expatriates workers residing in the Kingdom (10 million)  
Per capita income \$25,400

Saudi consumers are discriminating consumers and enjoy new food products. With a young and growing population supporting a significant increase in retail outlets, U.S. food and agricultural exports to the Kingdom will continue to expand in the coming years.

A growing import demand for institutional-size food products by the catering sector is being driven by the large number of expatriate third country nationals working in Saudi Arabia and the increasing number of foreign pilgrims visiting the two holy cities (Makkah and Medina). There are ten million expatriate workers residing in the Kingdom, most of who are single and from the Sub Continent of Asia (India, Pakistan, and Bangladesh) and the Philippines. The number of foreign pilgrims coming for Hajj and Umrah rituals is estimated at about eight million per annum.

Saudi and middle income expatriates are the largest consumers of American consumer-oriented products and the principal shoppers in Class A supermarkets. The consumers in Saudi Arabia are becoming increasingly educated about quality, nutritional value, price, and packaging. They pay attention to expiry dates on products and enjoy new products. Domestic supermarkets that offer a wide variety of food products will have the best chance for prospering in this competitive market.

Saudi Arabia and the other GCC countries allow the importation biotech food products as long as they are labeled for more than one percent GE content. U.S. biotech animal feed such as yellow corn and soybean meal have been freely imported to Saudi Arabia without any problem.

Since Saudi Arabia's implementation of its processed food biotech labeling regulations in 2001, no retail packed food products with biotech content have been imported into the Kingdom to date. Saudi retail food importers do not import biotech foods due to concerns that biotech labeling could jeopardize their product image and result in their losing market shares, given that Saudi consumers have limited knowledge about agricultural biotechnology.

The demand for organic foods is very small but growing. There is a lack of sufficient marketing for organic foods and most people are not educated about the benefits of consuming organic foods.

### **C) Some Important Imported Food Requirements, Standards and Regulations**

The SFDA is the sole Saudi government body that sets and enforces food products regulations and standards as well as it is the main agency that conducts inspection of imported food products to ascertain that they meet established Saudi and/or GSO regulations and standards. The SFDA has recently started to strictly enforce Saudi and GSO food import regulations, standards and circulars particularly those related to allowable limits for food additives and food labeling requirements, which they were lenient in enforcing in past years. Most recent examples of SFDA strict implementation of import requirements include the following:

#### **1) Rejection of Unsubstantiated Health Benefit Statements on Food Product Labels**

In early 2015, the SFDA started to strictly implement its 2011 regulation that bans "misleading health benefits claims" on labels of prepackaged food products, resulting in refusal to Customs clearance of several shipments of U.S. breakfast cereal brands with health claims such as "May help to reduce cholesterol". The SFDA said that the nutritional or health benefit claims are unsubstantiated and misleading, as they are unverifiable. Similarly, product packages containing the logo of the American Heart Association have been refused Customs clearance for the same reason. SFDA also bans imports of prepackaged food products containing alcoholic connotations such as "cocoa liqueur" as an ingredient. This requirement has stopped imports of some high qualities U.S. made chocolate products.

SFDA indicated that its decision to ban "misleading health benefits claims" is based on the following three articles of the GSO 9/2007 "Labeling of prepackaged food stuffs"

- Article 7/1/5: legally or forbidden names, symbols, marks or photos shall not be used.
- Article 8/1: information written on the label of food products shall not contain any statements having drug or treatment characteristics.
- Article 4/2: any foodstuff shall not be described or offered for sale with any label which may be deceptive, misleading or false or is likely to create an erroneous impression regarding its nature or characteristics in any aspect.

More information on this and other Saudi food regulations and requirements are available in our report on Saudi Food and Agricultural Import Regulations and Standards-Narrative at this link:

<http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>

## **2. Pesticide Residue:**

In 2014, SFDA rejected several containers of grape leaves allegedly for containing levels of pesticide residue higher than the maximum established allowable level of 0.01 mg/kg, which eliminated several U.S. produced grape leaves from entering the Saudi market. Most of the U.S. brands of grape leaves are now back in the Saudi market and reportedly meet the SFDA's maximum pesticide residue level of 0.01 mg/kg.

## **3. Ochratoxin Level in Food Products:**

In the absence of SFDA or Gulf Standardizations Organization (GSO) regulations, Saudi Arabia enforces exporting countries or other internationally recognized organizations' such as Codex Alimentarius, EU or FDA regulations to determine the safety of imported food products for human consumption. For instance, SFDA does not have a specification or regulation that limits Ochratoxin level in food products. In 2014, the authority rejected several shipments of U.S. Paprika sauce by implementing an EU regulation that limits the Ochratoxin level in food products to 15 microgram per kg. SFDA opted to implement the EU standard since the U.S. (exporting country) does not have any standard for Ochratoxin levels in Paprika sauces. This SFDA's requirement has eliminated an estimated \$2 million worth of U.S. made Paprika sauces from the Saudi market for failure to meet the maximum 15 microgram per kg limit.

## **4. Temporary Ban on Poultry Products Imports from several U.S. States:**

For the past several months, the SFDA has imposed temporary import bans on U.S. poultry and egg products from U.S. states that confirmed the presence of highly pathogenic avian influenza (HPAI) in their poultry farms. The states affected by the ban include Montana, North Dakota, South Dakota, Wisconsin, Iowa, Oregon, California, Washington State, Idaho, Minnesota, Missouri, Kansas, Arkansas and Nebraska. The temporary ban imposed on the individual state is effective until these states are officially declared free from HPAI. The SFDA's temporary bans exclude poultry and products that are thermally treated and certified by a competent authority (FSIS) to be free from HPAI. The FSIS Export Library for Saudi Arabia lists the names of U.S. states that are ineligible for exporting uncooked poultry and their products to Saudi Arabia because of the outbreak of HPAI.

In June 2015, a delegation of USDA/APHIS visited SFDA to provide an update on the HPAI situation in affected U.S. States. The delegation discussed the risk mitigations/control measures that USDA has put in place to limit the impact of the HPAI in infected states on U.S. poultry exports. The delegation requested SFDA to limit trade only from counties that have had cases of the HPAI instead of the state-wide bans it has imposed. SFDA promised to consider changing its import bans to county level as the HPAI inflections in the U.S. start to slow-down to allow imports from counties officially declared free of the virus.



## 5. Animal Protein Free Poultry Feeding

The SFDA requires that poultry meat shipments are only from birds that were not fed products containing animal protein. This requirement has drastically reduced U.S. poultry meat exports potential to Saudi Arabia.

## 6. Saudi Import Ban on U.S. Beef:

SFDA imports ban imposed on U.S. beef in May 2012, following the discovery of BSE case in a dairy cow in California, is still effective. However, major progress has been made in recent months as a result of discussions between U.S. and Saudi technical experts. A few obstacles that remain towards the final agreement on lifting the imports ban on U.S. beef are animal protein free feeding certification requirements and SFDA's proposal to limit U.S. beef and beef products from cattle with age less than 30 months.

### A New GCC Guide for Control on Imported Foods:

The Gulf Cooperation Council (GCC) which includes Saudi Arabia, along with five member countries (UAE, Kuwait, Qatar, Oman, and Bahrain) has been in the process of establishing common regulations and standards to be uniformly applied in all GCC countries. Recently, the GCC issued a new Guide for Control on Imported Foods, which has been implemented by SFDA on experimental basis for unspecified period starting June 1, 2015. The GCC Import Guide contains some requirements and certifications that caused concerns for the U.S. and could negative impact U.S. exports of agricultural and food products to Saudi Arabia and other GCC countries. Among the most concerning items of the GCC Import Guide are set of health certificates for imported food products covering processed foods, meat, dairy, table eggs, fish products as well as plant and plant products. In addition, the Import Guide requires that meat and meat product must be obtained from animals not fed on processed animal protein excluding fish meal, the animals must be slaughtered in a slaughterhouse approved by the GCC authorities and the slaughterhouse is under direct supervision of the competent authority of exporting country. Following to a request from the USG, the SFDA decided to implement the GCC Import Guide on an experimental or trial basis for unspecified period in order to allow enough time to evaluate the impact of the new required certificates on the flow of imported food and agricultural products into Saudi Arabia. In the meantime, the SFDA will continue to accept all current certificates issued by competent authorities for exported food and agricultural products from the U.S. and other exporting countries until a decision is made to implementation of a revised GCC Import Guide.

#### a) General Standards

The table below lists the main GSO and Saudi standards that all U.S. food products exporters should take into consideration when considering exporting to Saudi Arabia. U.S. exporters are encouraged to consult closely with their Saudi importers on detailed product requirements prior to shipment.

The maximum limits for antioxidants permitted for use in food products	GSO 1059
Maximum limits for pesticide residues in agriculture food products part 2	GSO 383

The two pieces aluminum round cans used for canning food, Beverages & stuff	GSO 1793
Round, metal, installation, used for canning stuffs : determinations, dimensions and capacities	GSO 1797
Edible casein and caseinates	GSO 1374
Sweeteners permitted for use in food	SASO 1548
Emulsifiers, stabilizers and thickeners permitted for use in food stuffs	GSO 381
Flavoring permitted for use in food stuffs	GSO 707
Preservatives permitted for use in food products	GSO 356
Permitted food additives in edible oils and fats	GSO 19
Coloring matter used in food stuffs	GSO 23
Salts of sulphurous acid used in preservation of food stuffs	GSO 175
Labeling of prepackaged food stuffs	GSO 9
Limits of radioactivity levels permitted in foods stuff part -1	GSO 988
Benzoic acid, sodium ,benzoate ,and potassium benzoate used in preservation of food stuffs	GSO 172
Refrigerated cabinets for the sale and/or display of food products, part 1: general requirement	GSO 1686
Code of practice for the prevention and reduction of lead contamination in foods	GSO CAC RCP56
Food packages - part1 : general requirements	GSO 839
Food packages - Part 2: Plastic package - General requirements	GSO 1863
Food packages made of aluminum foil	SASO-2173
Expiration periods of food products	GSO 150
Principles for food import and export inspection and certification	GSO CAC/GL 20
Antioxidants permitted for use in food products	GSO 357

The above standards are copyrighted documents and can be purchased by logging into GSO webpage

<http://www.gso.org.sa/standards/public/standardsList.seam>

<http://www.saso.gov.sa/en/eservices/Pages/standardSearch.aspx> (for SASO standards)

## 2) Food Products Preregistration Requirement

In January 2014, Saudi Arabia implemented mandatory requirements of preregistration and electronic customs clearance for all imported food and feed products. The preregistration of imported food products is the responsibility of the local importers or agents. Each importer or agent is required to open an electronic account (E-Account) and set up individual user name and password at SFDA's Executive Department for Imported Food Control (EDIFC) E-Services at <https://frcs.sfda.gov.sa/Login.aspx>. Once the E-Account is created, importers can upload their food products information including harmonized code (HS Code), bar code, item code, and listed ingredients in English and Arabic, picture of each product as well as copy of the product label. The food products label must contain all information required by the Gulf Standard Organization 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 some or all of the products they plan to import have been already registered by another importer. The

electronic registration with the SFDA is free of charge and there is no expiry date for the registration. Importers, however, are required to re-register their products when there are changes in products formulations or labels. The registration process seems to be simple and can be quickly completed if needed information is readily available and required documents are uploaded. It is important to know that SFDA does not allow the importation of food products that are not preregistered on its E-Account database and does not process any requests for Customs clearance unless it is submitted through the electronic clearance (E-Clearance) system. To qualify for the E-Clearance, all food products importers as well as their Customs brokers should create their individual E-Account with SFDA and complete the online registration process for all imported food and feed products.

### **3) Voluntary Facility Registration for Foreign Food Processing Establishments**

SFDA has begun voluntary registration of foreign establishments that export food products to Saudi Arabia with no deadline for the registration. The registration process consists of nine steps for all types of establishments with the exception of slaughter houses that may require SFDA site inspections and approval as additional registration conditions. Foreign establishments may start their facilities registration process by logging to the following link and completing the electronic form.

<http://frcs.sfda.gov.sa/Account/RegisterAccount.aspx>

### **4) Import Procedures**

Below are the SFDA's procedures for importing food products into Saudi Arabia:

- Importers must have a Commercial Register, which includes food trade
- Importers should have already created an E-Account with the SFDA and registered all their imported food products.
- Required Documents: The following documents must be submitted to the SFDA in order to commence the required product inspections process:
- Original invoice certified by a chamber of commerce where the exporting company is located.
- Some of the following certificates (according to the food item) shall be made available:
  - Certificate of origin (Copy)
  - Halal Certificate (original)
  - Certificate of slaughtering for meat and poultry (original)
  - Any other documents or certificates required by the SFDA

- In addition to the general requirements listed above, there may be special requirements specified by SFDA according to the nature of imported food products.

## 5) Inspection Procedures at Border Inspection Posts (BIPs)

With the exception of herbal preparations, health and supplementary foods (inspected by the Ministry of Health) and live animals, plants, seeds and grains (inspected by the Ministry of Agriculture), all imported foodstuffs are inspected by the SFDA's Executive Department of Imported Food Control (EDIFC) at Saudi ports of entry or **BIPs**. Imported processed feed and feed ingredients are inspected by SFDA's Executive Department of Animal Feed (EDAF).

Imported foods are inspected independently by EDIFC's inspectors at one of Saudi **BIPs** without any interference from SFDA headquarters in Riyadh. Laboratory officials pull random samples from full consignments and testing is done fairly quickly. If imported consignment is in compliance with pertinent GSO or Saudi regulations and standards it is cleared. Otherwise, it is rejected. The domestic importer has no access to SFDA internal report during the process. SFDA informs the importer its final decision whether to clear the product for sale in Saudi Arabia or reject it due to lack of compliance with established regulations and standards. Reject products have to be re-exported or destroyed domestically under SFDA's supervision.

EDIFC inspectors perform the following mandatory a-four stage verification process when food consignments arrive at BIPs:

- **Documentary Check:** all certificates and documents accompanying a consignment are checked and presence of all required documentation is verified.
- **Identity Check:** the identities of all food items imported in the consignment are verified against information in accompanying documents.
- **Physical Examination:** all food items contained in the consignment are physically verified to ascertain conformity with the technical regulations and standards, and that the labeling requirements are met as specified by the pertinent technical regulations and standards. It also makes sure that inner temperature level of the container meets the established pertinent regulations and standards.
- **Laboratory Test:** if the food inspector has reasons to believe that a laboratory test is needed to take a final decision about the food consignment, he may take random sample and send it for analysis at authorized laboratory.

If the imported food product meets the established pertinent regulations and standards, it is released by EDIFC on the same day and referred to the Customs for final clearance. Failure to comply with pertinent regulations at any of the above stage may result in a rejection of the imported food product and prevented entry to the Saudi market.

If a product is rejected by one of BIPs inspectors for alleged lack of adherence to established specifications at any of the above four stages, the local importer has the right to appeal the decision in

writing to EDIFC at the SFDA headquarters and ask for reconsideration of the inspection results. In such cases, EDIFC forwards the appeal to SFDA's special committee that studies shipment documentation and the BIPs test results to verify compliance with established rules and regulations. If the BIP action was found to be in compliance with the rules and regulations pertain to the rejected product, then EDIFC considers the BIP findings and decision as final. If, for any reason, there was a misjudgment by the BIP inspectors, EDIFC repeals the decision and inform the importer to clear the consignment from Customs. Containers can be cleared in less than five working days provided all required documents are in order and imported products meet Saudi Arabian/Gulf specifications.

#### **6) Customs Clearance**

As mentioned earlier, shipments of food products must be accompanied by a commercial invoice, health certificate, and other selected documents. It should be noted that the Saudi Customs Authority requires that commercial invoices to be issued on CIF basis (cost, insurance and freight). If products are sold on FOB (free on board) basis, the Saudi importers will have to pay for freight and insurance costs and submitted the invoices to the Saudi Customs along with commercial invoices when the consignment arrives at the Saudi port of entry. The Saudi Customs requires the CIF information for imported food products to assess and levy import duties. Containers are normally cleared in less than ten days provided all documents are in order and imported products meet Saudi standards and specifications.

#### **7) Imports of Product Samples**

Samples destined to potential Saudi buyers or for display in Food Shows are exempt from Saudi labeling and shelf life regulations, but are subject to inspection at ports of entry. A commercial invoice specifying that the product is not for sale and has no commercial value must accompany samples, which are usually sent to Saudi Arabia by D.H.L. and similar carriers.

#### **8) Clearance of Food Stuff Purchased via the Internet**

**SFDA allows imports of food products purchased via the internet for** personal or commercial purposes without going through the required **online pre-registration and import** authorization requirements. **However, the imported food products will be** subjected to the necessary inspection procedures at the Saudi ports of entry to ensure that they comply with SFDA's regulations and requirements to ascertain they are fit for human consumption.

#### **9) Banned Products**

For religious reasons, Saudi Arabia bans imports of alcoholic beverages, live swine, pork, and foodstuff ingredients or additives that contain pork products, including pork fat, and gelatin. Other banned products include meat of asses, mules, hinnies (fresh chilled, or frozen), frog legs, poppy seeds, hemp seeds, opium and hops and swine leather.

### **III. MARKET SECTOR STRUCTURE AND TRENDS**

## 1) Retail Outlets

In 2014, the total value of Saudi retail food sales was estimated by Euromonitor at about \$41.5 billion, an increase about 11 percent compared to sales in 2013. The total value of retail food sales is forecast to reach about \$60 billion in 2019, an increase of about 45 percent over 2014.

*Key factors driving the huge growth in retail food sales are as follows:*

- a) **Population Growth:** the Saudi population which estimated at 30 million in 2013 grows at about 3 percent annually and his expected to reach 40 million by 2025. Currently, about 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 \$25,400 in 2014. With higher income, large number of Saudi 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) **Increased in the Number Retail Outlets:** In 2014, the total number of food retail outlets in Saudi Arabia was estimated by Euromonitor at 42,378, an increase of 2.2 percent over 2013. Saudi food retailers carry a wide range of food products, from domestically processed food to imported upscale specialty and organic food products. U.S. exports of consumer-oriented food products to Saudi Arabia have been rapidly growing and totaled about \$578.4 million in 2014, with about 9 percent growth over 2013. In 2014, 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 via satellite television advertisements, grocery shopping as a form of family outings, changing lifestyles and a craving by Saudi consumers for variety foods. 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.

## 2) Hotel, Restaurant and Institutional

The hotel, restaurant and institutional (HRI) food service sector in Saudi Arabia has been rapidly growing in the past decade. Major changes in the Saudis' work and life styles as well as in their consumption patterns have led to increased frequency of Saudis eating outside their homes and doing more in-country travel. The annual revenue derived from consumer food services, restaurants and cafés, was estimated at \$15 billion in 2012, and forecast to reach \$18 billion by 2016. The Saudi Commission for Tourism and Antiquities (SCTA) estimates that total revenues generated from sales of food, beverages and food service at restaurants and cafés have increased by 87 percent since 2006. The value of food purchased HRI to produce meals in 2012 was estimated at of \$5 billion.

The institutional food sector in Saudi Arabia offers services to schools, workers camps, company cafeterias, hospitals, universities, Hajj catering, military, prisons, airline catering, and special events. There is no official government data on the value of the institutional food service market in Saudi Arabia. However, experts from major catering companies interviewed for this report estimate the annual value of the market to be about \$5 billion. This subsector serves several millions of meals a day and relies mostly on imports to meet its huge demand for institutional food products.

Saudi Arabia is among the most visited destinations in the Middle East, even though the Kingdom is not a tourist destination and does not issue tourist visas. In 2011, about 17.4 million visitors entered the country for various religious and business purposes, an increase of 34 percent over the number of visitors in 2010. In 2011, visitors to Saudi Arabia spent \$13.1 billion mainly on food and accommodation, of which Hajj and Umrah pilgrims accounted for 63 percent of the total expenditures.

Saudi Arabia relies heavily on imports to satisfy the HRI sector food needs, with more than 80 percent of the sector's food requirements coming from outside the Kingdom. The sector has a full self-sufficiency in only two products, fresh milk and table eggs.

### **3) Food Processing Sector**

The Saudi food manufacturing\ processing sector has been expanding rapidly over the past few years thanks mainly to the various Saudi government's subsidies that include direct subsidies on selected food production equipment, long term land lease at nominal rates, interest free loans, duty free imports of raw materials used in the production of finished food products, subsidized utilities (water and energy), industrial cities complete with infrastructure and in major cities of the Kingdom, and highly subsidized raw materials such as wheat flour. The various Saudi government assistances and subsidies have helped increase the number of food manufacturing\ processing factories from 460 in 2002 to 732 in 2012, an increase of about 60 percent. The total cumulative investment in the Kingdom's food processing industry reached about \$12.3 billion by the end of 2012 compared to about \$4 billion in 2002. Besides the various government subsidies, the other major contributing factors for the continued increase in the domestic food processing industry are increased demand for packaged foods, continued increase in per capita income, high population growth rate, changing lifestyle, changing diets, growing popularity and rapidly expanding food retail outlets and food service sectors.

The continued expansion in the Saudi food processing sector provides good opportunity for suppliers of bulk and intermediate food products as the domestic food producers depends heavily on imports for raw materials and ingredients needs. In 2012, the total value of imported processed and unprocessed food products used as inputs in the domestic food processing industry, excluding wheat flour, was valued at \$4.1 billion, an increase of 24 percent compared to about \$ 3.3 billion imported in 2010.

Domestically produced food products are considered good quality and competitively priced. Major food products that are locally processed using imported raw materials and ingredients include bread, dairy products, processed livestock and poultry meat, frozen vegetables, jams, potato chips, snack foods, juices, biscuits, peanut butter, spices, hot sauce, tomato paste, ketchup, cookies, confectionaries, fruit drinks, vinegar, pasta, honey, tea, canned beans, cooking oil, butter, mayonnaise, breakfast cereals and ice cream.

In 2012, Saudi Arabia exported \$3.6 billion worth of locally produced food and beverage products, an increase of 17 percent compared to 2010. Saudi food and beverage products are exported duty free to the five GCC countries (Kuwait, Oman, Qatar, Bahrain, and the United Arab Emirates) which give them competitive advantage over imports from other countries including U.S. Hence, the market for locally manufactured products consists of the entire Arabian Peninsula, including Yemen. Significant quantities are exported to other Middle East countries, Africa, Europe and limited quantities to North America to cater to Muslim and Arab communities.

#### **4) Marketing and Product Promotion Trends**

Saudi retailers are constantly searching for new products, and often request support from suppliers for promotion and advertising. Advertising is considered a necessity to win Saudi consumers. Competitive pricing, weekly promotional offers, advertising support from vendors and the ability of retailers to offer a wide selection of products at competitive prices are key promotional strategies followed by retailers. Weekly newspapers advertising are very common and the advertising is mostly geared toward women, who play a greater role in purchasing decisions.

#### **5) Online Sales**

Currently, there are no Saudi food retailers that offer online food shopping. Al Othaim Supermarket, the second largest food retail chain in Saudi Arabia, introduced internet based grocery sales in the city of Riyadh in 2011. However, the service was discontinued in summer 2013 due to lack of interest by consumers. In Saudi Arabia, shopping at hypermarkets and supermarkets is considered as a form of outing due to lack of other entertainment options such as cinemas and theaters. The extreme climatic conditions also makes outside activities very difficult during the day which makes spending time at air conditioned hypermarkets very attractive.

### **IV. BEST CONSUMER ORIENTED PRODUCTS 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  
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 OAA Riyadh issued reports on the Saudi food industry can be obtained by visiting FAS website at the below link: <http://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems>

## APPENDIX

**TABLE A. KEY TRADE AND DEMOGRAPHIC INFORMATION FOR 2014**

Agricultural Imports From All Countries (\$Mil)	\$19,082
U.S. Market Share (%)	8%
Consumer Food Imports From All Countries (\$Mil)	\$9,067
U.S. Market Share (%)	7%
Edible Fishery Imports From All Countries (\$Mil)	\$328
U.S. Market Share (%)	1%
Total Population (Millions)	30
Annual Growth Rate (%)	3%
Urban Population (Millions)	22
Annual Growth Rate (%)	N/A
Number of Major Metropolitan Areas	13
Size of the Middle Class (Millions) Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	\$25,400
Unemployment Rate (%)	12 %
Per Capita Food Expenditures (U.S. Dollars) estimated at 27% of GDP	\$6,750
Percent of Female Population Employed	15%
Exchange Rate US\$1 = 3.75 Saudi Riyals (SR)	SR 3.75

*Source: Saudi government data and latest available FAS' Global Agricultural Trade System using data from the U.N. Statistical Office*

**TABLE B. U.S. MARKET SHARE IN THE TOTAL SAUDI CONSUMER-ORIENTED & FISHERY PRODUCTS IMPORTS 2012-2014**

Saudi Arabia Imports (In Millions of USD)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
<b>CONSUMER-ORIENTED AGRICULTURAL TOTAL</b>	<b>8,115</b>	<b>8,833</b>	<b>9,067</b>	<b>481</b>	<b>544</b>	<b>588</b>	<b>5.9%</b>	<b>6.2%</b>	<b>6.5%</b>
Dairy Products	1,416	1,414	1,774	119	159	167	8.4%	11.2%	9.4%
Poultry Meat & Prods. (ex. eggs)	1,547	1,800	1,528	19	37	23	1.2%	2.1%	1.5%
Prepared Foods	1,205	1,311	1,402	67	65	69	5.6%	5.0%	4.9%
Fresh Fruit	724	743	691	24	35	44	3.3%	4.7%	6.4%
Processed Vegetables	445	509	527	52	58	65	11.7%	11.4%	12.3%
Beef & Beef Products	461	491	502	16	0.6	0.7	3.5%	0.1%	0.1%
Snack Foods NESOI	289	315	355	15	16	14	5.2%	5.1%	3.9%
Meat Products NESOI	279	273	339	0.8	2	0.7	0.3%	0.7%	0.2%
Chocolate & Cocoa Products	261	283	298	17	24	26	6.5%	8.5%	8.7%
Fresh Vegetables	252	286	283	3	5	5	1.2%	1.7%	1.8%
Spices	250	232	259	3	4	4	1.2%	1.7%	1.5%
Processed Fruit	186	218	194	26	19	23	14.0%	8.7%	11.9%
Condiments & Sauces	172	188	193	41	45	49	23.8%	23.9%	25.4%
Tree Nuts	141	151	169	57	53	71	40.4%	35.1%	42.0%
Non-Alcoholic Bev. (ex. juices, coffee, tea)	173	209	147	3	4	4	1.7%	1.9%	2.7%
Fruit & Vegetable Juices	103	122	145	5	6	11	4.9%	4.9%	7.6%
Nursery Products & Cut Flowers	25	64	70	0.5	0.6	0.7	2.0%	0.9%	1.0%
Coffee, Roasted and Extracts	65	79	70	8	8	9	12.3%	10.1%	12.9%
Tea	75	78	63	1	1	0.6	1.3%	1.3%	1.0%
Eggs & Products	37	58	48	1	0.5	0.7	2.7%	0.9%	1.5%
Dog & Cat Food	5	7	8	2	0.8	0.1	40.0%	11.4%	1.3%
Other	4	2	2	0.4	1	0.1	10.0%	0.5%	5.0%
<b>Fish Products Total</b>	<b>498</b>	<b>483</b>	<b>328</b>	<b>0.7</b>	<b>2</b>	<b>2</b>	<b>0.1%</b>	<b>0.4%</b>	<b>0.6%</b>
<b>Consumer-Oriented and Fish Products Total</b>	<b>8,613</b>	<b>9,316</b>	<b>9,395</b>	<b>481</b>	<b>546</b>	<b>590</b>	<b>5.6%</b>	<b>5.9%</b>	<b>6.3%</b>

Source: Latest available FAS' Global Agricultural Trade System using data from the U.N. Statistical Office

**C. TABLE C. TOP 15 CONSUMER-ORIENTED AND FISHERY PRODUCTS SUPPLIERS TO SAUDI ARABIA 2012-2014**

<b>CONSUMER-ORIENTED AGRICULTURAL TOTAL</b>				<b>FISH PRODUCTS TOTAL</b>			
<b>Reporting: Saudi Arabia – Top 15 Ranking</b>				<b>Reporting: Saudi Arabia – Top 15 Ranking</b>			
<b>Reporting: Saudi Arabia</b>	<b>Import</b>	<b>Import</b>	<b>Import</b>	<b>Reporting: Saudi Arabia</b>	<b>Import</b>	<b>Import</b>	<b>Import</b>
<b>Top 15 Ranking Exporters</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Top 15 Ranking Exporters</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	Value	Value	Value		Value	Value	Value
	(1000\$)	(1000\$)	(1000\$)		(1000\$)	(1000\$)	(1000\$)
Brazil	1,403	1,456	1,277	Thailand	149	122	106
India	514	632	619	Indonesia	54	61	57
US	481	542	590	India	34	31	42
New Zealand	506	400	587	Norway	9	10	17
France	575	600	538	China	13	8	16
Egypt	508	520	504	Oman	12	16	15
Netherlands	447	447	471	Japan	14	16	12
Australia	223	302	391	Italy	11	9	11
Turkey	261	299	315	Bahrain	9	7	10
Germany	213	223	295	Pakistan	18	19	9
Denmark	209	216	264	Netherlands	2	1	5
Spain	195	242	256	Tanzania	3	2	4
China	217	228	243	Egypt	3	3	4
Italy	176	187	226	Philippines	3	4	3
Bahrain	196	227	200	UK	1	2	3
Other Countries	1,990	2,312	2,292	Other Countries	165	172	12
<b>Total</b>	<b>8,114</b>	<b>8,833</b>	<b>9,068</b>	<b>Total</b>	<b>500</b>	<b>483</b>	<b>326</b>

Source: Latest available FAS' Global Agricultural Trade System using data from the U.N. Statistical Office