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Report Name: Food Service - Hotel Restaurant Institutional

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Report Highlights:

U.S. exports of consumer-oriented food products to Saudi Arabia decreased four percent in 2021, compared to 2020, to approximately \$535 million mainly due to shipping issues (e.g., fewer cargo ships, higher costs, etc.) throughout the year. In June 2022, the Saudi government lifted all COVID-19 restrictions allowing the food service sector to return to pre-pandemic operations while also fully reopening the country to foreign visitors. These changes significantly increased the demand for food ingredients, and Post anticipates 2022 will be a rebound year for U.S. exports. In 2021, the total value of the Saudi foodservice market was estimated at approximately \$29 billion and projected to grow approximately 10 percent annually over the next few years.

Market Fact Sheet: Saudi Arabia

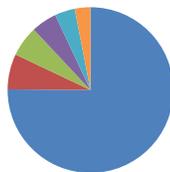
Executive Summary

Saudi Arabia is a significant market for U.S. food and agricultural products, and its 2021 Gross Domestic Product (GDP) and per-capita income were estimated at \$833.54 billion and \$23,815, respectively. Saudi Arabia's economy grew 11.8 percent in the second quarter of 2022 mainly due to high oil prices. This year, Saudi Arabia's GDP is forecast to exceed \$1 trillion dollars (historic high) also due to extremely high oil prices. In 2021, the United States exported approximately \$1.34 billion in agricultural and related products to Saudi Arabia.

Imports of Consumer-Oriented Products

U.S. exports of consumer-oriented food products to Saudi Arabia decreased four percent to \$535 million in 2021, compared to 2020, mainly due to shipping issues (e.g., fewer cargo ships, higher shipping costs, etc.) throughout the year. In 2022, Post anticipates U.S. exports of consumer-oriented food products will increase significantly due to expansions in the foodservice sector, an increase in foreign visitors, and the continued development of several major real estate projects.

Saudi Arabia Agricultural Imports in 2021 (USD)



■ World ■ Brazil ■ India ■ US ■ UAE ■ Argentina

Food Processing Industry

Saudi Arabia is home to a growing food manufacturing sector that benefits from population and income growth, life-style changes, state support, and favorable trade agreements. Demand for packaged foods is growing and more multinational companies are entering the market as a result. In 2021, Saudi Arabia imported approximately \$2.4 billion worth of intermediate food products, mostly for further processing. U.S. suppliers provided around 14 percent, or \$345 million CFR.

Food Retail Industry

In 2021, total retail sales in Saudi Arabia were estimated at approximately \$36.2 billion, and 55 percent was generated through traditional grocery stores. The other 45 percent passed through modern retail channels.

Quick Facts CY 2021

Imports of Consumer-Oriented Products (US \$8 billion)

List of Top 10 Growth Products in Saudi Arabia

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

Top U.S. Processed Foods Exported to Saudi Arabia

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

Top 5 Suppliers of High-Value Food Products to Saudi

- 1) Brazil (12 percent)
- 2) India (9 percent)
- 3) The United States (8 percent)
- 4) Egypt (5 percent)
- 5) Argentina (4 percent)

Some U.S. Casual Dining and Fast-Food Restaurants Present in the Country:

Chili's, Fuddruckers, TGI Fridays, Applebee's, Sizzler, and On the Border, McDonald's, Pizza Hut, Burger King, Starbucks, Domino's Pizza, KFC and Little Caesars Pizza

GDP/Population

Population (millions): 35
 GDP (billions USD): \$833.54
 GDP per capita (USD): \$23,815

Sources: UN Trade & Post Data

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

SECTION I. MARKET SUMMARY

In 2021, changes to social policies, along with evolving Saudi lifestyles, have significantly benefitted the HRI sector compared to the previous year. The sector experienced a sharp contraction due to COVID-19 restrictions in 2020 but has been improving since early 2021 due to the gradual lifting of those same restrictions and the resumption of food catering services (e.g., weddings and conferences) as well as the reopening of the country to foreign travelers. In July 2021, one million foreign pilgrims came to Saudi Arabia to perform Hajj rituals; the first-time foreigners were allowed to travel to the Kingdom for the religious events since 2020. (Note: Most of the visitors stay in the vicinity of the two holy cities for up to 4 weeks.)

In 2021, the consumer food service revenue was estimated at nearly \$29 billion, an increase of approximately 32 percent from 2020. Post projects more than a 10 percent annual increase in the foodservice revenue over the next few years. Below are some of the factors that are driving the demand:

1. **High Disposable Income:** With a relatively high per-capita income of \$23,815 in 2021, eating out is affordable. Saudis spend about 18 percent of their income on food and an estimated \$355 monthly on eating out in restaurants or ordering for home delivery.
2. **Social and Cultural Changes:** Dining at western style domestic fast food, casual dining chains and fine dining restaurants is considered a form of entertainment.
3. **Increased Numbers of Women Entering the Workforce:** The number of working women entering the workforce has been increasing over the years, and more women prefer to purchase prepared foods rather than cook food.
4. **Growing Number of Visitors to Saudi Arabia:** This year, 12 million foreign visitors are expected to visit Saudi Arabia for leisure and religious rituals, a major increase since last year. Saudi Arabia projects that the various multibillion dollar resorts and other tourist attractions, which are underway, will attract 100 million visitors by 2030 (70 million local and 30 million foreign tourists). In 2019, Saudi Arabia launched a new tourist visa program to help diversify the country's economy. Many foreign visitors recently commented that Saudi Arabia now has the most convenient visa program in the GCC region.
5. **Vision 2030 to Strengthen Demand for Foodservice:** Saudi Vision 2030 is a mix of governmental measures intended to wean the country off of oil by diversifying its economy; mainly by attracting foreign investments while developing an innovative tourism sector. The vision relies on the implementation of several mega infrastructure and real-estate projects that will cost approximately \$1.1 trillion over the next few years. Among the mega projects are Neom, a \$500 billion futuristic smart city that spans over 25,000 km on the Red Sea. Neom will connect Saudi Arabia, Egypt, and Jordan and will be powered by clean energy and have no cars or carbon emissions. During the building process, millions of workers will be fed, three meals a day, by catering companies. This will continue

for the next several years and drastically increase the demand for food ingredients. Upon completion, NEOM is expected to house 9 million residents. Several planned hotel construction projects across the Kingdom are also projected to provide more than 300,000 hotel rooms by 2030.

6. **High Demand by Institutional Customers:** Increased demand for prepared foods by the airlines industry, labor camps, the military, hospitals, universities, schools, Umrah/Hajj, catering for weddings, conferences and other celebrations are key factors.
7. **Growing Food Delivery Service:** The pre-pandemic emerging food home delivery industry has been growing at an astonishing rate. It is forecast to grow nearly 10 percent annually over the next several years. In 2021, the total value of the Saudi food home delivery business was estimated at more than \$510 million.

Advantages & Challenges in the Saudi Market	
Advantages	Challenges
<ul style="list-style-type: none"> • Popularity of American culture carries over to American food. • U.S. exporters are reliable. • U.S. known for consistency and high-quality food products. • Large variety and U.S. food products. • Familiarity of chefs with U.S. food products. • There are several American restaurant chains in Saudi Arabia that regularly source U.S. food supplies. • Increasing demand for U.S. beef and seafood products. • Growing home delivery business 	<ul style="list-style-type: none"> • Price competitive imports from the EU, GCC, and Asian countries have affected U.S. market share. • Ban on poultry stunning by SFDA eliminated U.S. poultry from the Saudi market. • Livestock meat exports to Saudi Arabia must be Halal certified & participate in a USDA export verification program. • Increased variety of competitively priced high-quality locally processed food products. • Strict implementation of regulations that may not be compatible with U.S. regulators. • Economic volatility due to volatile oil prices.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

It is important for U.S. suppliers who are interested in the Saudi food service market to understand customer 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 food suppliers consider the following points when contemplating entry into the Saudi food service market:

- **Look for a Strong and Knowledgeable Importer:** Exporters must look for and collaborate with a knowledgeable and reliable importer who knows how the food service sector operates. The prospective importer should have a professional sales force and strong distribution network in major cities (particularly Riyadh, Jeddah, Makkah, Medina, Dammam, and Al-Khobar) where most of the foodservice and hotels are concentrated.
- **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 help a potential U.S. exporter see first-hand the types of products needed by the Saudi food service sector and allow them to meet one-on-one with key importers. Face-to-face meetings with buyers in the Arab world are very important and it builds trust and confidence. Language should not be a barrier on your visit as most Saudi professionals speak English.
- **Attend [Saudi HORECA](#):** Prospective U.S. exporters of food service products should consider attending Saudi HORECA, which has been held since 2011. Last year, the show was held at the Riyadh International Convention and Exhibition Center (RICEC), and it is typically scheduled every November. (Note: the show was rescheduled last year due to Covid-19 restrictions, but organizers hope to continue the show every year at the same time.) The exposition showcases countless products used in the HRI sector, and it has consistently grown every year. In 2019, Post assisted 10 U.S. companies with the first USA Pavilion at Saudi HORECA, and exhibitors reported exceptional sales from the show.
- **Attend U.S. Based & Regional Food Shows:** Exporters will find U.S. based shows, such as the National Restaurant Association Show (NRA), and regional food shows, particularly the annual Gulfood Show held in Dubai helpful for in their entry strategy. Gulfood is the most important trade event for the Saudi agribusiness, and more than 5,000 Saudi companies attend the show every year. Other regional food shows that attract a significant number of Saudi food buyers include Anuga in Cologne, Germany, and SIAL in Paris, France.
- **U.S.-based Consolidators:** Consider using U.S.-based consolidators that have experience exporting food service products to Saudi Arabia. This can be astute particularly when exporting small quantities because most Saudi importers buy for mass distribution and employ consolidators. Consolidators typically source products from U.S. wholesalers, apply bilingual stickers, and arrange mixed containers for shipment to Saudi Arabia. Consolidators often recommend new-to-market products to Saudi Arabian importers.

- **Direct Contact:** Develop direct contacts with hotel and restaurant chain management, including chefs and food purchasing managers.
- **Comply with SFDA Regulations:** Work closely with local importers to comply with food import regulations, including product labeling to minimize issues at ports.

Market Structure

U.S. food manufacturers normally sell directly to their Saudi agents, pack for Saudi private label owners, or sell exclusively to U.S.-based consolidators. Major Saudi importers operate well-established Kingdom-wide distribution networks, including cold chain networks, and they sell directly to hotels, restaurants, cafes, institutional customers, and wholesalers.

Some Saudi companies that specialize in supplying the HRI sector import a wide range of food products for mass distribution by employing consolidators in the United States. Often, consolidators are the sole regional agents of major U.S. manufacturers or brand owners covering the entire Middle East and Africa.

Consolidators assist Saudi food importers by sourcing products from U.S. manufacturers and wholesalers as well as provide services such as placing stickers on labels, which translates key ingredient and product information into Arabic. “Stickering” is a laborious task and many manufacturers do not want to take on this burden, so potential exporters should keep this in mind when entering the Saudi market.

Meanwhile, some food service companies that operate foreign casual dining or fast-food franchises have regional purchasing offices located outside Saudi Arabia.

- For instance, McDonald’s uses a Saudi company based in Dubai as its exclusive supplier of imported food products for its Middle East operations.
- On the other hand, the Al-Ahlia Restaurant Company, which operates KFC, Hardee’s, TGI-Friday’s, Chicken Tikka, Krispy Kreme, Longhorn Steakhouse, and Red Lobster in Saudi Arabia, has a regional purchasing office in Cairo, Egypt.

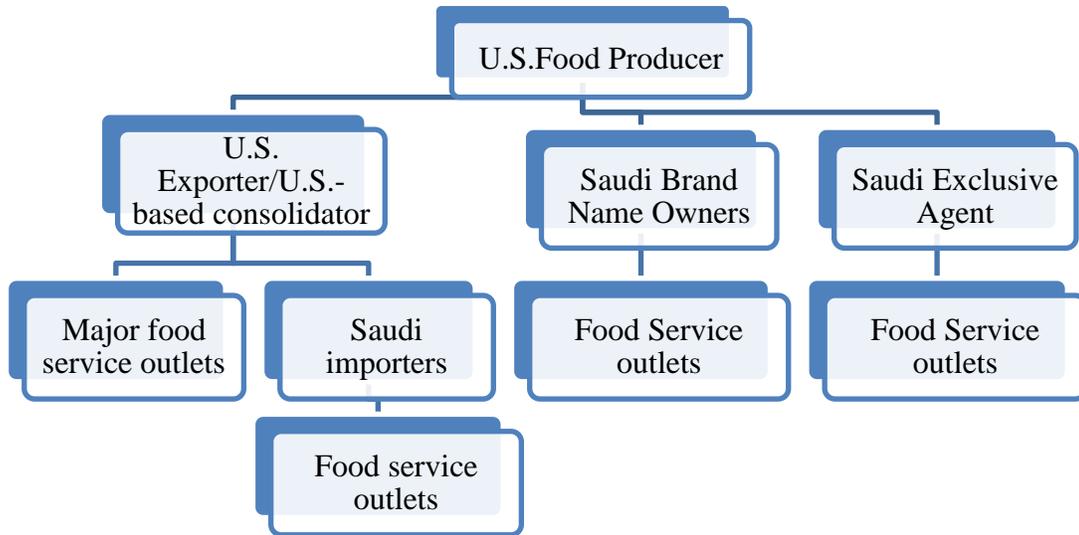
Regional offices are responsible for purchasing food service, food products, and ingredients from approved suppliers worldwide. These and other large fast and casual dining firms import directly, between 30-85 percent of their food products. The food products that are directly imported include: beef, poultry, cheese, sauces, French fries, potato wiggles, frying oil, mix buns, ketchup, deserts, salad dressing, seafood (shrimp, salmon, and other fish), and syrup.

It is worth noting that many large local and international fine dining, casual restaurants, fast food chains, coffee shops, cafes, and hotels have central purchasing offices where each sends daily orders. The central purchasing offices consolidate the orders and conduct international purchases.

As for the Saudi HRI sector, it is serviced by several specialized food importers who have extensive networks of contacts that enable them to procure products that meet customers' needs. Most of the HRI companies import a large percentage of their food products from the United States and to some extent from Europe and Latin America.

Distribution

Flow Chart: Distribution Channels for the Consumer Foodservice Industry



HRI Sourcing of Domestically Produced Products

HRI sourcing of domestically produced products differs depending on the products. Below are various examples of how each industry sources products.

- Sourcing poultry products for most international casual dining and fast-food franchisors is done locally or from neighboring GCC countries. For example, the Supreme Food Group (SFG), a Riyadh based Saudi company, produces a wide range of poultry and side order items in accordance with customers' specifications and menu options. The firm currently supplies beef (mostly imported) and chicken burgers to Burger King (Middle East), Pizza Hut, Dairy Queen, Pans and Co, Fuddrucker's, and Applebee's (chicken burgers). In addition, the company manufactures and distributes its own range of poultry, red meat, and side order items to the broader food service market.
- Meanwhile, the National Food Company (Americana), which is based in Jeddah, is certified to supply Hardee's with beef burgers. National Food Company is owned by the Americana Group (a Kuwait Food Company) that operates KFC, Hardee's and other American fast-food chains and casual dining restaurants in Saudi Arabia. The firm's beef burgers are produced from imported beef.

- Other local food producers provide various ingredients such as bakery items, buns, ketchup, mayonnaise, salad dressings, and shortenings to the food service sector. Most of these products are processed from imported raw materials. Sales representatives of local food producers visit HRI customers weekly, or even daily, to promote their products.

International Chain Hotels and Resorts in Saudi Arabia

Almost all international chain hotels are present in the Kingdom, and they depend on local importers for their food ingredients. There are currently no upscale resorts in Saudi Arabia.

Major Casual & Fast-Food Outlets Operating in Saudi Arabia

Independent stores and chains account for approximately 73 percent of total revenue in the consumer food service sector. Recent trends in the Saudi consumer food service includes smoke houses, Turkish fine dining steakhouses, fine dining restaurants, high-end sandwich outlets, and food trucks.

In recent years, local investors have also developed new home-grown QSR chains along with expanding their franchises. For example:

- Maestro Pizza: This chain was established in Riyadh in 2013 and has become a household name in a span of seven years. With nearly 170 outlets the pizza chain is preferred by many Saudi and Arab consumers for its quality and price, and the firm has become a formidable competitor to several U.S. pizza chains, such as Domino's and Pizza Hut.
- AlBaik: This fried chicken chain is extremely popular and launched in 1974. They are currently expanding to reach every major city in the Kingdom. In recent years, the firm has increased its outlets from 40 to nearly 150. The firm competes head-to-head with KFC, and its fried chicken and seafood are very popular with non-western consumers.

Institutional

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

SECTION III. COMPETITION

U.S. food products are generally viewed as meeting higher quality standards than imports from other countries or those produced locally. Consumers prefer U.S. origin and branded products,

and these products benefit from strong demand so long as they are priced competitively. Some local retailers use shelf talkers and signs to identify U.S. products to impress their customers with high-quality products.

U.S. food exports face fierce competition from the improving quality of both locally produced and competitively priced imports from third countries. Food products produced in Gulf Cooperation Countries (GCC) enter Saudi Arabia duty free. Food imported from other Arab countries, Australia, various Asian countries, parts of Latin America, New Zealand and South Africa often offer lower priced products to comparable U.S. products, mainly because of lower shipping costs. Usually, local importers prefer to initiate business deals by making small trial orders; conditions that many U.S. exporters are not willing or able to accommodate.

SECTION IV. BEST PROSPECTS

A. Products Present in the Market That Have Great Potential

Dairy products, fresh fruit, fresh vegetables, red meats, condiments and sauces, coffee shop ingredients, baked frozen pastries, and frozen sandwich bread.

B. Top Consumer-Oriented Products Imported from the World

Beef, chocolate & cocoa products, condiments & sauces, coffee, dairy products, extracts, fresh fruit, fresh vegetables, food preparations, miscellaneous beverages, poultry meat, processed fruit, processed vegetables, spices, and tree nuts.

C. Top Consumer-Oriented Products Imported from the United States

Tree nuts, dairy products, processed vegetables, condiments and sauces, fresh fruit, snack food and non-alcoholic beer.

[This link](#) provides data on U.S. Exports of Agricultural & Related Products to Saudi Arabia for the past five years.

D. Products Not Present in Significant Quantiles but Have Potential

Diabetic, organic, and healthier lifestyle products (low sodium/sugar, high fiber or added vitamins).

E. Product Not Present Because They Face Significant Barriers

U.S. poultry meat, U.S. table eggs and products, some U.S. seafood, U.S. spices (paprika), and U.S. lamb and products.

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

A. [The Saudi General Authority for Statistics](#)

B. Post Contact Information

OAA Riyadh Reports OAA Riyadh reports on the Saudi food industry can be found at this link .	Post Coordinates FAS/Riyadh, United States Embassy, Tel: 966-11-835-4351 E-Mail Address: Agriyadh@.usda.gov
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FAS Riyadh maintains an extensive network of food and agriculture contacts in Saudi Arabia and Bahrain. We can provide lists of relevant Saudi food and agricultural product importers to U.S. exporters upon request. U.S. suppliers can contact Post to be matched with prospective importers, to qualify prospective importers, for assistance clearing consignments of U.S. products, marketing opportunities, or for information on the Saudi market and regulations.

C. Saudi Government Regulatory Contacts

The SFDA sets food and feed products standards. Contact information for SFDA, and other ministries involved in food and agricultural products safety and inspection, is as follows:

Dr. Sami Al-Sager, Vice President for Operations, Saudi Food & Drug Authority
Tel: 966-11-203-8222 Ext: 5800 Fax: 966-11-275-7238
Email: ICd@sfda.gov.sa, www.sfda.gov.sa

D. Other Import Specialists Contact

Saudi Arabia does not have relevant import specialists who are not affiliated with the government.

Attachments:

No Attachments