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Saudi Arabia

Food Processing Ingredients

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Approved By:

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

Prepared By:

Hussein Mousa, U.S. Embassy, Riyadh

Report Highlights

The Saudi food processing sector has rapidly grown in recent years, thanks to various government subsidies to food companies, rising per capita income, and major demographic and socio-economic changes in Saudi Arabia. These factors have led to a huge increase in the number of food processing facilities, from 460 firms in 2002 to 732 firms in 2012. Attractive investment conditions have lured major multinational corporations into entering the Saudi market and establish production facilities. Most Saudi food manufacturers depend on imports to secure their needs of food ingredient and raw materials. In 2012, Saudi Arabia imported about \$4.1 billion worth of food ingredients and bulk commodities for further processing. The U.S. suppliers provide about 10 percent of Saudi Arabia's food processing inputs. Saudi Arabia currently exports a significant part of its processed food production. Saudi food exports were estimated at \$2.7 billion in 2012, and continue to rise.

SECTION I. MARKET SUMMARY

The Saudi food manufacturing and processing sector has rapidly grown in the past ten years with the help of various support from the Saudi Government that included direct subsidies for selected food production equipment, interest free loans, duty free imports of raw materials, and highly subsidized utilities. This support helped boost investment in the food production sector and increased the number of food processing factories in Saudi Arabia from 460 units in 2002, to 732 units in 2012. During this period, the total investment in the Kingdom's food processing industry increased almost three folds, reaching \$12.3 billion by the end of 2012 compared to about \$4 billion in 2002. Prior to the implementation of the second phase of the Gulf Cooperation Council's (GCC) Unified Customs Tariff late 2012, Saudi Arabia implemented a tariff protection regime as an effective tool to assist the development of its domestic food processing sector by protecting it from competitive imports. Saudi Arabia levied various infant-industry protection duties on imported food products, between 12 and 40 percent depending on the sector's self-sufficiency level. For instance, it has imposed a 12 percent import duty on snack foods, 20 percent on poultry products and 40 percent on fresh and processed dates. Currently, the Kingdom enjoys full self-sufficiency in only three food products: dates, fresh milk and table eggs. The high import duty categories were removed on November 2012, following the Saudi government's implementation of the second phase of the GCC's Unified Customs Schedule. The unified Customs schedule levies a five percent import duty across-the-board on all agricultural products, with the exception of 344 essential agricultural products imported duty free. 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.

In addition to the various government subsidies, there are several other factors that contributed to the continued growth of the Saudi food processing sector such as rising per capita income, high population growth rate, changing lifestyles and eating trends, and rapidly expanding food retail outlets and food service sectors. In 2013, about \$40 billion worth of packaged food products were sold by the Saudi food retail sector, an increase of 67 percent compared to 2008. With the expected expansion in the number of food retail outlets, mostly hypermarkets and supermarkets, the overall packed food sales is forecast to reach \$45 billion by 2017. Food purchases made by the domestic food services sector to produce meals are estimated at about \$5 billion annually.

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 of existing Saudi food processing companies. Recent examples include companies such as Mars Inc., Mondelez International, Delmonte, Frito-Lay, Heinz, Danone Ltd., Arla Foods Amba, Fonterra's, United Biscuits (UK) Limited, Coro Foods, and the Lactalis Group.

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 2012, the total Saudi imports of 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 imports in 2010.

Locally produced food products are considered of good quality and competitively priced. Most of food manufacturers in Saudi Arabia depend on imported raw material and ingredients. There is a wide range of products currently produced locally such as 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. The various government supports have enabled local food processors to improve production technology and compete with international food suppliers in terms of both price and quality. Many local producers are validating their food quality claims through obtaining ISO certifications and developing their own HACCP programs (food safety management system).

Saudi processed food product exports have been steadily growing in recent years. According to official data, Saudi Arabia exported about \$2.7 billion worth of processed food products and beverages in 2012, an increase of about 23 percent compared to exports in 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. Significant quantities of Saudi processed foods are exported to other Middle Eastern and African countries, Asia, Europe and even to North Americas.

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 lifestyle and new eating habits, demographic, expansion of modern food retail outlets, and increased demand by rapidly increasing food service sector.

- **Government Policy:** The most important factor that helped boost Saudi Arabia's food processing sector is the government policy that aims at establishing sustainable local food industry. Since early 1970s, the Saudi government has been offering various 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 lots at nominal rents for the establishment of food processing factories. Food manufactures have access to highly subsidized wheat flour for bakery and snack production, subsidized utilities (energy and water), and duty free imports of a big 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 economic 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 economic growth in recent years has helped in more than doubling its per capita income from \$10,784 in 2004 to \$25,000 in 2013. With the higher income, a higher percentage of consumers are able to buy more meat and dairy products and quality

processed foods and beverages than ever before. Saudis spend about 27 percent of their disposable income on food.

- **More women in the workplace and Changing Lifestyle:** In recent years, more Saudi women are joining the work force than ever before, 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 accounts for about 15 percent of the total native Saudi workforce and the number is expected to grow significantly in the years to come. As more Saudi women enter the workplace, the demand for processed foods will increase considerably.
- **Demographic Changes:** Saudi Arabia's population of 30 million is growing at 3 percent annually, and is projected to reach 40 million by 2025. With its young population, where 70 percent of Saudis under the age of thirty years, Saudi Arabia will continue to be a growth market for packaged foods as young consumers with high disposable incomes has penchant for convenient and new prepackaged food products, particularly for snacks, confectionary, savory and beverage products.
- **Expansion of Retail Food Outlets:** Increased urbanization in Saudi Arabia has resulted in rising in the number of modern retail channels, mainly hypermarkets and supermarkets, throughout the Kingdom. According to a recent available data, the combined number of hypermarkets and supermarkets outlets increased by three folds from 300 in 2004 to about 900 in 2013. The expanded modern retail outlets throughout the country has helped the wider distribution and availability 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 continuously grow Kingdom-wide with the increased urbanization, boosting the demand for packaged food products. Saudi consumers like to try new products and are shopping more frequently at hypermarkets and supermarkets as shopping at these modern retail outlets is considered a primary form of entertainment in the Kingdom.
- **Increased Demand by Food Service Industry:** Other important factors for the expanding local food processing industry are the growing trend of dining out and huge demand by the local food catering services. Saudi hotel, restaurant and institutional (HRI) food service sector has been rapidly growing in the past decade and depends to large extent on locally processed food products due to improved quality and more competitive prices compared to imports, drastically boosting the food processing industry. The other benefits that the 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 number of local catering companies depending on the competitively priced local food products to prepare meals for several million workers in labor camps and to cater to more than eight million Muslims pilgrims who come to Saudi Arabia to perform Umrah and Hajj rituals in addition to several millions of 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 and dairy and product, 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 for increased popularity of the Saudi food products in the Muslim countries and large Muslim communities in Europe and Americas.

Foreign Direct Investments in the Saudi Food Processing Sector

The rapidly expanding Saudi food processing industry has attracted many 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, enter into licensing agreements with local manufacturers or have their 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 the multinational corporations have established joint ventures or wholly owned production facilities in Saudi Arabia, including Mars Inc., 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 food and agricultural products to Saudi Arabia have been steadily growing in the past six years, reaching a record-high level of \$1.425 billion in fiscal year (FY) 2013/2014. This huge growth represents a 66 percent increase in U.S. exports compared to total exports in FY2009/2010 of \$861. U.S. exports of intermediate food products, mostly used in local food processing, have been growing steadily, reaching \$314.2 million in FY2013/2014. With the excellent export opportunities that U.S. suppliers have in the Saudi food market, there are 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 reliable source of large volume and consistent quality ingredients suppliers to major Saudi food processors.	U.S. exporters lack of flexibility in consolidating and shipping smaller volumes as well as changing labels and ingredients to meet Saudi and/or Gulf Standard Organization's (GSO) requirements.
U.S. bulk tomato paste, white butter, cheddar cheese, skimmed milk powder and corn oils 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 is 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 to meet their purchasing requirements.	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 the domestic food processors, particularly for U.S. turkey meat.	U.S. poultry meat exporters face difficulties meeting Saudi government's request for official U.S. attestation that imported poultry and poultry products are obtained from poultry not fed with animal protein.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

U.S. food products are generally viewed as meeting higher quality standards compared to 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 their products qualities by including on their products labels statement such as "Produced from California Grade A Beans" or "From Concentrated Florida Orange Juice". 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 utilize for food products they export to Saudi Arabia.

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. It is important for U.S. suppliers interested to enter the Saudi food processing ingredients market to understand customers' demand 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 Strong and Knowledgeable Importer:** U.S. exporter should look for and partner with 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 major cities where food processors are located, particularly Riyadh, Jeddah and Dammam where most of the food processors are located.

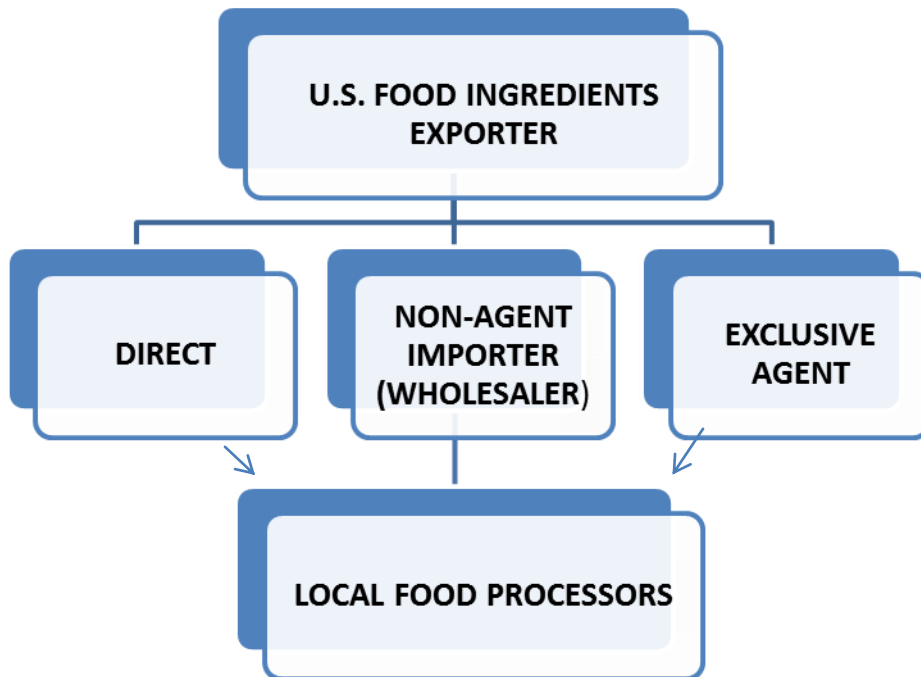
- **Develop Personal Relationships:** Personal relationships are important in establishing long term and reliable working relationships in Saudi Arabia. The best way to accomplish this is to travel to Saudi Arabia. A visit will enable a potential U.S. exporter to see first-hand the types of food ingredients 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 and regional shows, particularly Gulfood Manufacturing Exhibition held in Dubai annually as well as major food EU based exhibitions such as Food Ingredients Europe held biannually in Frankfurt, Germany and Paris, France.
- **Comply with SFDA Regulations:** Work closely with local importers to comply with SFDA food import regulations, including 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 the exporters as they may have access to ingredient suppliers because of the large volumes they import. Examples of these type 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 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 provide services such as placing stickers on labels. The stickers include key ingredient and product

information in Arabic. Stickers are 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, retail pack and market under its own brand names such as Afia, is currently one of the largest food processing conglomerates in the MENA area. 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 1.2 million MT production capacity. USC is currently working to expand its sugar production capacity to 1.7 million MT by the end of 2016. SAVOLA Group's other business portfolios include 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 that include hypermarkets, supermarkets and corner stores. <http://www.savola.com/SavolaE/>

Almarai Company

Almarai 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 which 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 concentrates. Almarai Dairy has bought farms in Argentina and the U.S. to produce animal feed such as soybean, corn and alfalfa hay to export them to Saudi Arabia to feed 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 by 2016. Almarai Company is one of the publicly traded companies on Tadawul with SAVOLA Group holding the majority stocks. <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 250 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 one of the publicly traded companies on Tadawul with SAVOLA Group holding the majority stocks. <http://www.herfy.com/en/>

The National Agricultural Development Company (NADEC)

NADEC was established in 1989 by the Saudi government's decree and is headquartered in Riyadh. Currently 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 its 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, forage, fruit, dates, vegetables and olive oil. The main food processing ingredients that the company imports are bulk cheese, nonfat dry milk, butter and juice concentrates and feed grains.

<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 farm was declared by Guinness Book of World Records as the world's largest integrated dairy farm situated in a single location that 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. <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 by the end of 2016. 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 major cities of 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 producers in the Kingdom. It is currently undergoing a huge broiler production expansion projects (\$800 million) to increase its annual production capacity from about 124,000 MT in 2010 to 288,000 MT by the end of 2016. It also plans to increase its table egg production from one million eggs in 2010 to 2.1 million by 2016. 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 brand name "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 since then it 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 it is one of the leading food processors in Saudi Arabia. Its products range 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 of 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 brand. 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 retail and institutional sizes high value food products mainly 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/>

Grain Silos and Flour Mills Organization (GSFMO)

The GSFMO is the Saudi government agency's established in 1972 with exclusive authority to purchase food wheat, mill and distribute wheat flour in Saudi Arabia. The agency imports wheat directly from 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. The GSFO has nine mills in major regions of the Kingdom with the combined wheat milling capacity of 11,430 MT per day. The GSFMO imported about 3 million metric tons of food wheat in 2014. <http://www.gsfmo.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 produced high value food products 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, the 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 is engaged in expansion plan to increase its corn processing capacity from 100,000 MT to 300,000 MT annually by 2016. 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 the Jeddah-based subsidiary of the Americana Group that has two factories to manufactures meat and snack foods under the Americana brand name. The NFC meat processing factory is one of the largest livestock and poultry meat as well as seafood products processor 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 counties 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 producer. 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.
<http://www.alsafidanone.com/>

National Food Industries Company Ltd (NFIC)

NFIC is a joint venture partnership between Saudi and Yemen 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 various canned food products 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 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 that 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 regions. The firm is a shareholding company listed on TADAWUL. Its major shareholders are Kuwaitis 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 and 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 leading dairy products producer and exporter. The company's Dammam factory is engaged in packing milk powder for its Saudi and regional clients, processing of 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 the majority stocks 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 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 Puck brand. Its juice products are sold under Danya brand. <http://www.arla.com/>

Rana Confectionery Products Company Ltd

The company was established in 1986 in Riyadh as a wholly owned Saudi company to produce biscuits and wafers. In October 2013, the firm was purchased by the United Biscuits Ltd of the Great Britain. <http://www.unitedbiscuits.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

In the past two decades, Saudi Arabia has experienced rapid socio-economic changes that were results of a fast growing economy, increased disposable income, changing lifestyle, increased urbanization, rapid expansion of modern food retail and fast food outlets. The increased disposable income afforded

consumers to shift from carbohydrate to protein based diets mainly to consuming more meat and dairy products than ever before. Most of the animal based protein comes from poultry meat consumption, which has been steadily rising because of its competitive prices. In 2014, the per capita poultry meat consumption was estimated at 47 kg annually, making Saudi Arabia among the highest 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 the expanding fast food restaurants and for 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 growing population and increased per capita income. The continued expanding urbanization, hectic lifestyle and other factors will continue to increase the demand for high value processed foods as a whole.

2. Prepared Foods

The ongoing rapid expansion of modern food retail outlets, mainly hypermarkets and supermarkets throughout the Kingdom because of increased urbanization, will provide good opportunity for a wider distribution of processed food products, enhancing their popularity, boosting the overall demand and increasing consumption. Due to the changing lifestyle, 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, which have become very popular with working families and 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 to do the things they value such as spending more time with the family.

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, confectionaries and beverage drinks. This segment of the population is characterized by a fast-pace lifestyle, high disposable income, and more amenable to trying new convenient food products. Saudi Arabia's extreme hot weather conditions that prevail for most part of the year will continue to increase the demand for beverage drinks particularly for fruit juice, fruit drinks, mixed beverages, candies, nonalcoholic beer and carbonated soft drinks.

4. Health Foods

The high consumption of fat and sugar rich processed foods and drinks as well as the 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 limited range of diet foods mainly fat free and low fat dairy products. The limited demand for diet foods indicates 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 the stiff competition among supplying countries. Local food processors seek suppliers that provide good quality products at the most competitive prices. U.S. 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 II. Saudi imports of select food products by major suppliers in 2013

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

Table II-continued

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

SECTION IV. BEST PRODUCT PROSPECTS

The following is a 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, butter oil AMF, 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, favors and stabilizers, and other food snack food ingredients.

V. KEY CONTACTS AND FURTHER INFORMATION

Post Coordinates

Office of Agricultural Affairs, OAA/FAS
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

2. OAA Riyadh Reports

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

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