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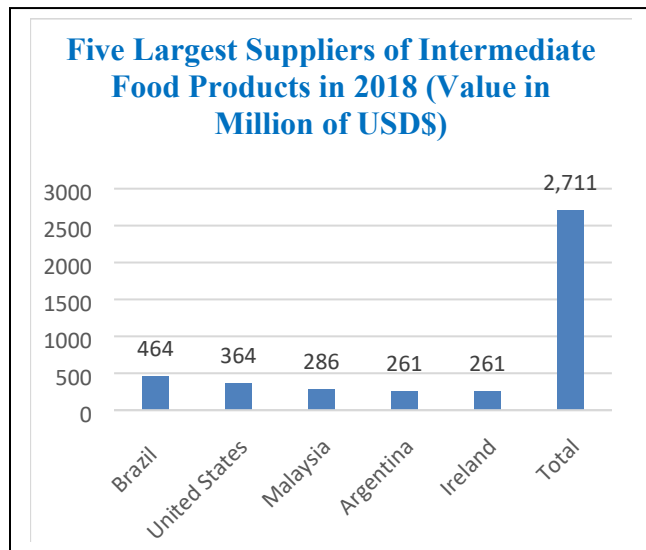
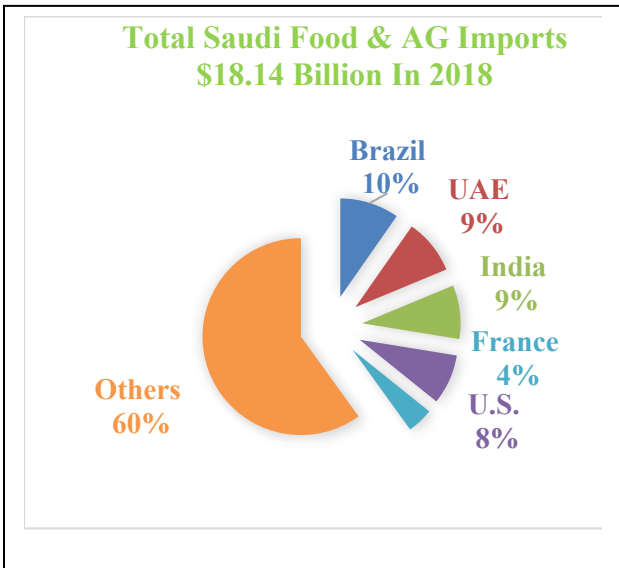
Approved By: Alan Hallman

Report Highlights:

Saudi Arabia is home to a growing food manufacturing and processing sector which benefits from population and income growth, life-style changes, state support, and favorable trade agreements. Investment in the sector is projected to reach \$59 billion in 2021, an increase of approximately 64 percent over 2013. Manufacturers include major multinational and domestic companies such as PepsiCo and SAVOLA. Most Saudi food manufacturers depend on imports for food ingredients. Saudi Arabia imported \$2.7 billion worth of intermediate food products in 2019, mostly for further processing. U.S. suppliers provided approximately 13 percent, or \$350 million. Some bulk products, including corn, are also used by processors.

FACTSHEET: SAUDI ARABIA 2019

Executive Summary: Saudi Arabia is the largest economy in the Arab World and has a vibrant food processing industry. The Kingdom’s GDP and per-capita income were estimated at US\$785 billion and \$22,953, respectively, in 2019. The latest available U.N. trade data shows Saudi Arabia imported \$18.1 billion worth of food and agricultural related products 2018, of which \$2.7 billion was intermediate food products.



Advantages	Challenges
U.S. exporters are known to be a reliable and consistent source of quality ingredients to major Saudi food processors.	U.S. exporters lack flexibility in consolidating and shipping smaller volumes.
U.S. bulk tomato paste, white butter, cheddar cheese, skimmed milk powder and corn oil are in great demand for further refining and packaging.	Some U.S. food ingredients are more expensive than imports from Europe and Asia. Ban on poultry stunning has stopped U.S. poultry exports to Saudi Arabia.
There is a strong demand for U.S. commercial beef and poultry meat by domestic food processors - particularly for U.S. turkey meat.	Freight costs from the U.S. are higher than those from competitors in Europe and Asia.

Best Prospects

Poultry meat, beef, skimmed milk powder, full cream milk powder, block cheese, butter, milk protein concentrate, Anhydrous milk fat (AMF), butter oil, whey powder, whey permeate powder, margarine, vegetable oil, vegetable fat, grape leaves, spices, fruit pie fillings, seasonings, shortenings, liquid fresh table egg, egg powder, sweeteners, sauces and chocolates.

SECTION I. MARKET SUMMARY

Saudi Arabia is home to a growing food manufacturing and processing sector. While production data is unavailable, the sector benefits from population and income growth, life-style changes, state support, and favorable trade agreements. Investment in the sector is expected to reach \$59 billion by the end of 2021 – up from \$44 billion and \$36 billion in 2016 and 2013, respectively (Saudi Ministry of Investment data).

Support from the Saudi Government takes many forms. It includes direct subsidies for equipment, low land rents, long term soft loans offered by the Saudi Industrial and Agricultural Development banks, duty free imports of raw materials, and highly subsidized utilities.

Demand for packaged foods is growing due to changing lifestyles and diets, and the expansion of the food retail and food service sectors. Saudi women are entering the workforce in larger numbers – driving demand for prepared and simpler to prepare food. The population continues to grow. And income, though reduced by COVID 19 and low oil prices, remains high. The retail sector continues to rapidly shift from markets to super and hypermarkets – driving demand for packaged foods. Some domestic companies in the meat and dairy sector may benefit from the perception that they abide by higher halal standards than foreign companies.

Saudi Arabia does not face tariffs on exports to the six Gulf Cooperation Council (GCC) countries, or to the members of the Greater Arab Free Trade Area (GAFTA). This Pan-Arab free trade zone was created in 1997 and has 22 members. Companies have built facilities in Saudi Arabia because it accounts for more than 50 percent of the GCC market and to export products.

In 2019, Saudi Arabia exported approximately \$3.5 billion worth of food products, an increase of 2 percent over 2018. The main products were dairy products, snack foods, processed foods, processed dates, processed fruit and vegetables, sugar and sweeteners, and poultry meat.

Saudi Arabia is a desert country with strong dairy, date, and poultry sectors, and growing seafood and greenhouse production. The food processing sector builds off of those strengths to some degree with processed dairy and meat products. It uses dates, nuts, and sesame products in a wide range of traditional treats. And its national sweet tooth has led to the establishment of local and international confectionary producers. Imported corn is processed into a wide range of intermediate products for regional distribution. And local and multinational companies process fruits and vegetables, tree nuts, and seafood. Saudi manufactures also produce beverages, breakfast cereals, peanut butter, mayonnaise, spices, and cooking oil.

Multinational companies are well represented in the Saudi food processing sector. They have entered the market via joint ventures with Saudi companies, licensing agreements, and the takeover existing Saudi food processing companies. Multinational companies with a presence in the food processing industry include: Mars Inc., Mondelez International, Cargill, Del Monte, PepsiCo, Heinz, Danone Ltd., Arla Foods Amba, Fonterra's, United Biscuits (UK) Limited, Coro Foods, Unilever, and the Lactalis Group.

In 2018, the Kingdom imported approximately \$2.7 billion worth of intermediate food products, mostly for reprocessing. The decrease of nearly 18 percent compared to a year earlier was mostly due to lower commodity prices. The five largest ingredients suppliers in 2018 were Brazil (16.9%), U.S. (13.1), Malaysia (10.3%), Argentina (9.8%) and Ireland (9.4%).

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

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

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

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

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

- **Develop Personal Relationships:** Personal relationships are important in establishing long term and reliable working relationships in Saudi Arabia. The best way to accomplish this is to travel to Saudi Arabia. A visit will enable a potential U.S. exporter to see the types of food ingredients needed by Saudi food processors and 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:** Saudi food ingredients importers attend regional and international shows that focus on feed ingredients. As such, it is important that prospective U.S. exporters of food processing ingredients consider exhibiting or attending U.S. based shows such as the annual Institute of Food Technologists (IFT) Exposition. Attendance at regional shows, particularly the Gulfood Manufacturing Exhibition held in Dubai annually, and major EU based exhibitions such as Food Ingredients Europe held biannually in Frankfurt, Germany and Paris, France may also be helpful. Post works annually with some FAS supported State Regional Trade Groups ([STRGs](#)) in recruiting Saudi buyers delegation to attend the IFT show.
- **Comply with SFDA Regulations:** Work closely with local importers to comply with SFDA food import regulations. Pay particular attention to product labeling and product preregistration and approval to facilitate smooth imports and to minimize rejections at Saudi ports of entry. [This link](#) leads to recently published FAS GAIN Reports_including to_FAS Riyadh's Food and Agricultural Import Regulations and Standards (FAIRS) FAIRS Country Narrative and Export Certificate Reports. The two reports discuss detailed information on Saudi food regulations and certification requirements.

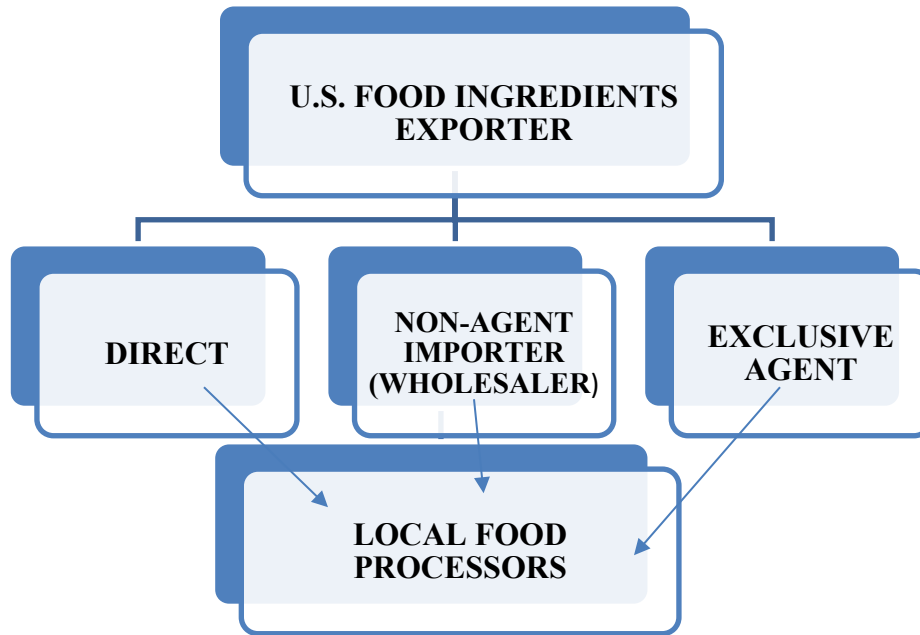
Import Procedure

Imported food products, including food ingredients used in food processing, must be registered with the Saudi Food and Drug Authority (SFDA) and obtain preapproval. Registration of imported food products is the responsibility of local importers or agents. Each importer or agent is required to open an E-Account and set up an individual user name and password at SFDA's Operations Sector at [E-Services](#). Once the E-Account is created, importers can upload information about their products, including the harmonized code (HS Code), bar code, item code, and listed ingredients in English and Arabic, a picture of each product, and a copy of the product label. The label must contain all information required by the Gulf Standard Organization regulation number GSO 9:2013 "Labeling of Prepackaged Food Stuffs". Individual importers are required to register all food products they intend to import, even if some or all of the products they intend to import have been already registered by another importer. The electronic registration is free of charge and there is no expiry date for the registration. However, importers are required to re-register their products when there are changes in products formulations or labels. It is important to know that SFDA does not allow the importation of food products that are not registered in its E-Account database.

Most Saudi food importers are financially sound and do not default on payments. However, new-to-market exporters are encouraged to use irrevocable letters of credit until close working relationships and mutual trust between parties are established.

B. Distribution Channel

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



C. Market Structure

- **Direct Import:** Large Saudi food processors tend to import directly from exporters. They may have access to ingredient suppliers because of the large volumes they import. Examples of these types of producers include edible oil plants, meat and poultry processors, vegetable processors, dairy processors, canned vegetable processors, and other high value food processors such as tomato paste, jams, honey, confectionaries, snack, juice and beverages. If the required quantity is small (less than a container full), they usually purchase from local agents, other importers, or wholesalers.
- **Appointed Agents:** There are a few local importers who serve as exclusive agents for major international food ingredients suppliers based in EU, U.S. or Latin America. The agents solicit orders from various local food processors, consolidate orders, import and deliver to each client. Small and medium sized food processors as well as the food service industry (i.e. hotels, restaurants, and catering companies), source their food products ingredients from these importers who are also wholesalers, and international company representatives or agents.
- **Non-agent Importers:** These importers specialize in supplying the food processing and HRI sectors by importing and distributing a wide range of food ingredients (particularly spices condiments, sauces, bakery and pastry ingredients, seasonings and specialized flours). These importers operate well established country-wide distribution networks and sell directly to food processors and HRI customers. They generally use consolidators. Often, U.S. consolidators are the sole regional agents of major U.S. manufacturers or brand owners throughout the entire Middle East and Africa. The consolidators assist Saudi food ingredient importers by sourcing

products from U.S. manufacturers and wholesalers. They also providing services such as placing Arabic ingredient and product information stickers on labels.

Share of Major Segments in the Food Processing Industry

There is no publication that provides share of major segments in the food processing industry

D. Profiles of Leading Food Processors

The expanding Saudi food processing sector has large-scale multinational and domestic manufacturers. Benefits to international companies establishing production facilities include easy access to the growing Saudi and MENA markets. Foreign companies enter the Saudi food manufacturing sector by establishing wholly owned facilities, acquiring or taking over of existing Saudi companies, joint venture partnerships with Saudi investors, entering into licensing agreements with local manufacturers or by having private labels produced for them by Saudi food processors.

The revised Saudi Foreign Investment Act (FIA) allows foreign investors to wholly own food production facilities, or partner with Saudis to establish processing facilities. 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).

Several multinational corporations have established joint ventures or wholly owned production facilities in Saudi Arabia. These include [SAVOLA Group](#), [Mars Inc.](#), [ARASCO-Cargill](#), [Del Monte Arabia](#), [PepsiCo](#), [Al Safi Danone](#), [Danya Foods Ltd Company](#), [Amba Fonterra](#), [Ülker Bisküvi Sanayi A.S.](#), [Co-Ro Foods](#), [Afia Cooking Oil](#), [United Sugar Company](#), [Lactalis Saudi Arabia](#), [ULKER Saudi Arabia](#), [Americana Meat](#), and [Americana Cake](#).

Leading Saudi food processors include SAVOLA Group, [National Food Industries Co.](#), [Almarai](#), [NADEC](#), [Herfy Food Processing](#), [Halwani Brothers](#), [Wafrah for Industry & Development](#), [Sunbulah Food & Fine Pastries Manufacturing Co. Ltd](#), [ABISCO](#), [Food Manufacturing Group Co.](#), [National Food Industries Company Ltd](#), [Riyadh Food Industries](#), [NADA Dairy](#), [Al Faris Food Industries Ltd](#) and [Saudia Dairy & Foodstuff Company \(SADAFCO\)](#). FAS Riyadh maintains an extensive network of food and beverage processors contacts in Saudi Arabia and Bahrain. We can share appropriate contacts with interested U.S, food and beverage ingredients suppliers upon request.

SECTOR TRENDS

Over the past two decades, Saudi Arabia has experienced rapid socio-economic changes due to a fast-growing economy, increased disposable income, changing lifestyles, increased urbanization, and the rapid expansion of modern food retail and fast food outlets. The ongoing rapid expansion of modern food retail outlets, mainly hypermarkets and supermarkets, throughout the Kingdom, will provide good opportunities for wider distribution of processed food products, enhance their popularity, boost overall demand and increase consumption. Continued urbanization, hectic lifestyles, and other factors will continue to increase demand for high value processed foods.

High Meat and Dairy Products Consumption

Increased disposable income allowed consumers to shift from carbohydrate to protein-based diets and increased meat and dairy consumption. Most of the animal protein comes from poultry meat consumption, which has been steadily rising because of its competitive price. In 2017, per capita poultry meat consumption was estimated at 46 kg annually, making Saudi Arabia one of the highest per-capita poultry consumers in the world. While most poultry meat consumption is in the form of whole broilers, demand for processed chicken has been rising due to increased demand by fast food restaurants and ready-to-cook poultry meals by singles and working couples.

Consumption of dairy products has doubled in the past two decades and is forecast to remain strong in the future due to population growth and increases in per capita income.

Processed Foods

Due to changing lifestyles, consumers are spending less time preparing meals. This has created an excellent opportunity for many local food processors to offer ready-to-cook microwavable meals. Hypermarkets have introduced take-away food dishes and salad bars as a substitute for home cooking and preparation. These have become very popular with working families and the large number of single foreign expats residing in Saudi Arabia. This trend is expected to continue as life-styles become more hectic and consumers maximize their free time.

Snack Foods and Beverage Drinks

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

Health Foods

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

III. COMPETITION

In general, the imported food ingredients market is very price sensitive due to stiff competition among supplying countries. Local food processors seek suppliers that provide good quality products at the most

competitive prices. The United States faces fierce completion in this sector from major suppliers, such as Brazil, India, Netherlands, China, Thailand, Egypt, France, Belgium, New Zealand, other EU and Asia countries.

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, block cheese, butter, milk protein concentrate, Anhydrous milk fat (AMF), butter oil, whey powder, whey permeate powder, margarine, vegetable oil, vegetable fat, grape leaves, spices, fruit pie fillings, seasonings, shortenings, liquid fresh table egg, egg powder, sweeteners, sauces, chocolates, cooking oil, vegetables, dehydrated chicken powder, jam ingredients, tree nuts, tomato paste, legumes, pulses, bulk French fries, wheat, rice, beverage ingredients, bakery and pastry ingredients, juice concentrates, snack food ingredients, 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, gums, food additives including coloring matters, favors, stabilizers, and other food processing ingredients. [This link](#) provides data on U.S. Exports of Agricultural & Related Products to Saudi Arabia for the last five years.

V. KEY CONTACTS AND FURTHER INFORMATION

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 us to be matched with prospective importers, to qualify prospective importers, for assistance clearing consignments of U.S. products, and for information on the market.

Post Contact Information

Office of Agricultural Affairs, U.S, Embassy,
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Fax: 966-11-482-4364
Internet E-Mail Address: Agriyadh@usda.gov

OAA Riyadh Reports

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

Attachments:

No Attachments