



The Food and Beverage Market Entry Handbook: Saudi Arabia

a Practical Guide to the Market in Saudi Arabia for European Agri-food
Products and Products with Geographical Indications



EUROPEAN COMMISSION

Consumers, Health, Agriculture and Food Executive Agency
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2. List of Acronyms

BSKSA	Broadcasting Service of the Kingdom of Saudi Arabia
CAGR	Compound Annual Growth Rate
CMA	Capital Markets Authority
DMA	Dammam Metropolitan Area
F&B	Food and Beverage
FDA	Food and Drug Administration
FIA	Foreign Investment Act
GAFTA	Greater Arab Free Trade Area
GCC	Gulf Cooperation Council
GI	Geographical Indications
GSFMO	Grain Silos and Feed Mills Organisation
GSO	Gulf Standardisations Organisation
GSP	Generalised System of Preferences
IPR	Intellectual Property Rights
KSA	Kingdom of Saudi Arabia
MENA	Middle East and North Africa
SABIC	Saudi Arabia Basic Industries Corporation
SAGO	Saudi Grain Organisation
SAMA	Saudi Arabia Monetary Agency
SASO	Saudi Standards, Metrology and Quality Organisation
SAVOLA	Saudi Vegetable Oil and Ghee Company
SDFA	Saudi Food and Drug Authority
SIDF	Saudi Industrial Development Fund
SPS	Sanitary and Phytosanitary
TIFA	Trade and Investment Framework Agreement
UAE	United Arab Emirates
US	United States
WTO	World Trade Organisation

3. The Exporter's Handbook: Saudi Arabia

This Handbook is intended to act as a reference for those agri-food producers planning for, or in the process of entering the Saudi market. This Handbook provides step-by-step guidance on the operationalisation of the market in Saudi Arabia, including relevant information such as analysis of product-specific markets, market access and market entry procedures - including as applicable at the bilateral and regional levels - Intellectual Property Rights (IPR) for products with Geographical Indications (GI), a signposting and referral system providing useful contacts to professional buyers and strategies for penetrating the Saudi market.

3.1 How to Use this Handbook

The applicability of each section of this Handbook will depend on your stage of market entry, company profile, product range and existing business strategies.

For those wishing to learn more about the Saudi Arabian food and beverage (F&B) market in general, Sections 4 and 5 provide an overview of the business climate. These sections include political, geographic, economic and cultural information relevant to successful market entry and performance. The information contained within these sections is of a general nature so may not be relevant for those in the more advanced stages of market entry.

If you are interested in the market, in Section 6, you may find out more information relevant to your product through the 14 Market Snapshots for selected products. These sections illustrate the market overview, entry procedures, sanitary and phytosanitary requirements and more, specific to each of the following product categories:

1. Baked Goods
2. Chocolate
3. Confectionary
4. Dairy Products
5. Drinks
6. Fresh Fruits and Vegetables
7. Fresh Meats
8. Honey, Gum Resins and Plant Products
9. Live Plants and Cotton
10. Olive Oil
11. Processed Cereals
12. Processed Fruits and Vegetables
13. Processed Meats
14. Products with Geographical Indication

This information will provide more industry-specific intelligence to consider as part of any market entry or market expansion strategies. The information contained in this Handbook is a first resource to consult in deciding how to export your product to the Saudi market and does not constitute legal guidance. Applicable legislation, regulations and market information are frequently updated or changed in Saudi Arabia and should be reviewed with a knowledgeable export support service or import counsellor prior to market entry.



If you have already decided to market your product in Saudi Arabia, but need some assistance getting there, then the detailed information in Sections 7 to 10 can point you in the right way. In Section 7 you will find the necessary information to build your communication strategy, including statistics on social media usage, main media channels and the local rules on advertisement. Section 8 provides practical tips and a concise list of recommendations on what to do and what not to do. The Synopsis in Section 9 presents an overview of the F&B market in Saudi Arabia through SWOT analysis and 4P Analysis. Finally, Section 10 provides a Support Services Directory which includes a well-informed contact network of service providers, business facilitation support organisations and business contacts, which can be vital in entering and building a brand in the Saudi market.

4. The Saudi Market

Saudi Arabia is a large, high-income market on the Arabian Peninsula with a business-friendly and trade-oriented environment. Saudi Arabia's economy is productive and integrated into regional and global supply and consumption chains. Saudi Arabia is the largest economy in the Near East and comprises of a well-consolidated market, with good regional linkages through the Gulf Cooperation Council (GCC) and other economic agreements. At the same time, Saudi Arabian consumers are highly receptive to a range of foreign products.

A historical economic, cultural and religious hub in the region, the modern establishment of Saudi Arabia originates in the early 20th century. The precursor to the current political structure of Saudi Arabia is reflected in centuries of internal consolidation of independent kingdoms, culminating in a unified Kingdom under the Saud family in 1932. Saudi Arabia is an absolute monarchy bearing the name of the founding Saud family, which was and continues to be the primary political actor in the foundation and administration of the country.

Saudi Arabia is a deeply Islamic society, and closely linked with the religion's foundation. Virtually all citizens of Saudi Arabia are Muslim, with more than three-quarters adhering to Sunni Islam - the official religion - and the remainder under Shia Islam. The role of Islam has cross-cutting impacts on the composition of economic law, as well as other policy areas, consumption patterns and the business environment in Saudi Arabia, which render it unique in many ways.

The current population of Saudi Arabia is more than 32 million inhabitants and increased by more than 500,000 between 2014 and 2015. More than 85 percent of Saudi Arabia's population is urban, with highest population densities in the country's southwestern and central regions. The birth rate in Saudi Arabia is relatively stable, with population growth driven in part by sizable immigration and non-citizen residents. Up to one-fifth of the Saudi population comprises of foreign nationals, including more than 100,000 Westerners living in the country.

Despite a relatively stable population and the capital to attract technicians and skilled labour from the region and internationally, the Saudi economy contracted between 2014 and 2015 as a result of a steep decline in oil prices. Economic growth is forecasted to recover partially and increase over the near-to-medium term, however will remain below the previous 10-year average.¹ Income per capita has decreased at a slower rate than the overall contraction in the size of the Saudi economy and remains relatively high, in part buoyed by public spending, consumer subsidies and distribution of individual benefits by the government.

The outlook for EU F&B products in Saudi Arabia remains positive as the administration continues to pursue economic diversification and international engagement, with low oil prices adding impetus. The EU is the largest exporter to Saudi Arabia and has grown a large agri-food trade surplus, exceeding 4.6 billion EUR in 2016.² High-quality, responsible and sustainable food production systems

¹ World Bank. Global Economic Prospects - Forecasts. Available at: <http://data.worldbank.org/country/saudi-arabia>.

² European Commission. Agri-food trade Statistical Factsheet: European Union -Saudi Arabia. February 2017. Available at: https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agrifood-saudi-arabia_en.pdf.

in the EU are well-suited to meet growing demands in Saudi Arabia. At the same time, reputation for premium, unique and even luxury products will continue to fill an important niche in the Saudi market.

4.1 Saudi Arabia at a Glance

Saudi Arabia is among the largest countries in the world by landmass and the largest in the Near East. It covers much of the Arabian Peninsula between the Red Sea and Persian Gulf, bordered by Bahrain, Qatar and the United Arab Emirates to the east; Yemen and Oman to the south; and Jordan, Iraq and Kuwait to the north. Much of the country is characterised by sparsely inhabited desert, however, with a semi-arid climate in the southwestern regions coinciding with major population concentrations. Saudi Arabia's size, resource distributions and climate conditions have led to diverse patterns of settlement and economic activity. This section overviews some of the key figures and statistics for understanding the Saudi market.

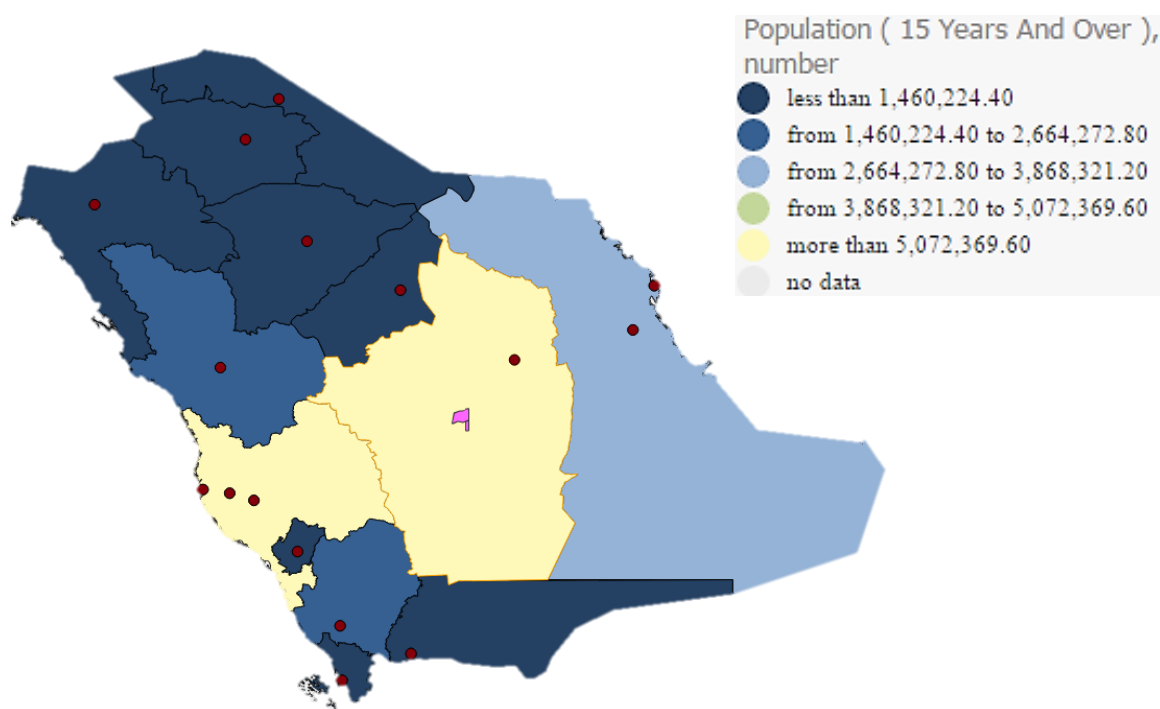
Figure 1) Political and Infrastructure map of Saudi Arabia



Central Intelligence Agency


Saudi Arabia has a relatively good network of logistics infrastructure and connection to international markets facilitated by a number of land borders, sea ports and air access. Population and economic activity were historically concentrated in the southwestern regions and central regions which coincide with higher rainfall. This pattern shifted slightly with the discovery of large petroleum reserves in the country's northeast, redistributing previous population and economic trends.

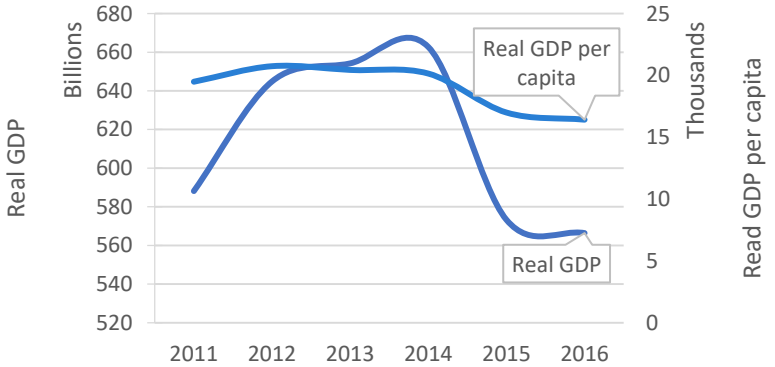
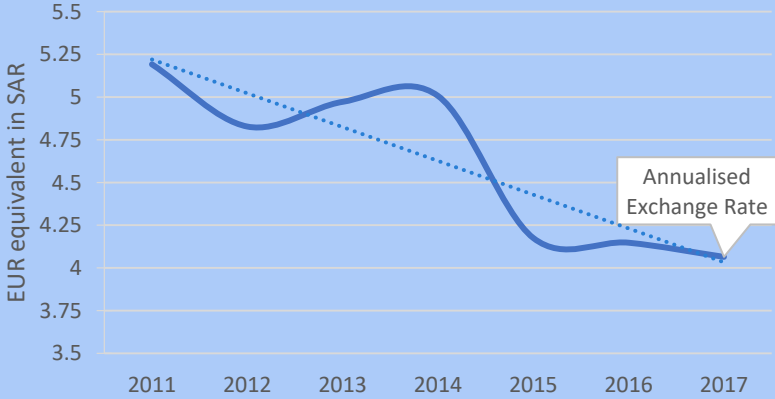
Figure 2) Population Distribution by Region in Saudi Arabia

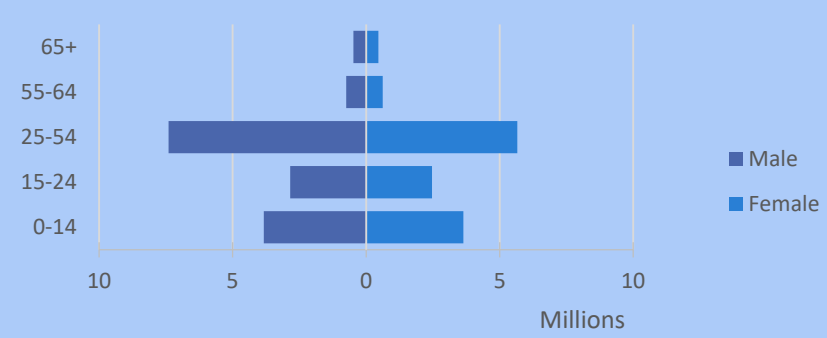


General Authority for Statistics (Saudi Arabia)

As Saudis continue to build and consolidate their national market, the country is increasingly integrated with international flows of goods, services, investments, people and ideas. The following provides a synopsis of Saudi Arabia's current economic environment.

Saudi Arabia	
Official Name	Kingdom of Saudi Arabia (KSA), Arabic السعودية العربية المملكة pronounced phonetically <i>Al-Mamlakah Al-'Arabīyah As-Sa'ūdīyah</i>
Political System	Absolute Islamic monarchy, unitary state
Capital	Riyadh
Flag	
Official Language	Arabic
Official Religion	'Wahhabi' (see also 'Salafi') branch of Sunni Islam

<p>GDP at PPP</p> <ul style="list-style-type: none"> - Per capita - Trend 	<p>1.57€ trillion (2017)</p> <ul style="list-style-type: none"> - 48,608.60€ - Growth has remained positive however at a declining rate in recent years. GDP per capita has remained more stable than the trend in the overall economy. High variability in economic performance linked to close interdependence with export commodity prices for hydrocarbon and derived products.  <table border="1"> <caption>Real GDP and Real GDP per capita (2011-2016)</caption> <thead> <tr> <th>Year</th> <th>Real GDP (Billions)</th> <th>Real GDP per capita (Thousands)</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>588</td> <td>10</td> </tr> <tr> <td>2012</td> <td>650</td> <td>20</td> </tr> <tr> <td>2013</td> <td>650</td> <td>20</td> </tr> <tr> <td>2014</td> <td>670</td> <td>20</td> </tr> <tr> <td>2015</td> <td>565</td> <td>20</td> </tr> <tr> <td>2016</td> <td>565</td> <td>20</td> </tr> </tbody> </table>	Year	Real GDP (Billions)	Real GDP per capita (Thousands)	2011	588	10	2012	650	20	2013	650	20	2014	670	20	2015	565	20	2016	565	20
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2011	588	10																				
2012	650	20																				
2013	650	20																				
2014	670	20																				
2015	565	20																				
2016	565	20																				
<p>Currency</p> <ul style="list-style-type: none"> - EUR Exchange Rate Trend 	<p>Riyal, abbreviated SR (sometimes SAR) or ر.س.</p> <ul style="list-style-type: none"> - Gradual increase in value of SAR relative to EUR in recent years marked by small degree of fluctuation.  <table border="1"> <caption>EUR equivalent in SAR (2011-2017)</caption> <thead> <tr> <th>Year</th> <th>EUR equivalent in SAR</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>5.25</td> </tr> <tr> <td>2012</td> <td>4.85</td> </tr> <tr> <td>2013</td> <td>4.95</td> </tr> <tr> <td>2014</td> <td>5.05</td> </tr> <tr> <td>2015</td> <td>4.15</td> </tr> <tr> <td>2016</td> <td>4.15</td> </tr> <tr> <td>2017</td> <td>4.1</td> </tr> </tbody> </table>	Year	EUR equivalent in SAR	2011	5.25	2012	4.85	2013	4.95	2014	5.05	2015	4.15	2016	4.15	2017	4.1					
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2015	4.15																					
2016	4.15																					
2017	4.1																					
<p>Major Cities</p> <ul style="list-style-type: none"> - Metropolitan population - Estimated GDP (2016) - Province 	<p>Saudi Arabia has a highly urbanised population with key concentrations in a series of leading cities.</p> <p>Riyadh</p> <ul style="list-style-type: none"> - 6,506,700 - 184.56€ billion - Riyadh <p>Jeddah</p> <ul style="list-style-type: none"> - 3,976,000 - 108.95€ billion - Makkah <p>Khobar - Dhahran - Dammam</p> <ul style="list-style-type: none"> - 4,140,000 - 462.16€ billion - Ash-Sharqiyyah 																					

	<p>Mecca</p> <ul style="list-style-type: none"> - 1,919,900 - 92.78€ billion - Makkah <p>Medina</p> <ul style="list-style-type: none"> - 1,183,205 - 56.80€ billion - Al Madinah <p>Ta'if</p> <ul style="list-style-type: none"> - 1,282,613 - 61.57€ billion - Makkah
Land Area	2,149,960 km ²
Population	33,000,000
Population Density	15 inhabitants per km ²
<p>Labour Force</p> <ul style="list-style-type: none"> - Main Industries - Employment by Sector - Productivity - Unemployment - Gender Distribution 	<p>The overall size of the labour force in Saudi Arabia is estimated to be approximately 12,610,910 (2016).</p> <ul style="list-style-type: none"> - Mineral extraction, energy and refining industries, chemicals, transport services, construction and light agriculture - Agriculture (6.7%), industry (21.4%) and services (71.9%) - Mean annual salary (47,824€) equal to 24.91€ per hour, Median annual salary (21,849€) equal to 11.38€ per hour - 11.2%* - The Saudi workforce is more than 83% male and 17% female. The number of women working in Saudi Arabia has increased in recent years.
<p>Age Distribution</p> <ul style="list-style-type: none"> - Median Age - Age by Cohort - Trend 	<p>Stable rate of low but positive natural replenishment and population growth.</p> <ul style="list-style-type: none"> - Male (26.4 years), female (23.9 years) - Young population with estimated 50 to 60% below the age of 21, 25-54 age group is the largest cohort for both men and women. 

* Statistic only reports unemployed males, with some local estimates placing overall figure nearer to 25%. Also note that an estimated 80% of the Saudi labour force is comprised of non-citizen expatriates.

	- Low positive rate of population growth with average life expectancy of 75.3 years. 2.8% of population having 65 years of age or more. Significant presence of non-citizen working-age expatriates skews some population and demographic estimates. At the same time, many university-age males are abroad during late-teens and early twenties, leading to trough in this age segment.		
Regions			
Region	Capital	Population (2010)	Inhabitants per km ²
Qassim	Buraidah	1,215,858	17.5
Riyadh	Riyadh	6,777,146	13.5
Tabuk	Tabuk	791,535	4.7
Madinah	Medina	1,777,933	9.9
Makkah	Mecca	6,915,006	37.9
Norther Borders	Arar	320,524	2.5
Jawf	Sakakah	440,009	3.6
Ha'il	Ha'il	597,144	5.1
Bahah	Al Bahah	411,888	38.1
Jizan	Jizan	1,365,110	101.6
'Asir	Abha	1,913,392	22
Najran	Najran	505,652	2.8
Eastern Province	Dammam	4,105,780	5

Compiled from General Authority for Statistics (Saudi Arabia), World Bank, European Commission and Central Intelligence Agency data

4.2 Saudi Arabian Food and Beverage Market

Saudi Arabia is a large and expanding market for food and beverage (F&B) products with nearly 2 billion EUR in sales across all segments during 2015.³ The F&B market in Saudi Arabia is fundamentally demand driven; non-permissive conditions for the cultivation of most agri-food products coupled with high disposable income and contact with other culinary traditions - both Western and Islamic - define the importance of F&B imports in the sector.

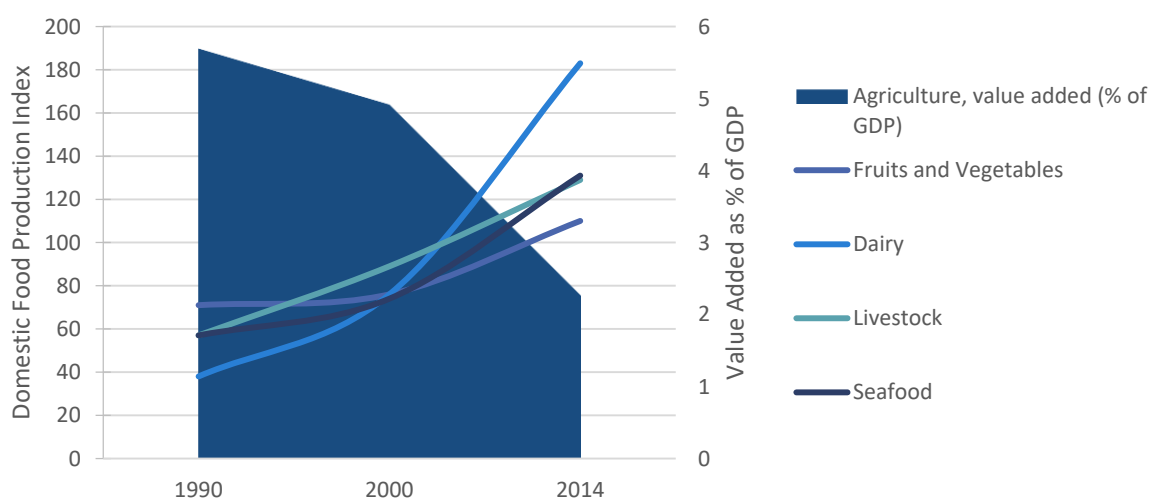
With only 1.5 percent of overall land area classified as arable, Saudi Arabia is unable to domestically produce sufficient output of agri-food products to meet local market demand, let alone a growing appetite for product diversity. The harvested area in Saudi Arabia is less than 1 million hectares (10,000 km²), a fraction of the share in similar markets by land area and geography such as Mexico and Iran. This pronounced resource scarcity shapes a high level of government involvement in the agricultural sector. Limited domestic agricultural production has further been constrained in recent years as the Saudi administration continues to steer cultivation away from water-intensive products through restructuring of its purchasing and subsidisation programmes. Illustrating this is the wheat production trend; Saudi Arabia was the 5th largest producer of wheat during the

³ General Authority for Statistics. Annual Economic Establishments Survey. 2017. Available at: <https://www.stats.gov.sa/en/64>.

1980s, subsequently declining in output until all cultivation stopped entirely in 2016.⁴

In other areas, the structure of domestic agri-food production has shifted substantially in recent decades. Production has moved away from large-scale water-intensive production of cereals and commodity agri-foods towards products with greater value-added potential. Domestic agricultural production in Saudi Arabia is now concentrated around dairy products, seafood, livestock and cultivation of climate-tolerant fruits and vegetables. Saudi Arabia's food supply is self-sufficient for only three categories of products: dates, fresh milk and poultry eggs.

Figure 3) Evolution of Leading Domestic Agri-food Product Categories in Saudi Arabia



© Food and Agriculture Organisation of the United Nations⁵

While the share of agriculture in the Saudi economy and scope of production have decreased in recent years, this trend has coincided with significant investment in and development of a domestic food manufacturing and processing sector. The number of food processing facilities in Saudi Arabia is estimated to have increased from 460 in 2002 to more than 730 in 2012, with the positive trend remaining even as macroeconomic slowdown weighs down on other sectors. The marketplace for food processing in Saudi Arabia now consists of both domestic and international producers operating across a wide range of product categories. Under the Saudi Foreign Investment Act (FIA), non-Saudi companies and investors are allowed to own and operate food production facilities in the country, or otherwise partner with domestic firms in joint enterprises.⁶ The Saudi government has encouraged the development of domestic food processing

⁴ OECD. Crop Production Data. 2017. Available at <https://data.oecd.org/agroutput/crop-production.htm>: wheat production quotas and purchasing programmes were phased out at the end of 2016.

⁵ Source: Food and Agriculture Organisation of the United Nations, 2014, FAOSTAT, Statistical Yearbook - Saudi Arabia, <http://www.fao.org/fileadmin/templates/olq/documents/Bangkok/ProceedingsQualityoriginAsiaFinal.pdf>, Reproduced with permission.

⁶ USDA. Saudi Arabia: Food Processing Ingredients 2014. December 2014. Available at <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients%20Riyadh%20Saudi%20Arabia%2012-30-2014.pdf>.



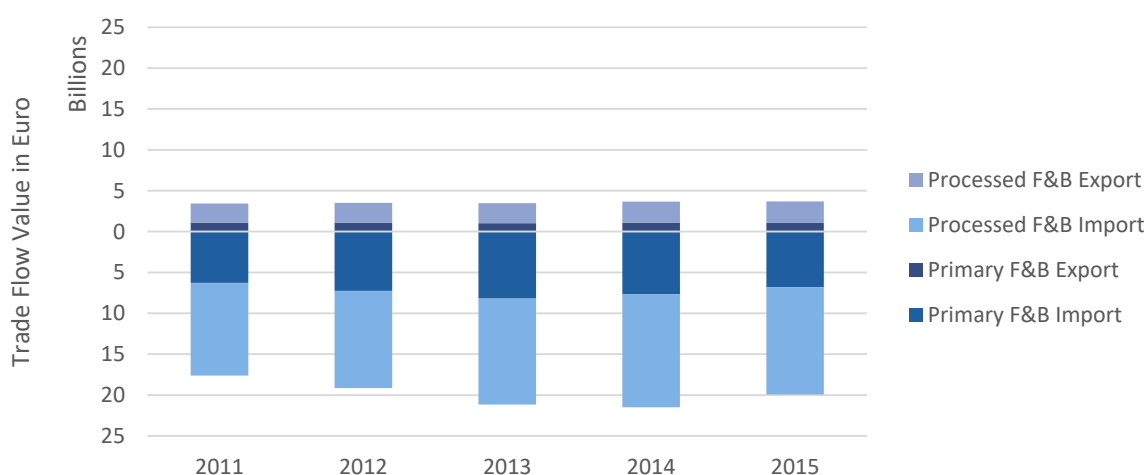
activities through a combination of policy instruments including direct access to capital in the form of interest-free loans, liberalised investment conditions including improving access by foreign companies, selectively streamlining import procedures for food processing ingredients while using tariff barriers to protect the nascent industry and subsidising utilities as well as imports of raw materials.⁷

Closely linked with the rapid growth of the food processing industry in Saudi Arabia is the concurrent expansion of demand from both the food service and retailing industries, driven at the base by high and increasing levels of disposable income among Saudi consumers. The retail market is becoming increasingly consolidated with the increasing prevalence of hypermarkets and supermarkets - both domestic and international firms - meeting demand for a wider variety of products and convenience. At the same time, the food service industry has grown substantially in the last decade as the pattern of dining out becomes increasingly mainstream in Saudi society - particularly among convenience-oriented consumers. Food service establishments are an important link in the domestic F&B industry as they buy in large quantities from the local food processing sector, which is seen to be of competitive quality - most notably in terms of meeting or exceeding halal product requirements - and are associated with lower prices compared to many exports.⁸ Approximately one-fifth of the Saudi labour force is employed in the on-trade food-service industry: hotels, cafes, restaurants on other outlets.⁹

4.2.1 Saudi Arabia F&B Trade Profile

Saudi Arabia is a net food importer and sources more than three-quarters of domestically consumed F&B products from foreign suppliers. Saudi Arabia's trade deficit in F&B products has increased gradually over time, and stood at more than 15€ billion in 2015.

Figure 4) Saudi F&B Trade Flows



© United Nations COMTRADE

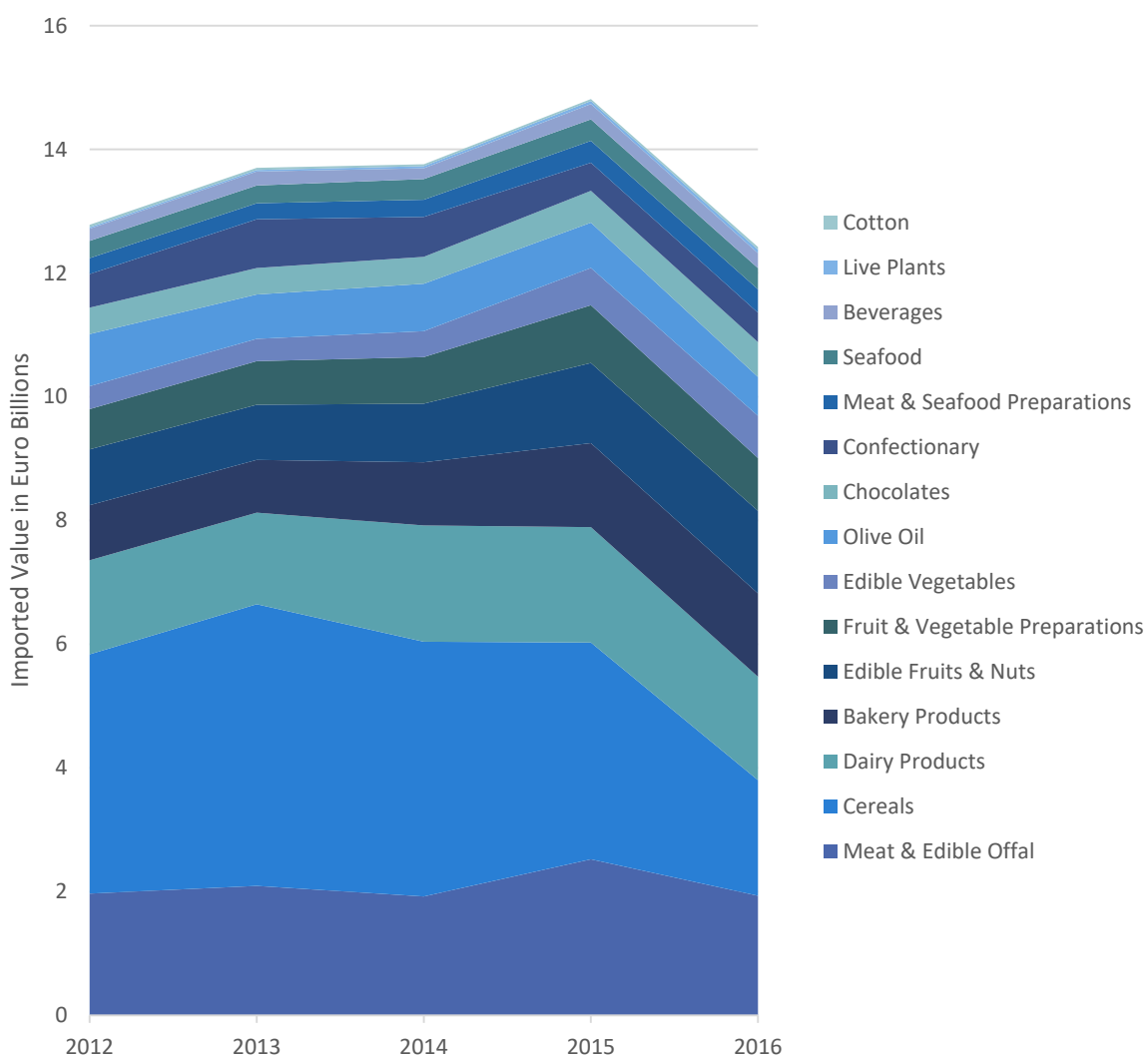
⁷ USDA. Saudi Arabia: Food Processing Ingredients 2014. December 2014. Available at <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients%20Riyadh%20Saudi%20Arabia%2012-30-2014.pdf>.

⁸ Ibid.

⁹ USDA. Saudi Arabia: Food Service - Hotel Restaurant Institutional. May 2013. Available at: <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Service%20-%20Hotel%20Restaurant%20Institutional%20Riyadh%20Saudi%20Arabia%2011-26-2013.pdf>.

Most F&B segments grew in terms of imported value between 2012 and 2016. This growth was offset however by significant decreases in the value of imported products for traditionally large import categories: meats and cereals. Decrease in imported value for these 2 large categories is however more a function of commodity prices rather than changing consumption trends. For example, imports of wheat by Saudi Arabia have increased in terms of tonnage while the price of wheat has decreased from a peak of 6,881 EUR per bushel in 2012 to 3,237 EUR per bushel in 2016.¹⁰ A similar trend is observed in meat prices, decreasing from an indexed value of 182 in 2012 to 156 in 2016.¹¹

Figure 5) Evolution of Imported Value of Agri-food Products in Saudi Arabia



© International Trade Centre¹²

¹⁰ Source: Food and Agriculture Organisation of the United Nations, 2017, GIEWS, Country Brief - Saudi Arabia, <http://www.fao.org/giews/countrybrief/country.jsp?code=SAU>, Reproduced with permission.

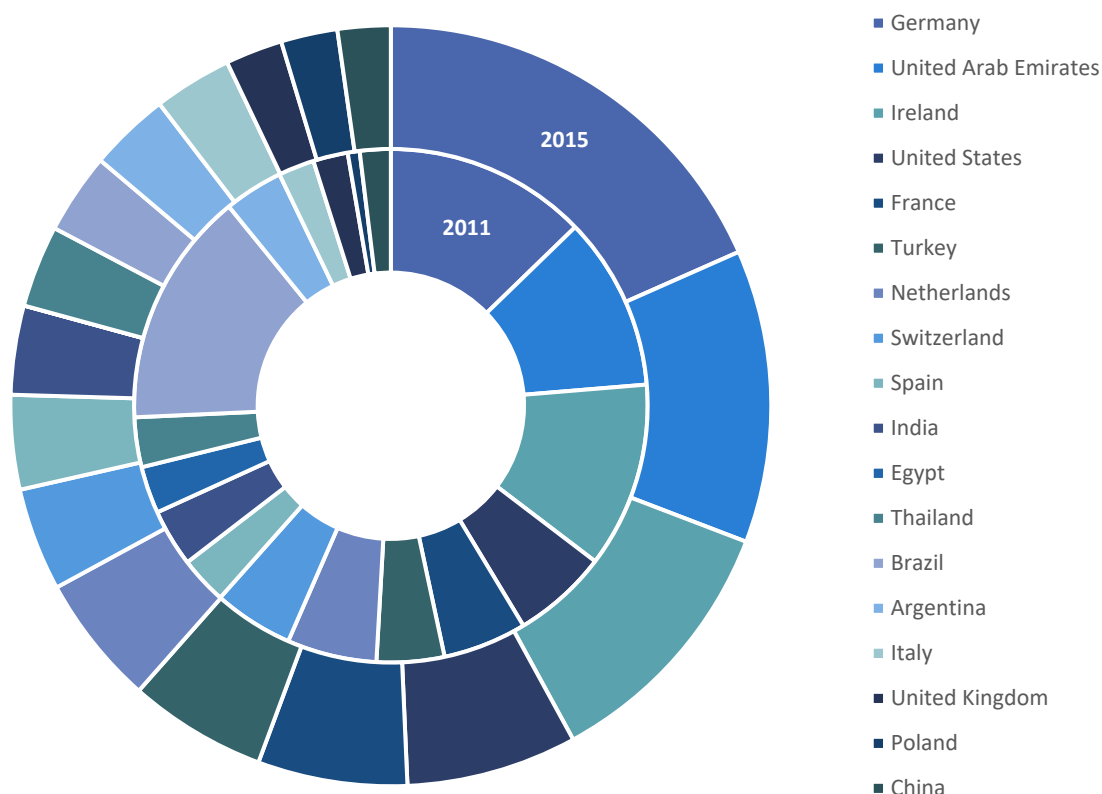
¹¹ Source: Food and Agriculture Organisation of the United Nations, 2017, Trade and Markets, Meat Price Index, <http://www.fao.org/economic/est/est-commodities/meat/en/>, Reproduced with permission.

¹² Trade Map, International Trade Centre, www.trademap.org

At the same time, the composition of cereal imports has shifted as government programmes increasingly encourage consumption of processed rather than raw products; for example, rice and wheat cereal imports remain relatively high whereas barley imports have decreased significantly as the use of processed feed is substituted as an alternative.¹³

On the aggregate, imported values for most F&B product categories have recorded positive growth in the reference period and are expected to continue. Demand for imported F&B products in Saudi Arabia will continue to be driven by high levels of disposable income and appetite for new consumption opportunities. The Saudi riyal is pegged to the American dollar, leading to high purchasing power as the dollar continues strong exchange rate performance. At the same time, the high concentration of the Saudi population in younger age demographics lends towards increasing cosmopolitanism - a large portion of Saudi Arabia's youth population studies in European, North American and other international universities - as well as increasing openness to non-traditional culinary options and experiences.

Figure 6) Import Shares of Leading F&B Partners in Saudi Arabia



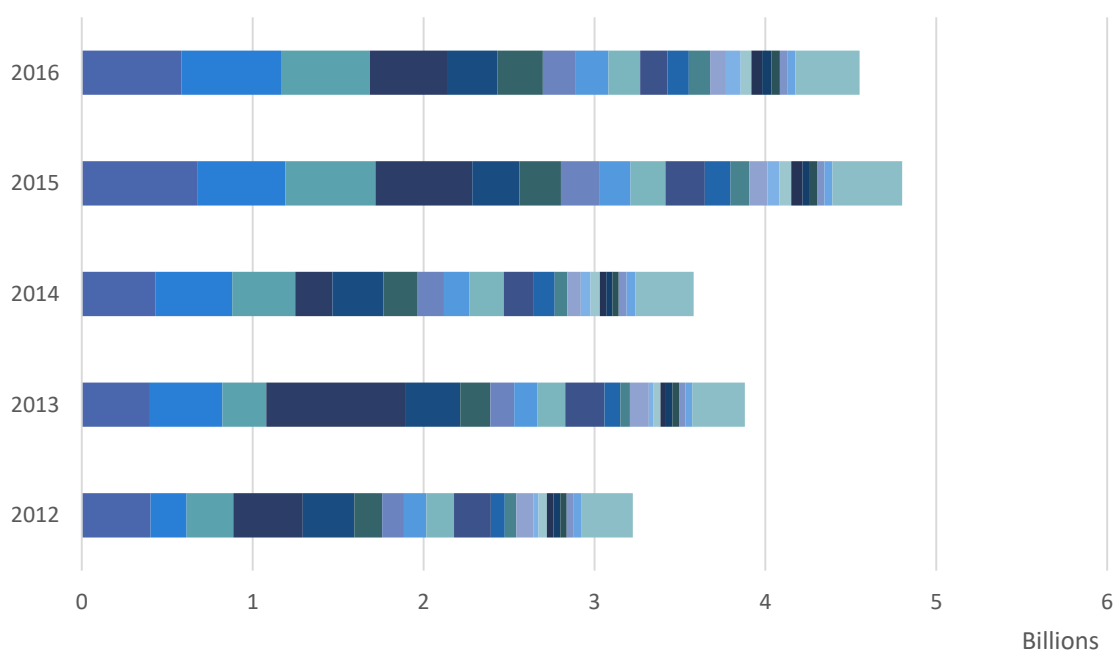
World Integrated Trade Solution

¹³ Source: Food and Agriculture Organisation of the United Nations, 2017, GIEWS, Country Brief - Saudi Arabia, <http://www.fao.org/giews/countrybrief/country.jsp?code=SAU>, Reproduced with permission.



The EU is well-positioned to continue its expanding agri-food trade with Saudi Arabia. Saudi Arabia is already the 6th largest destination market for EU agri-food products and receives 3.5 per cent of total EU F&B exports.¹⁴ Leading EU exporters including Germany, Ireland, France, the Netherlands, Spain and Italy have gained market share in Saudi Arabia in recent years, and the EU as a whole continues to outperform traditional competing agri-food exporters such as the United States and China.

Figure 7) Evolution of Leading EU F&B Category Exports to Saudi Arabia



- Cigars & Cigarettes
- Infant Food
- Food Preparations, not specified
- Pasta & Baked Goods
- Milk Powders & Whey
- Cheese
- Water & Soft Drinks
- Pet Food
- Vegetable Oils
- Fruit Juices
- Remaining Agri-Food Products
- Wheat
- Cereals, other than wheat and rice
- Fruit & Vegetable Preparations
- Chocolate, Confectionary & Ice cream
- Poultry Meat
- Fruits
- Butter
- Vegetables
- Flour
- Fresh Milk & Cream

European Commission Directorate General for Agriculture and Rural Development

¹⁴ European Commission. Agri-food Trade Statistical Factsheet: EU-Saudi Arabia. February 2017. Available at https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agrifood-saudi-arabia_en.pdf.

EU exporters perform well at both ends of the market in Saudi Arabia, meeting demand for agricultural commodities and inputs into the domestic F&B processing based while also catering to a large consumer segment seeking high quality, recognisable premium products associated with Europe. This trade is facilitated by good logistics and freight links to hubs in Saudi Arabia and the GCC. Relative strength of the Saudi riyal relative to the euro reduces price sensitivity and increases propensity to purchase EU products. However, if macroeconomic challenges persist into the medium-to-long term, EU exporters may face greater competition for developing country producers, particularly as number of Saudi investments in land and agricultural facilities in developing countries come on line and reach maturity.


4.2.2 Retail Overview

The retail landscape for F&B products in Saudi Arabia is increasingly competitive, marked by the presence of domestic, regional and international outlets. At the same time as market shares shift between these competing firms, the structure of retailing is also fundamentally changing with the emergence of supermarkets, hypermarkets and other convenience-oriented sales channels. The number of supermarkets and hypermarkets in Saudi Arabia increased by more than double between 2011 and 2016. On top of serving as an important consumption avenue, supermarkets and hypermarkets are an increasingly significant fixture in Saudi social life - especially among young consumers.

In the fragmented domestic retail market, there is high pressure to innovate. Relative margins have at the same time decreased in large part due to recent measures to reduce the share of the Saudi labour force consisting of low-skilled expatriate workers, therefore driving up wage bills. This has disproportionately affected independent and convenience retailers and creates strong pressure to realise cost savings in other areas of operation without compromising consumer experience.

In 2016, the Saudi administration liberalised investment and ownership regulations to allow foreign enterprises to operate in the grocery retail market with full ownership as the industry continues high growth and within-sector diversification.¹⁵

Table 1) List of retailers in Saudi Arabia

Name	Ownership	Regional Distribution	Purchasing Agent
Panda Supermarkets 	Saudi	Major cities across Saudi Arabia	Direct imports & domestic purchase

¹⁵ USDA FAS. Saudi Arabia Retail Foods. September 2015. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_9-17-2015.pdf.

<p>Al-Othaim Supermarket</p> 	Saudi	National	Direct imports & domestic purchases
<p>Farm Supermarkets</p> 	Saudi	Eastern, western and southern regions	Domestic purchases & some imports
<p>Al Raya Supermarkets</p> 	Saudi/UAE	Western and southern regions	Domestic purchases & some imports
<p>Tamimi Markets</p> 	Saudi	Central and eastern regions	Direct imports & domestic purchases
<p>Bin Dawood Supermarkets</p> 	Saudi	Western region	Direct imports & domestic purchases
<p>Carrefour Saudi Arabia</p> 	Saudi/UAE (French joint-licensing)	Eastern, western and central regions	Direct imports & domestic purchases
<p>Danube Supermarkets</p> 	Saudi	Western, central and eastern regions	Direct imports & domestic purchases
<p>Balsharaf Supermarkets</p> 	Saudi	Central region	Direct imports & domestic purchases

<p>Al Sadhan Supermarkets</p> 	<p>Saudi</p>	<p>Central region</p>	<p>Direct imports & domestic purchases</p>
<p>Lulu</p> 	<p>UAE</p>	<p>Central and eastern regions</p>	<p>Direct imports & domestic purchases</p>
<p>Nesto Hypermarkets</p> 	<p>UAE</p>	<p>Western, central and eastern regions</p>	<p>Direct imports & domestic purchases</p>

Despite the presence of large international and regional retailers in the Saudi market, retail and distribution remains highly fragmented with no supplier holding a decisive share. The value of off-trade food retail sales in Saudi Arabia recently surpassed more than 41.5 billion USD (36.36 billion EUR) and is projected to continue strong growth.¹⁶

Traditional retailers and independent grocers collectively account for the large majority of sales in Saudi Arabia. These retail outlets are ubiquitous and This distribution makes traditional retailers well-suited to cater to day-to-day consumer needs, particularly in terms of small quantity purchases. Traditional grocers are often located in mixed-used areas near to residential and office zones, making them a convenient option increasingly busy consumers. Easy accessibility is particularly important for catering to women, whose mobility in Saudi Arabia is limited by restrictions on driving. Likewise, in many compounds and areas wherein large foreign populations live and work, small neighbourhood retailers are an important point-of-sale for expatriate consumers whose mobility is otherwise restricted. Most traditional and independent grocers offer an assortment of imported and domestic products, with some degree of cold and frozen storage capacity.

Whereas traditional and independent grocers are suited to small-quantity and day-to-day purchasing habits, supermarkets and hypermarkets increasingly fill a niche in Saudi society akin to European shopping centres. Supermarkets and hypermarkets function as both destinations for social and family outings - for

¹⁶ USDA FAS. Saudi Arabia Retail Foods. September 2015. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_9-17-2015.pdf.

example including nursery and day care options for children - while also increasing consumer choice and access to a variety of products - both F&B and other - in one setting. The retail and F&B sectors in Saudi Arabia are noted for their high concentration and emphasis on family-owned businesses; these operate at all scales with examples of large, successful family business including the Al Muhaidlib Group which operates Panda hypermarkets.¹⁷

Unlike many comparable markets, discount and low-cost retailing does not have significant traction in Saudi Arabia. Saudi Arabian consumers are value-oriented, however high competition in the domestic market and relatively lower price sensitivity weakens demand for discount retailers. At the same time, the experience-based and social dimension of consumer retailing in Saudi Arabia undermines the viability of most no-frills discount business models.



4.2.3 Logistics

Several factors contribute to a relatively good logistics and distribution infrastructure in Saudi Arabia. Saudi Arabia is located near to major markets in Africa, Europe, the Middle East and Asia. It is furthermore well-served by proximity to major shipping, aviation and ground transport routes. Saudi Arabia is a member of the GCC, which is increasingly positioning itself as a major intermodal logistics hub in both East-West and North-South trade.

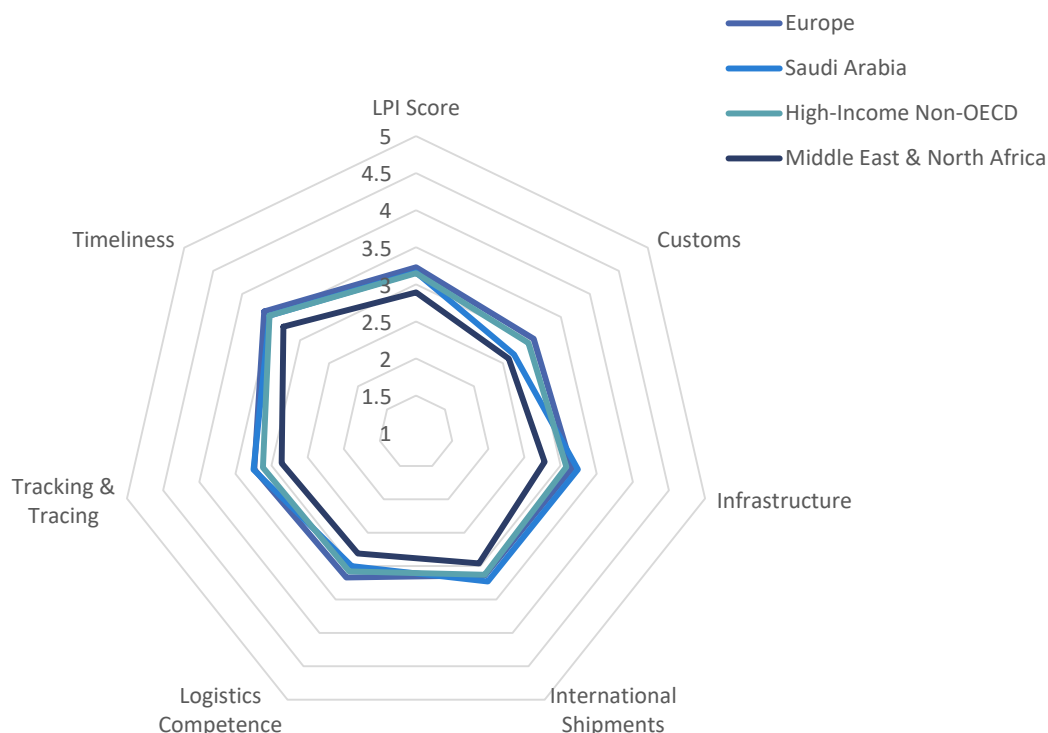
The GCC customs union facilitates freedom of movement of goods between the 6 member states, of which Saudi Arabia is the largest. This increasing supply chain linkages in the region and economies of scale. At the same time, the current Saudi administration has announced important infrastructural development works to be undertaken as part of the country's economic diversification initiatives including Vision 2030 and National Transformation Programme 2020.¹⁸ After restrained spending to reduce public budget deficits, the 2017 budget will return public spending in many sectors. Spending on infrastructure in Saudi Arabia will increase by as much as two-thirds. Much of this spending is expected to be channelled towards improving sea, air and rail links in Saudi Arabia.

¹⁷ Farrelly & Mitchell. Opportunities for Supply Chain Consolidation in GCC Food Sector. January 2015. Available at https://farrellymitchell.com/wp-content/uploads/2015/01/GCC-Food-Sector-Report_08012015-lowres.pdf.

¹⁸ National Transformation Programme 2020. 2016. Available at http://vision2030.gov.sa/sites/default/files/NTP_En.pdf.

Despite good structural characteristics, challenges persist in the Saudi distribution and logistics environment which have the potential to disproportionately affect F&B producers, particularly exporters of sensitive products. Saudi Arabia's customs and logistics performance is on par with regional and income-group comparators, however does not rank in the top quartile for all countries.¹⁹ By similar international measures, Saudi Arabia's infrastructure is considered to perform well, ranking 29th in the World Economic Forum's 2016-2017 Global Competitiveness Report.²⁰

Figure 9) Comparison of Saudi Arabia's Logistics and Distribution Performance



World Bank**

Increased public spending in infrastructure development is expected to generate significant spill-over effects in terms of consumer spending and confidence as the Saudi economy reorients. This section overviews existing distribution and logistics avenues in Saudi Arabia for a variety of services, depending your specific product and requirements.

Several logistics and distribution operators offer consolidated services including transportation to market, customs and border clearance, freight forwarding and domestic transfer, cold storage, distribution and final delivery. These services may be adapted to the requirements and specifications of your specific product. It is

¹⁹ World Bank. Country Score Card: Saudi Arabia 2016. 2015. Available at <http://lpi.worldbank.org/international/scorecard/column/254/C/SAU/2016/R/MNA/2016/I/NOC/2016#chartarea>.

²⁰ World Economic Forum. Global Competitiveness Report 2016-2017. 2016. Available at http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf.

** Europe region includes non-EU Member States.

recommended to solicit and consider several service offers before deciding on a supplier to distribute your product to and throughout your intended markets in Saudi Arabia. A trade counsellor or knowledgeable import partner can help you select a well-suited logistics and distribution provider adapted to your needs.

Figure 10) Saudi Arabia Infrastructure Map



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 Central Intelligence Agency

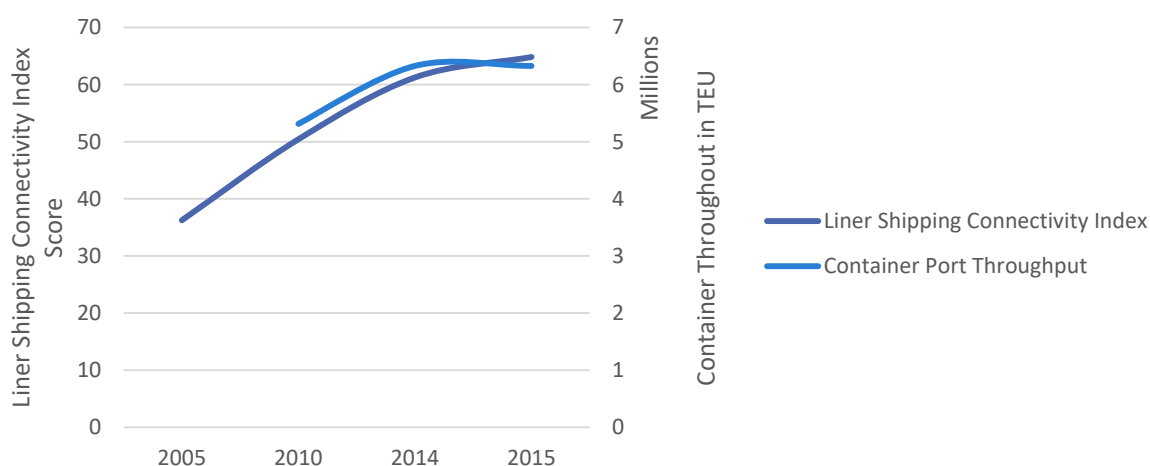
Maritime Shipping

The majority of goods imported to Saudi Arabia from the EU arrive by sea, benefitting from low rates, short transit time and good access to several small and medium ports of entry near to major markets. Good accessibility to modern port facilities exists on both the Red Sea and Persian Gulf coasts. Saudi Arabia has 4 main terminals capable of handling container traffic, in addition to around 7 other port facilities equipped to handle international traffic:

Dammam	Dhuba	Gizan
Jeddah	Jubail	King Abdullah Port
Qadhimah	Rabigh	Ras al Ghar
Ras al Mishab		Ras Tanura

Saudi Arabia’s overall connectivity by maritime transport services has increased substantially in the last decade. Historically concentrated around oil exports, the composition of the Saudi fleet and port infrastructure has diversified in recent years to accommodate growing containerised and bulk traffic flows. The size of the national fleet in Saudi Arabia contains to grow - with most capacity concentrated in oil tankers but fastest growth in container and bulk carriers - and a wide range of international maritime transport service suppliers are active in the market.

Figure 11) Saudi Arabia Maritime Shipping Performance



© United Nations Conference on Trade and Development

As Saudi Arabia’s maritime connectivity continues to improve, shipping times and direct liner access to and from Europe is expanding. Several EU Member States already rank among the 10 leading partners for maritime transport services with Saudi Arabia. These include Germany (4th), Italy (5th), Belgium (6th) and Spain (7th).²¹ Saudi Arabia is a net importer of transport services, with a deficit of more than 15 billion EUR in 2015. Despite expansion of the commercial fleet, the value of the overall domestic transport services market decreased slightly in 2015 by 1.2 per cent.²²

Primary ports of departure in the EU with regular service directly connecting to ports of entry in Saudi Arabia include Antwerp, Belgium; Piraeus, Greece; Rotterdam, Netherlands; Hamburg, Germany and Marseille, France.

²¹ UNCTADSTAT. Maritime Profile: Saudi Arabia. June 2017. Available at <http://unctadstat.unctad.org/CountryProfile/MaritimeProfile/en-GB/682/MaritimeProfile682.pdf>.

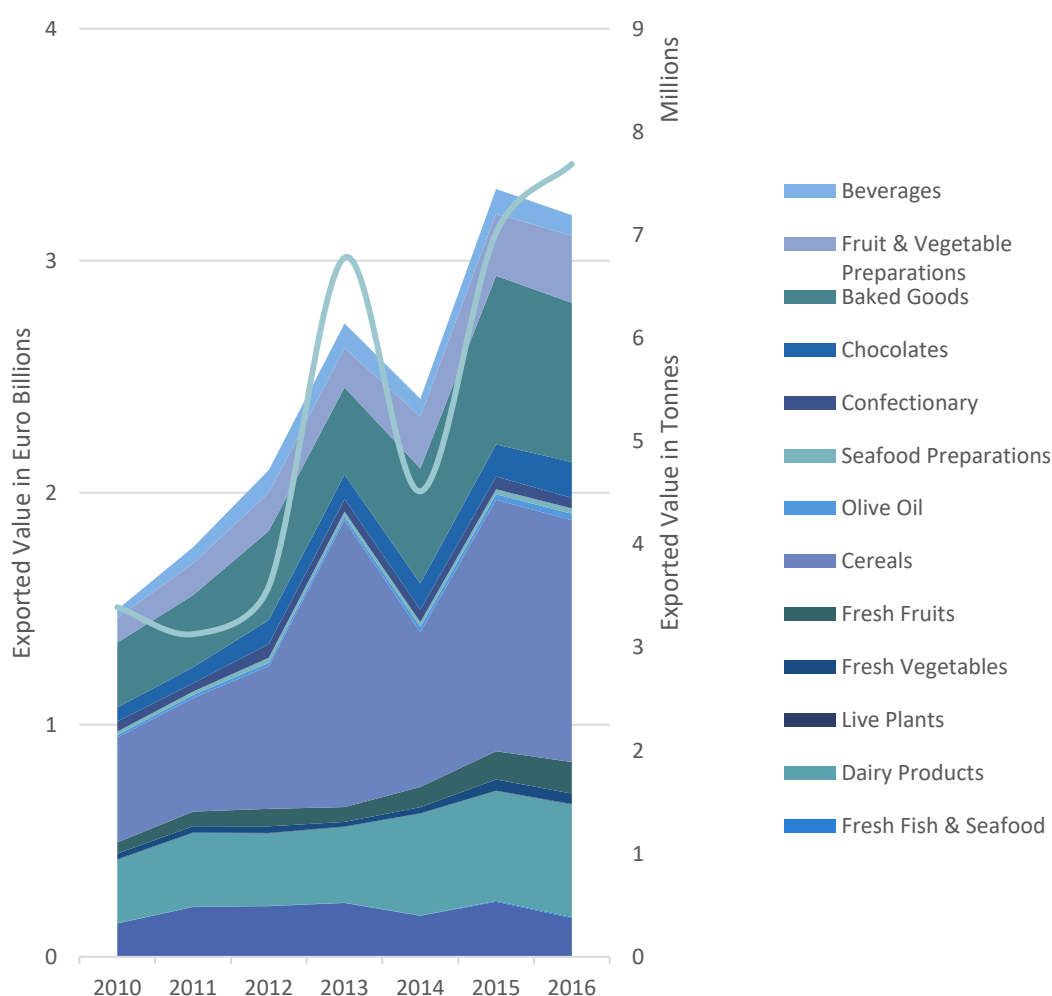
²² Ibid.



A shipping broker will be able to help you select the best options for moving your F&B products to the Saudi market. As well, you can access your local port website for information on regular liner services, companies and brokers.

Shipping times between the EU and Saudi Arabia depend on ports of departure and entry, as well as the service arranged. Shipping times on most routes are typically around 8 days from ports of departure in northern Europe, or around 5 days when expedited from southern Europe. Some operators may offer express direct services which reduce the transit time for goods by a few days.

Figure 12) Annual Value and Tonnage of EU F&B Exports to Saudi Arabia by Category - Maritime Services



Eurostat

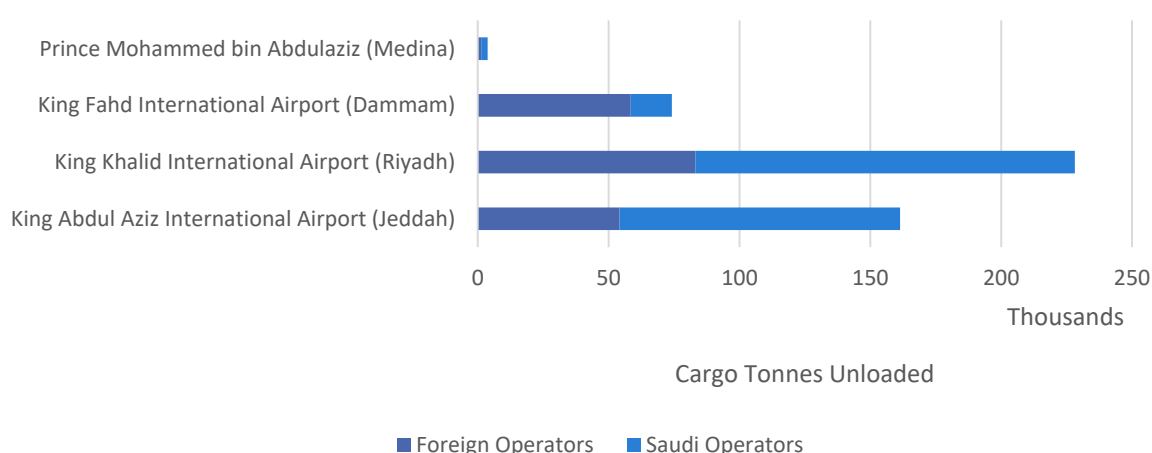
Despite good links to maritime ports in Saudi Arabia, exporters from the EU may also consider other facilities located within the GCC to benefit from access under the bloc customs union. This may be especially viable if intending to distribute to end-consumer markets in Eastern Saudi Arabia, or if an exporter has existing operations passing through a GCC port. The largest port in the GCC is Port of Jebel Ali in Dubai, with excellent links to Saudi Arabia, cold storage and transshipment facilities. Larger ports in the GCC may offer more frequent or competitive service options to and from the EU.

Jeddah and King Abdul Aziz ports in Saudi Arabia are the busiest in the country and among the busiest in the region. Both are equipped with specialised facilities including intermodal rail and road links, unloading, cold and frozen storage facilities as well as silos and warehousing solutions for bulk and non-perishable products.²³

Air Cargo

Saudi Arabia has invested in a well-developed network of national and international airports serving both passenger and cargo traffic. More than 91,100 tonnes of air freight were handled by 25 Saudi airports in 2015. The busiest international airports handling cargo in 2015 were Riyadh, followed by Jeddah and Dammam.²⁴

Figure 13) Freight Tonnage Unloaded at Leading Saudi Airports



General Authority for Statistics

Given the distances involved, both to and within the market, even relatively minor delays can significantly reduce the value of goods in transit - particularly if goods are perishable or time-sensitive. Whereas maritime shipping services account for the majority of goods exported to Saudi Arabia, the market for air transport services will benefit from increasing linkages and investments, particularly as Saudi Arabia and regional partners continue to position themselves as international air cargo and passenger transit hubs. Relative to other GCC member states, Saudi Arabia ranks towards the lower range of the cohort in terms of airport connectivity: 77th, compared with 66th for Bahrain, 64th for Qatar, 57th for the United Arab Emirates, 72nd for Kuwait and 92nd for Oman. This apparent hierarchy is however somewhat skewed given the larger landmass of Saudi Arabia compared to other GCC member states.²⁵

The EU does not yet have a community-wide air service agreement with Saudi Arabia, however several Member States have bilateral agreements established. Several airlines nonetheless operate regular air cargo routes between Europe and

²³ Saudi Port Authority. Main Saudi Ports. 2017. Available at www.ports.gov.sa.

²⁴ General Authority for Statistics. Statistical Yearbook 2015: Issue 51. 2017. Available at <https://www.stats.gov.sa/en/425-0>.

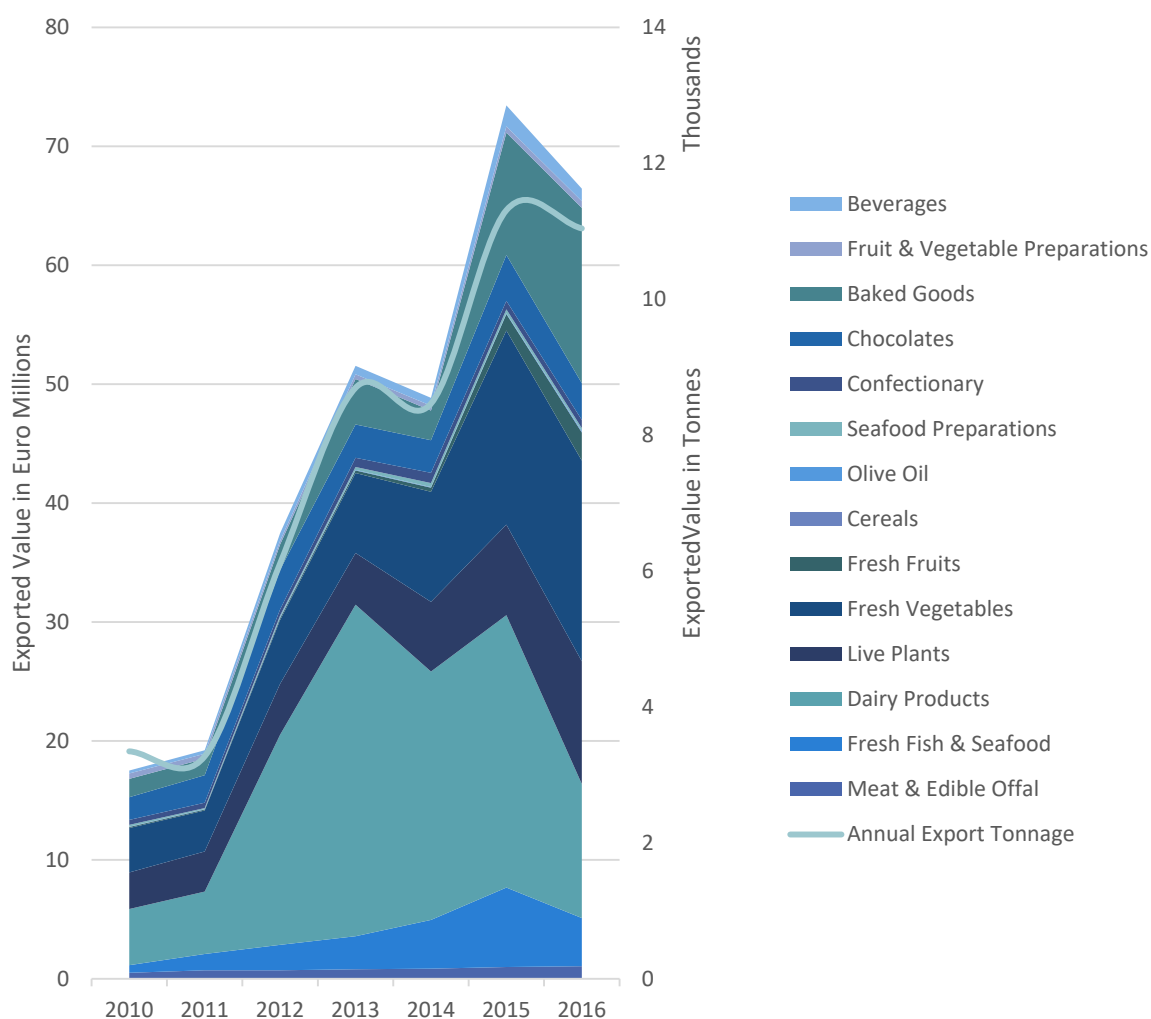
²⁵ World Bank. Air Connectivity Index: Measuring Integration in the Global Air Transport Network. June 2011. Available at <http://documents.worldbank.org/curated/en/859151468161649899/pdf/WPS5722.pdf>.



Saudi Arabia, both direct and indirect and on dedicated cargo flights as well as intermingled with passenger traffic. Average flight times from Europe to Saudi Arabia are around 6 hours, making many products eligible for rapid, next day delivery.

Air transport services can be well-suited for high-value EU F&B products which require direct, time-sensitive access to markets in Saudi Arabia. This includes the fulfilment of direct client orders. However, the high unit price per shipment can undermine the cost-effectiveness of this service for bulk and non-premium F&B products.

Figure 14) Annual Value and Tonnage of EU F&B Exports to Saudi Arabia by Category - Air Cargo



Eurostat

Commercial airlines - including Saudia (also known as Saudi Arabia Airlines) and most EU flag carriers - offer air freight shipping in addition to passenger services between the EU and Saudi Arabia. As well, specialised air logistics suppliers operate frequent direct service between major airports in the EU and Saudi Arabia, as well as indirect services covering most airports in Europe and the GCC. An air freight broker can help you select the best service for your needs.

Verify prior to arranging for an air freight service that your product is suitable for air travel and not sensitive to significant changes in pressure, temperature and other conditions.

Overland Cargo

Overland cargo services between the EU and Saudi Arabia account for the smallest cohort of exports. Whereas the direct overland travel time from Europe to Saudi Arabia ranges from between 60 to 40 hours depending on point of origin, this mode of haulage is nonetheless subject to delays and greater in-transit risks than for other services. The overland route between the EU and Saudi Arabia crosses several international borders and customs jurisdictions, increasing costs and potential delays. At the same time, the route passes through politically unstable countries or those which would compromise the ability to access the Saudi market.

Conflict in the region, multiple customs jurisdictions involved and deficient infrastructure in some segments make it unlikely that a service supplier will be willing to deliver uninterrupted transport of goods from the EU to Saudi Arabia. The important share of international trade arriving in Saudi Arabia by sea and air ports further undermined the development of a regulatory framework aligned with international standards for road haulage.²⁶

Once your product has entered Saudi Arabia, most destinations and markets are well-connected by the country's road network. Road haulage remains the most common mode of distribution to retailers, food service and end consumers within Saudi Arabia. There are more than 221,300 kilometres of roadway in Saudi Arabia, with an additional 3,990 kilometres of high-speed expressways connecting dense population areas, major urban markets and intermodal logistics hubs.²⁷

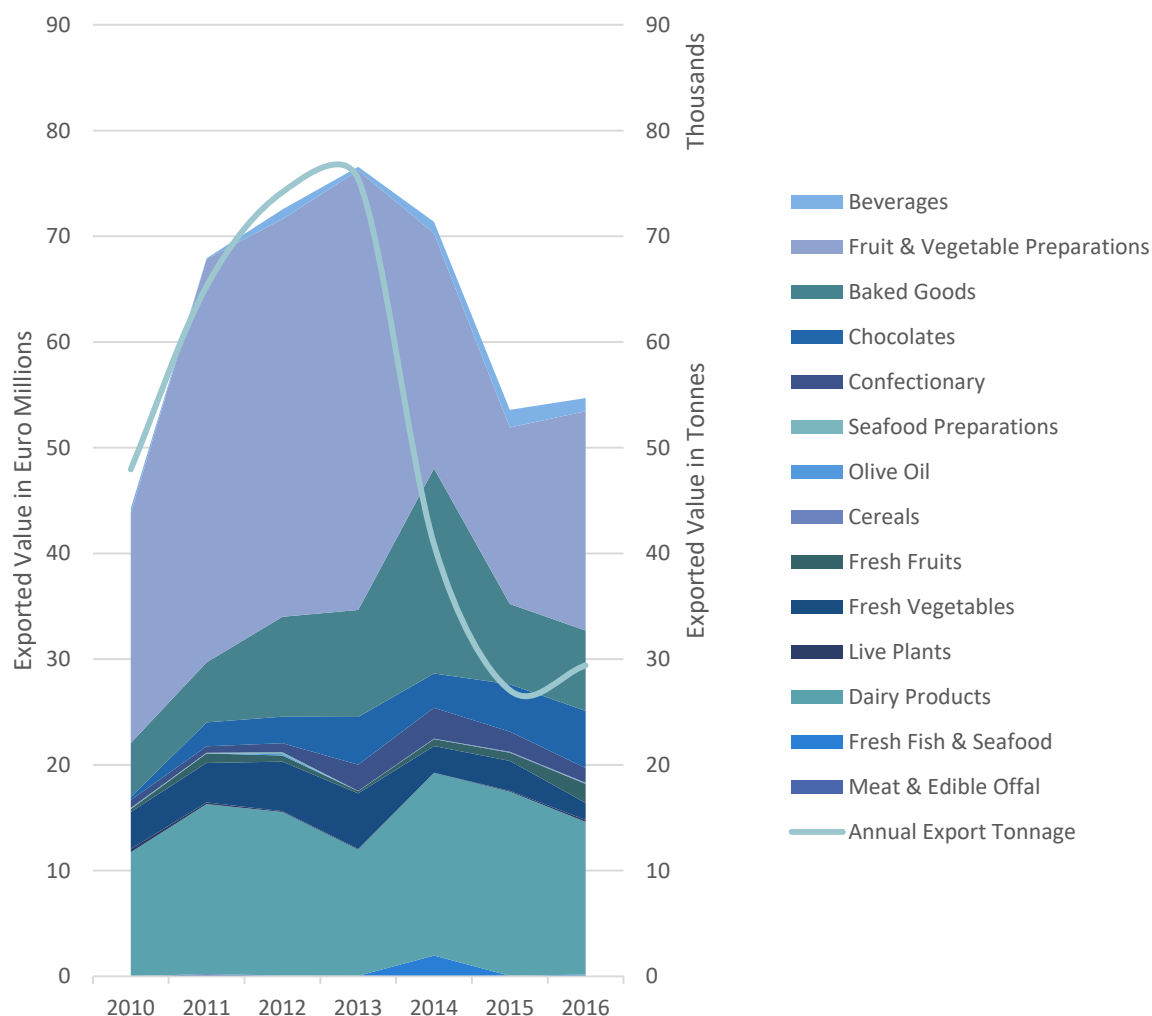
The market for domestic haulage and delivery services in Saudi Arabia is increasingly competitive as the administration continues to integrate with the international trading system and prioritise access between markets and consumers. Road transport services in Saudi Arabia are further made competitive by very low fuel prices, while the sector operates without significant pressure from other modes such as rail transportation which remains relatively undeveloped in Saudi Arabia. Unlike railways, as well as port and airport facilities, the state's presence in the road haulage industry is smaller, with greater emphasis on private enterprise and entrepreneurship.

Despite this, it is important to note that land transport services in Saudi Arabia fall under the prohibited category wherein foreign investment is not allowed. This applies to road transportation services, however does not apply to inter-city rail transportation services. A knowledgeable freight broker can help you select the overland freight service best suited to your needs in the Saudi Arabian market.

²⁶ KSA Ministry of Transport. National Transportation Strategy. September 2011. Available at <https://www.mot.gov.sa/Ar/Documents/Final%20Report%20English%20New.pdf>.

²⁷ CIA. World Factbook: Saudi Arabia. September 2017. Available at <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html>.

Figure 15) Annual Value and Tonnage of EU F&B Exports to Saudi Arabia by Category - Overland Cargo



Eurostat

4.2.4 Distribution

Specialised food distributors in Saudi Arabia can provide one-stop services, from international transport and importing through to connecting with local retailers and end-consumers. There are more than 44,000 F&B retailers and 30,000 food service outlets in Saudi Arabia - the right distributor or import partner can help you ensure your product reaches its targeted market.

Food service and retailing is more closely linked with entertainment in Saudi Arabia than in many other markets. Religious restrictions on many activities common in Europe and similarly high-income markets have redefined the role of food retailing and service in the Saudi lifestyle. Dining or food shopping are increasingly considered social experiences shared with one's family or friends, creating inherent interest and new and unfamiliar products to be tried. At the same time, many Saudi consumers increasingly seek convenience-oriented options to accommodate active professional lifestyles. These include both ready-to-eat meals and easy preparation offerings off trade and on-trade F&B services. Catering services also account for a larger share of the distribution market in Saudi Arabia than in comparable markets given the propensity for consolidated work-and-residential compounds, largesse of institutional buyers such as the Saudi

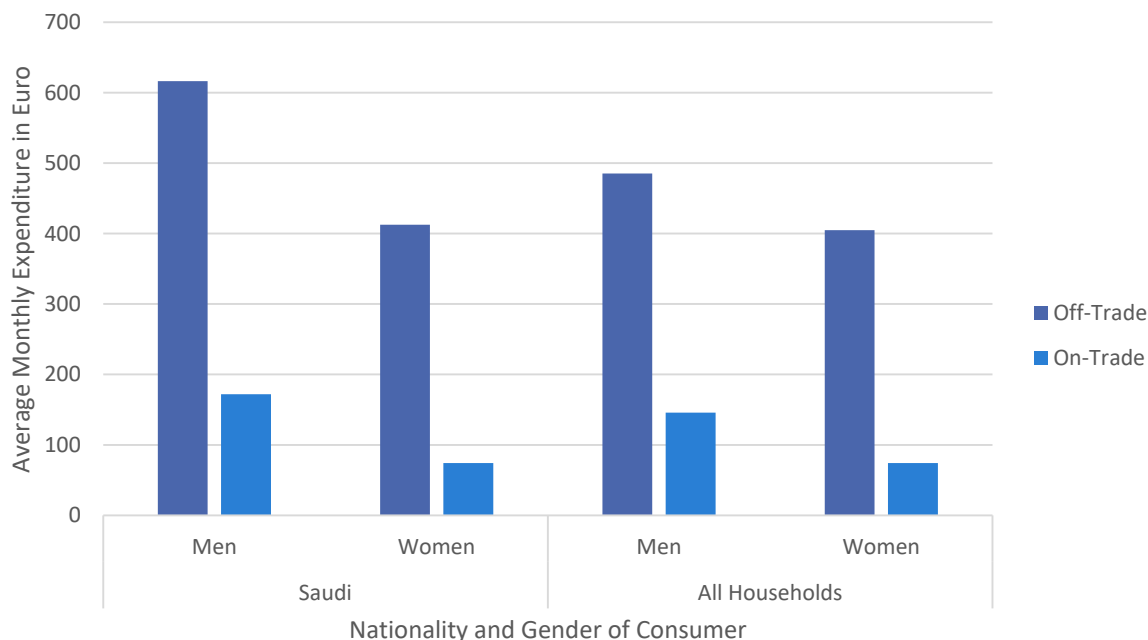
government and large firms employing expatriate workers and the large seasonal purchase order created by the influx of religious migrants during pilgrimage (Hajj).

Despite the increasing size of the market for on-trade F&B services - both in terms of overall value as well as distribution of unit locations - the majority of spending on F&B products in Saudi Arabia remains concentrated in the off-trade sector. Saudi consumers are more likely to outspend expatriate consumers in both categories, typically spending around 17 percent and 5 percent of monthly income on F&B retail and food services, respectively.²⁸

Figure 16) Large, Modern Retailers Like Carrefour (left) are Increasingly Preferred by Saudi Consumers who Value Choice and Convenience by Combining with other Shopping Experiences



Figure 17) Retail and Food Service Spending in Saudi Arabia by Consumer Nationality and Gender



General Authority for Statistics

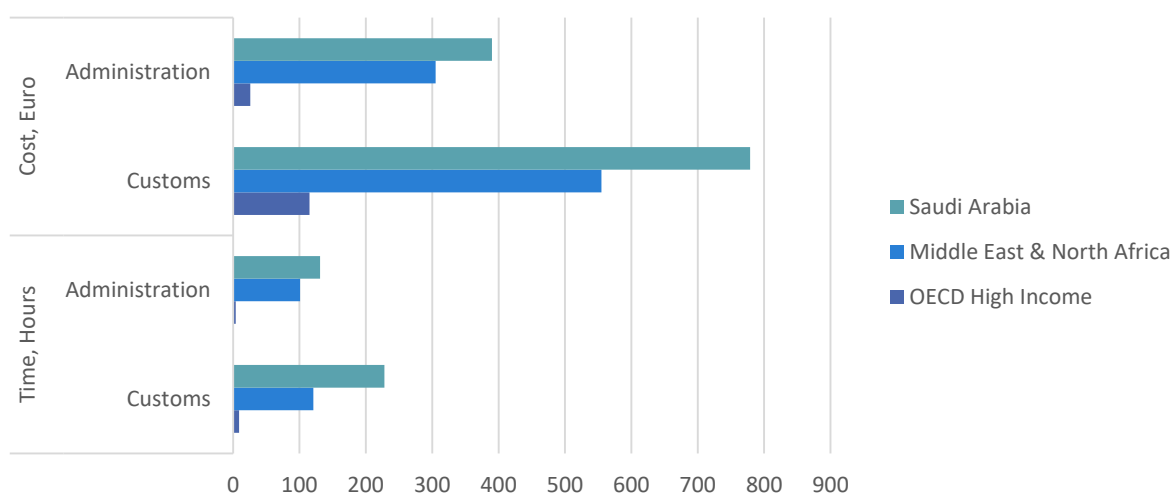
²⁸ KSA General Authority for Statistics. Household Expenditure and Income Survey 2013. Available at https://www.stats.gov.sa/sites/default/files/household_expenditure_and_income_survey_2013.pdf.

Whereas the F&B retail industry remains characterised by the collective largesse of independent grocers (*Bakalas*), this is starting to be offset by the growth of supermarkets and hypermarkets, as well as smaller satellite and convenience operations. Competitive pressure in both the on- and off- trade F&B sectors remains very high, however, indirectly increasing the leverage of suppliers. At the same time, both markets continue to grow and increase demand in a sector deeply reliant on foreign imports, providing continuously new opportunities to connect with consumers in Saudi Arabia.

4.2.5 Doing Business

The Saudi economy is high-performing and internationally integrated, with large and relatively fluid capital markets and political commitment to macroeconomic stability. The Saudi government has furthermore undertaken measures in recent years to advance the country's economic diversification and global integration, including greater accessibility for foreign investors and businesses. Still, ease of starting and maintaining a business in Saudi Arabia is comparatively low against regional, income group and overall averages. Saudi Arabia ranks 147th out of 190 countries in ease of starting a business according to the World Bank's 2017 Doing Business ranking. In terms of trading across borders, Saudi Arabia ranks even lower at 158th out of 190.²⁹

Figure 18) Saudi Arabia Trading Across Borders Performance Compared with Region and Income Group



World Bank

This is in part due to relatively recent accession to the World Trade Organisation (WTO). Saudi Arabia completed WTO accession in 2005 and has incrementally improved trade performance and integration, while also liberalising the domestic business environment through a series of investment, tax and other licensing requirements. The Saudi Arabian General Investment Authority (SAGIA) provides specific services to facilitate and encourage foreign investment in Saudi Arabia, including fulfilment of licensing and visa requirements under one agency. SAGIA operates a number of incentives to attract foreign investors and enterprises to Saudi Arabia, including tax incentives in designated economic zones, employee

²⁹ World Bank. East of Doing Business in Saudi Arabia. 2017. Available at <http://www.doingbusiness.org/data/exploreconomies/saudi-arabia#trading-across-borders>.

sponsorship, unrestricted capital repatriation and reduced minimum requirements and the allowance for full foreign ownership of property and companies as well as joint-venture opportunities. These opportunities apply to most areas of the F&B industry, with the exception of certain catering services notably relating to institutional and religious sectors.³⁰

Despite receptiveness to foreign investors and enterprise - especially in the F&B sector - it is important to have a trustworthy local partner and strong representation in the Saudi market. A reliable and committed partner will help you respond early to licensing and other requirements, maintaining good channels of contact with Saudi authorities. English is commonplace in the Saudi business environment; however, all official correspondence, contracts and documents should be produced in Modern Standard Arabic.

Challenges and Trends

The EU is an established partner helping Saudi Arabia to meet its F&B consumption demand. Population growth. Large, stable incomes will continue to drive demand for imported F&B products where domestic output is only able to focus on a narrow set of agri-food products. Saudi consumers will further benefit from the relative strength of the riyal and relative weakness in certain agri-food commodity prices in the near term, augmenting their purchasing power on foreign markets.

EU producers are well-placed to meet growing demand in Saudi Arabia for F&B products, particularly those that are recognised as authentic and high quality. The EU's strength in this area rests upon good existing trade linkages with Saudi Arabia and regional GCC partners and geographic proximity to the market. Transit times for F&B products from Europe to Saudi Arabia are in many cases half of those for comparable routes from competing exporters in the Americas and Asia.

EU F&B exporters will nonetheless need to adapt their products significantly for the Saudi Market. The large cohort of young consumers in Saudi Arabia has an increasing affinity for food consumption habits that are more culturally aligned with North America and Asia. This contributes to the gradual alignment of Saudi food systems with these markets, as an increasing share of food ingredients are required to match rising demand. The presence of European distribution brands is not particularly strong in Saudi Arabia, increasing the difficulty of projecting appeal to broader-based consumer segments. Niche demand for European products in Saudi Arabia is high, however several types of traditionally strong products from the EU F&B export are prohibited outright in the local market. Keen understanding of local market conditions and consumer preferences will be crucial for the success of your product.

³⁰ World Trade Organisation. Trade Policy Review: Saudi Arabia. April 2016. Available at https://www.wto.org/english/tratop_e/tpr_e/tp433_e.htm.

5. Market Access and Entry

Domestic production of agri-food products in Saudi Arabia is constrained by climatic conditions and specialised in a relatively limited range of products, mainly those with low water intensity. The importance of foreign-sourced F&B products in the domestic market is reflected in Saudi Arabia's receptive import regime for agri-food products.

Many types of EU F&B products, including those with GI, are already being exported to Saudi Arabia, where demand for these products fluctuate year by year. To help you navigate this shifting market, this section includes information on:

- ✓ Cultural Sensitivities
- ✓ Market Size and Market Share
- ✓ Growth Drivers and Trends
- ✓ Market Access and Entry Strategy
- ✓ Key Markets by Geography
- ✓ Customs, SPS Requirements and Labelling
- ✓ Insight on Export Insurance
- ✓ Status of GI and IP protection
- ✓ WTO disputes and early warning for problematic sectors
- ✓ Role and influence of GCC6 and other regional unions

The information contained in this section is designed to be used as a complement to the product-specific Market Snapshots in Section 6. You can find a list of F&B products covered by this handbook below.

- Baked Goods
- Chocolate
- Confectionary Products
- Dairy Products
- Drinks
- Fresh Fruits and Vegetables
- Fresh Meat
- Honey, Gums, Resins and Plant Extracts
- Cotton Plants
- Olive Oil
- Processed Cereals
- Processed Fruit and Vegetables
- Processed Meat

5.1 Market Strengths, Weaknesses, Opportunities and Threats

This section gives a concluding overview of the F&B market in Saudi Arabia through a Strengths, Weaknesses, Opportunities and Threats analysis. It also offers some tips and recommendations for European F&B producers about how to successfully export their products to Saudi Arabia.



SWOT Analysis	
<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Large market size with a population of 32.1 million inhabitants expected to reach 40 million by 2025. • Saudi Arabia is the largest importer of food and agricultural products of the GCC relying on imports for 80% of consumption needs. • Saudi Arabia has been a member of the WTO since 2005. • A high wealth society with increasing disposable income to satisfy changing lifestyles and diets. • Key member of the GCC due to Saudi Arabia possession of 25% of the world's oil reserve. • Advantageous tax system, including increasing number of initiatives to attract foreign investment and firms. • It has a free trade agreement with the EFTA through the GCC. • Growing diversification within the Saudi economy to reduce the reliance on Oil, 'Vision 2030'. • Large investments in Infrastructure with the construction of freeways, additional railways and airports expanded. • EU is well-positioned geographically and along existing logistics routes, conferring an advantage over other agri-food exporting markets to Saudi Arabia. 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Saudi Arabian culture is considered traditional and is centred around the Islamic religion, which raises potential conflicts with exporting markets. • The close link between religion and culture can create obstacles, such as prohibition of certain products and different business environment practices • Currently the economy is overly dependent on oil and the state of the economy is dependent in large part on oil prices, which are currently low. This creates the potential for macroeconomic instability and variations in consumer purchasing power. • Disproportionate influence of the role of local sponsors and partners for entry into the Saudi Arabia market. • Bureaucracy can cause slow periods to establish legal entities or obtaining legal licenses. • Negative attitudes towards food containing or made from biotech products. • Due to the certain laws in the country, it may be harder for women to operate in the country. • Certain F&B subject to increased duty (Canned food, pasta, dairy and meat products). Other items are illegal e.g. alcohol.
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Saudi Arabia is a growing market for high value food products with a greater desire to try new foods. • Vision 2030 aiming to diversify the Saudi economy away from relying on oil. • High levels of public investment into infrastructure and education, as well as consumer confidence measure, will start to come into 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • The current political situation in the Middle East makes it a volatile market to do business in which can affect regional supply chains and other market access conditions. • Although attempts to diversify away from oil are ongoing, this category of commodity exports remains a mainstay for the Saudi economy and price variations have

<p>fruition and generate positive economic spill over effects.</p> <ul style="list-style-type: none"> • The number of pilgrims (Over 7 million) visiting Saudi Arabia is increasing each year creating demand for food services. • Becoming increasing reliant on foreign supplies to satisfy their food consumption needs, currently 80% of food consumed is imported. • Low level of local competition in the area of F&B can make it an attractive area to do business for EU enterprises. • There is a population of over 10 million expatriates in Saudi Arabia creating a demand for greater diversity of foreign foods. • While negotiations are ongoing, possible free trade agreement with the EU could be established in the future. • The food and beverage market is becoming more European. Hypermarkets are popular destinations for shopping. • Ready meals and take away foods are becoming more popular with the young Saudi population. • An affinity for quick packaged foods is being developed, sales set increase by 39% in 2021. 	<p>undermined macroeconomic stability.</p> <ul style="list-style-type: none"> • Unemployment rates are highest among the youth which is causing a brain drain, many of the working population are seeking jobs elsewhere. • Price competitiveness of local products and imports from Arab and Asian markets could impact EU businesses exporting. • Laws in Saudi Arabia dictate a 2-date labelling system on food products which can create problems for EU importers. • It is important that any livestock or meat exported to the Kingdom is Halal certified. • Alcohol beverages and Pork products are prohibited in the country and therefore you cannot import them. • Saudi Arabia recently implemented additional excise tax on items they believe unhealthy e.g. tobacco and soft drinks. • The demand for locally produced goods in Saudi Arabia is beginning to increase, supported by domestic policy measures - particularly for processed foods.
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5.2 Cultural Sensitivities

There are a number of cultural issues that must be taken into account when exporting EU F&B products to Saudi Arabia. The 2 main products that will be affected by cultural differences are alcohol and meat since there are specific Islamic laws pertaining to these 2 types of products. Alcohol is prohibited on all grounds, while meat is consumed only if it is *halal*, which involves an Islamic procedure to slaughtering the animal. The consumption of pork products is completely prohibited in Saudi Arabia.

5.2.1 Alcohol & Intoxicants

Since *Sharia* law forms the foundation of Saudi Arabia's legal system, the consumption of alcohol is considered *haram* and is therefore prohibited. This also extends to all substances that are regarded as strong intoxicants. Saudi Arabia also recently implemented a 100% excise tax on tobacco products and energy drinks as well as a pre-existing 50 per cent tax on soft drinks. This is a reflection of the Saudi government's stance on what may be considered to be mild intoxicants.

Nonetheless, there is an increase in the demand for beverages such as non-alcoholic beer, which are sold in a wide variety of fruit flavours and are attractive alternatives to alcoholic drinks particularly for the young population. Social media and Saudi citizens' exposure to foreign lifestyles and media are reasons for the growth in interest in such beverages.

5.2.2 Fresh & Processed Meat

All meat sold in Saudi Arabia must be halal. This means that the animal must be slaughtered in a particular way, as required by Islamic law, and a dedication known as *tasmiya* must be recited during the process. Slaughtering the animal by stunning does not render the meat halal.

There is growing suspicion in Saudi Arabia that meat imported into the country from non-Muslim countries are not halal, despite labels certifying that the meat has been slaughtered in the halal manner. Although meat from the EU is often indeed slaughtered in the halal manner, this suspicion may raise doubts amongst Saudi citizens and may cause some hesitation within the country to consume EU-imported meat. Growth of the domestic F&B processing industry is in part reflective of this greater confidence in the adherence to Islamic practices.

Those who wish to export meat to Saudi Arabia must follow the process as set out by the Saudi Food & Drug Authority, which includes an additional requirement to verify the status of import permission associated with the country of origin and type of product. This information is regularly updated by the Saudi Food & Drug Authority and can be accessed [here](#).

5.2.3 Price Hikes during Religious Festivals like Ramadan

The most important religious festival in Saudi Arabia is Ramadan, than happens once a year during approximately one entire month. The dates of Ramadan vary and can occur throughout the year, although they follow a pattern where they gradually shift the dates yearly. Based on the lunar calendar, this holiday moves backwards 11 or 12 days each Julian calendar year.

Ramadan is characterised as a time of prayer, reflections and by fasting until sunset every day. However, although this period stresses fasting it is also a time when more elaborate and full meals are prepared on daily basis, therefore overeating and therefore overall consumption of food increases. Big family gatherings take place for Iftar, and that the Iftar is hosted by a different family or group of friends on different days. Over consumption during Ramadan, also leads to waste as almost one-fourth of the food purchased or prepared during Ramadan finds its way to trash bin.³¹ During the month of Ramadan most Arab countries experience a surge in food prices in most countries as consumption of groceries tends to jump; prices typically spike by between 10 and 15 per cent.³²

5.2.4 Rising Health-Consciousness Sets the Trends in Food and Beverage Sector

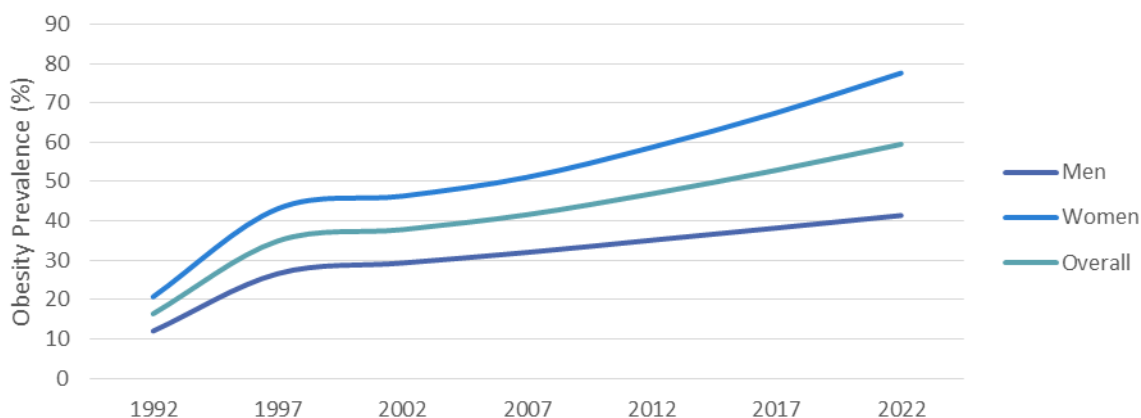
Obesity is a huge problem in Saudi Arabia, and the Saudi government is trying to tackle this through a number of health awareness campaigns rolled out by the

³¹ "Food Waste in Ramadan: An Infographic", available at <http://www.ecomena.org/food-waste-ramadan-infographic/>

³² "Saudi Arabia: 15% increase fruit and veg imports", available at <http://www.freshplaza.com/article/141033/Saudi-Arabia-15-procent-increase-fruit-and-veg-imports>

Ministry of Health. Saudi Arabia is reported to have among the highest obesity rates. Approximately 30 per cent and 70 per cent of Saudi Arabians are estimated to be obese and overweight, respectively.³³ As apparent in the graph below, this trend is foreseen to grow, given that sedentary lifestyles, poor diets among other factors are contributing to this problem.

Figure 19 Obesity Prevalence (%) in KSA



*Journal of Obesity and Eating Disorders*³⁴

5.3 EU F&B Exports to Saudi Arabia

F&B products are a substantial part of EU exports to Saudi Arabia despite the ambiguities of intellectual property protection and Geographical Indications (GI). Overall EU food shipments to Saudi Arabia in 2016 accounted for 11.1 percent (3.8 billion EUR) of the total exports. Beverages (and tobacco) exports in 2016 accounted for substantially less, at around 2 percent (680 million EUR). The leading product categories for EU exports to Saudi Arabia are dairy products, baked goods and processed fruits and vegetables.³⁵

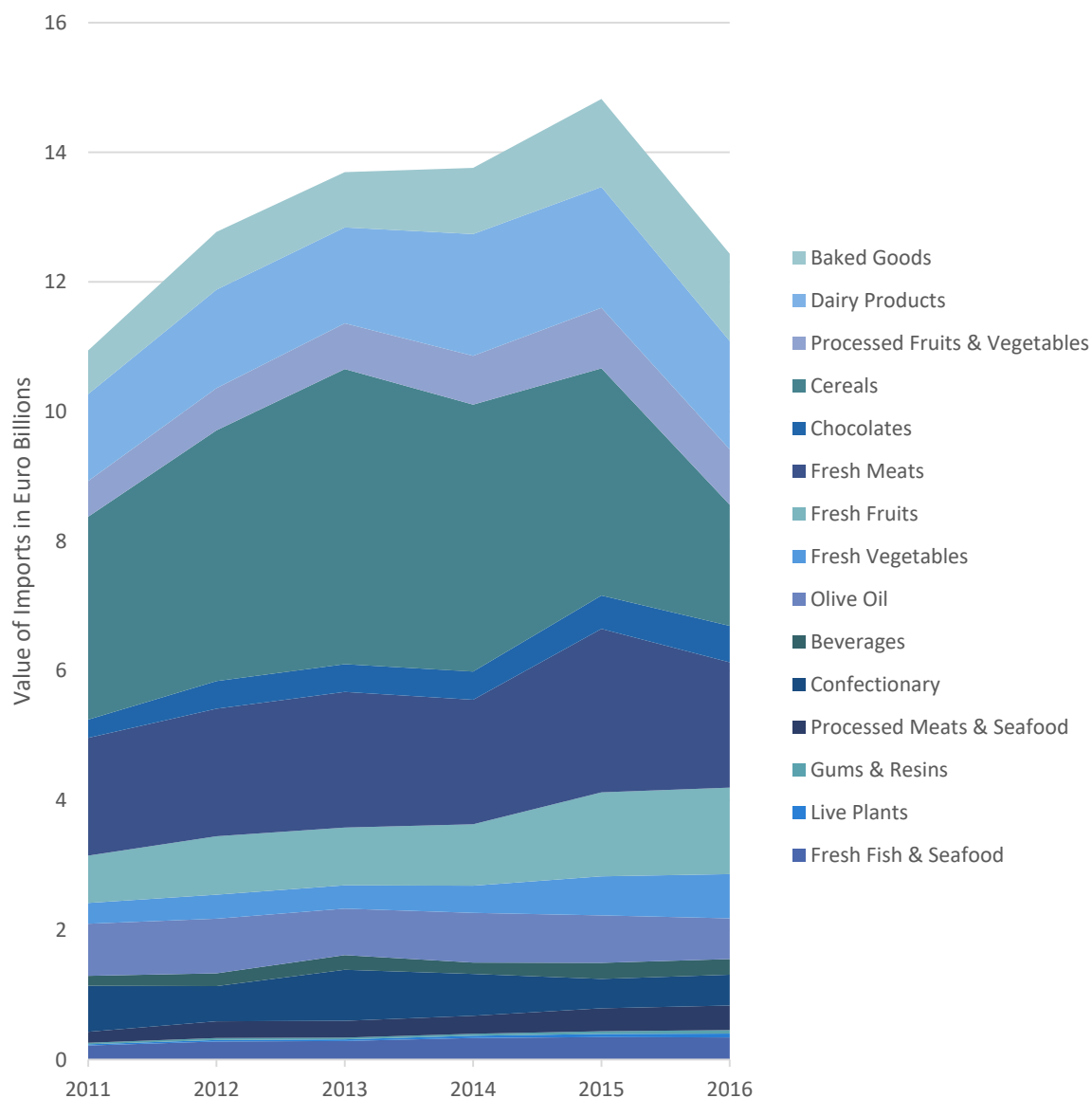
While the trend of EU F&B trade with Saudi Arabia reflects variation in the value of goods exchanged, this is in part due to significant changes in prices for individual agri-food commodities. Unit prices for fresh meat and cereals are, for example, currently in a trough period, whereas imports measured by volume in Saudi Arabia have actually increased while imports by value are down. As these underpin the EU F&B export of all products, decreased receipts from these shipments can have a misleading knock-on effect on the value of the overall trade.

³³ M Alqarni SS (2016) A Review of Prevalence of Obesity in Saudi Arabia. *J Obes Eat Disord* 2:2. Available at <http://obesity.imedpub.com/a-review-of-prevalence-of-obesity-in-saudi-arabia.php?aid=17699>

³⁴ Ibid

³⁵ European Commission. Agri-food Trade Statistical Factsheet: EU-Saudi Arabia. February 2017. Available at https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agrifood-saudi-arabia_en.pdf.

Figure 20) Time Series of EU F&B Export to Saudi Arabia by Product Category



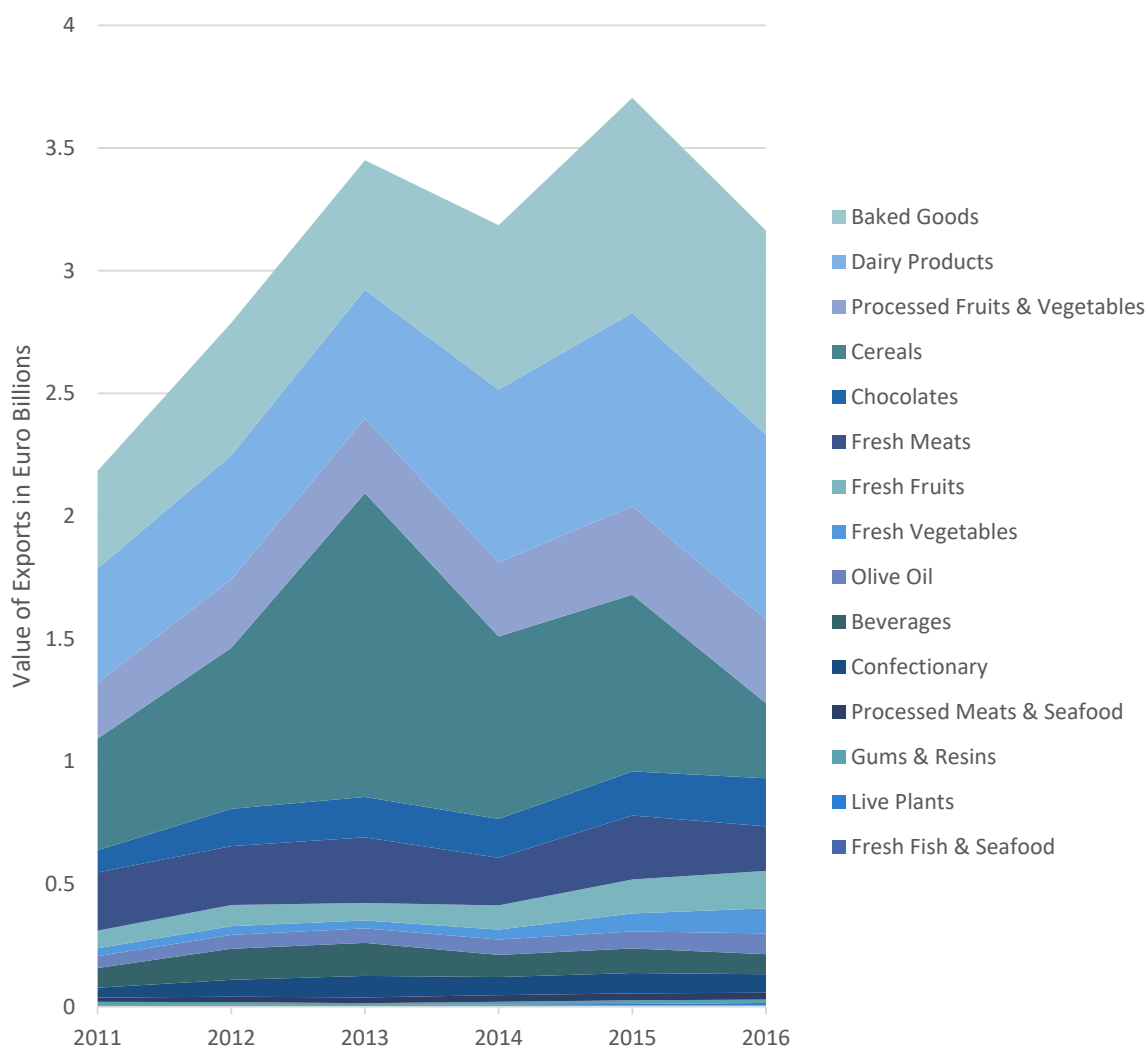
© International Trade Centre³⁶

EU F&B exports to Saudi Arabia are more resilient than those from all partners. The value of the EU's exports to Saudi Arabia decreased at a lesser rate than overall agri-food imports in the country, and several EU product categories recorded positive growth over the last 5 years. These include traditionally high-value categories and competitive sectors in the EU such as baked goods, dairy products, and processed fruits and vegetables. Saudi Arabia receives around 4 percent of the EU's total F&B exports, despite accounting for only 1 percent of the EU's overall foreign trade.³⁷ The EU is a leading supplier for many categories of the Saudi agri-food import.

³⁶ Trade Map, International Trade Centre, www.trademap.org

³⁷ European Commission. European Union, Trade in Goods with Saudi Arabia. May 2017. Available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113442.pdf.

Figure 21) Composition of Saudi Global F&B Import



© International Trade Centre³⁸

5.4 Key Markets

The KSA is a unitary state that is divided into 13 regions: Qassim, Riyadh, Tabuk, Madinah, Makkah, the Northern Borders, Jawf, Ha'il, Bahah, Jizan, Asit, Najran and the Eastern Province. The overall population of the country is approximately 33 million. The most populous regions according to the last census in 2010 are Makkah (6.9 million), Riyadh (6.77 million) and the Eastern Province (4.1 million).

Most Saudis in the majority of the 20th century lived in the rural provinces, but rapid urbanisation during the latter part of the century has led to dramatic shifts to the cities. As of 2012, more than 80 per cent of Saudis live in urban metropolitan areas, including Riyadh, Jeddah, Makkah. Dammam and Madinah. These urban centres are found in different regions of the country, not being concentrated in a specific area.

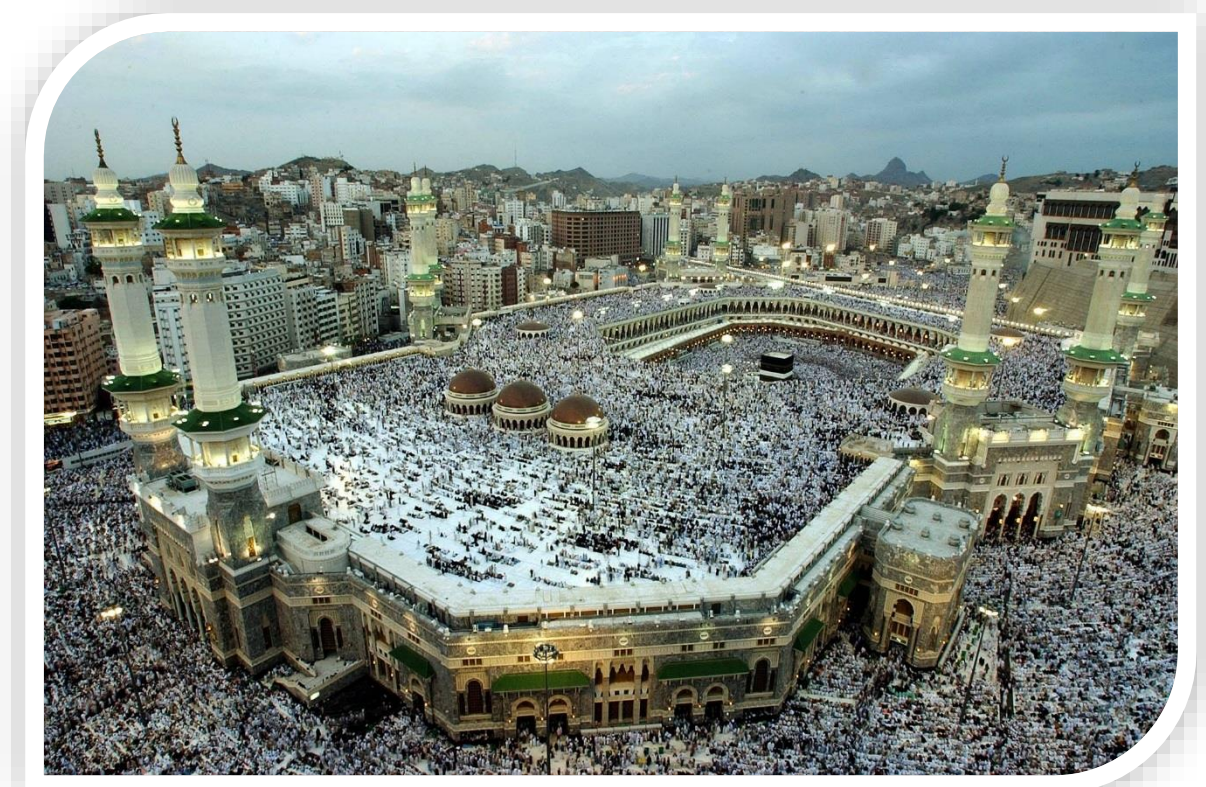
³⁸ Trade Map, International Trade Centre, www.trademap.org

Despite the designation of official regions as mentioned above, there are 4 main unofficial regions, each having its own characteristics and specificities, recognised by the population. **Najd** is the centre of the country, constituting its political and cultural core. This region is also home to the 'dominant minority' that rules the country, the House of Saud. **Hijaz** is recognised as a region with urban traditions that includes the holy cities of Makkah (Mecca) and Madinah (Medina), as well as the city of Jeddah, recognised as an important commercial centre within Saudi Arabia. **Asir** is home to nomads and is very much a rural region that includes farmers living in settled communities in accordance with tribal identities. The **Eastern Province** is the source of most of Saudi Arabia's oil and gas. It is home to the national oil industry, which caters for approximately 55 per cent the country's GDP, 92.5 per cent government budget revenues and 97 per cent export earnings.

The key markets introduced herewith represent Saudi Arabia's economic and population centres best-oriented to receive EU F&B exports for long-term growth.

Makkah (Mecca)

Makkah is the most populous region in Saudi Arabia with a population of over 7 million. It contains 3 major cities: the holy city of Makkah, the commercial centre and main port city of Jeddah, and Taif, an agricultural centre of the country. It is located in western Saudi Arabia with a coast along the Red Sea.



Makkah, as the holiest city in Islam, has a special prominence within Saudi Arabia as it is the destination for *hajj* (pilgrimage), which is an obligation for all Muslims throughout the world. The resident population of the city is around 2 million, but due to the Islamic requirement of *Hajj* around 15 million people visit the city

annually. The economy of the city is heavily dependent on the visitors that come for *hajj* as locals provide services to pilgrims, such as accommodation or food and drink. In fact, much of Saudi Arabia's tourism industry relies on the revenue made from *hajj*.

There are a few industries in Makkah such as textiles, furniture and utensils, however, the great majority of the economy is service-oriented. The Saudi government has improved conditions for visitors and so the number of pilgrims that can be accommodated is increasing. The pilgrims that visit Makkah are thus a key market for F&B companies from the EU.

Jeddah

All food and drink to Makkah is required to be imported due to the scarcity of arable land and water in the area. These products are normally imported from the port of Jeddah. Restaurants, hotels and shops are prime sellers of food and beverages in the city and make the majority of their profits from pilgrims.

Jeddah is the largest city in the Makkah Region (population circa 4 million) and the second largest in the whole of Saudi Arabia. It is the largest sea port on the Red Sea and is the main gateway to Makkah city, as well as an access point for reaching Madinah, the second most holy place in Islam.



Its proximity to Makkah led to the construction of the "Makkah Gate" as the entrance to the holy city and the birthplace of Prophet Muhammad. It has been designated as a "global city" by the Globalization and World Cities Study Group and Network due to its commercial significance. It is home to Saudi Arabia's first ever bank, the National Commercial Bank.

It is a genuine commercial hub thanks to its location on the Red Sea and its proximity to other major cities in the region. The city has a number of popular resorts: Durrat Al-Arus, Al-Nawras Movenpick, Radisson Blu, Al Nakheel Village, Sands, Crystal Resort, The Signature Al Murjan Beach Resort and Sheraton Abhur.

A recent development is the construction of the Jeddah Economic City, which is set to be completed in 2018. It is set to host a grand range of commercial and residential development and will also be home to the Jeddah Tower which is intended to be the tallest building in the world.

Jeddah is home to a wide variety of food outlets that include both local and international cuisine due to its prominence as a global city. F&B tastes in the city are thus consistent with global trends.

Statistics on the number of trade licenses for food products that were issued in Jeddah only reach the year 2010, when 9,671 trade licenses were issued, making up around 25 per cent of the total.³⁹

7 out of the 17 most well-known hypermarkets in Saudi Arabia were established in Jeddah: Al Raya, Bin Dawood, Danube Supermarket, Sarawat Supermarket, Star Hypermarket, Marhaba Supermarket, Manual Hypermarket. In order to establish a working relationship with these hypermarkets to sell EU F&B products, it is vital to be in contact with Saudi food importers that already have a distribution network.⁴⁰

Thanks to Jeddah's reputation as the Saudi Arabia's most prominent port city and a gateway to both Makkah and Madinah, it is likely to be the first point-of-entry for EU F&B products. The city is home to the Jeddah Islamic Port, the largest port in the Middle East and North Africa (MENA).

Pollution and flooding are known to be issues in the city after a number of incidents over the past few years.

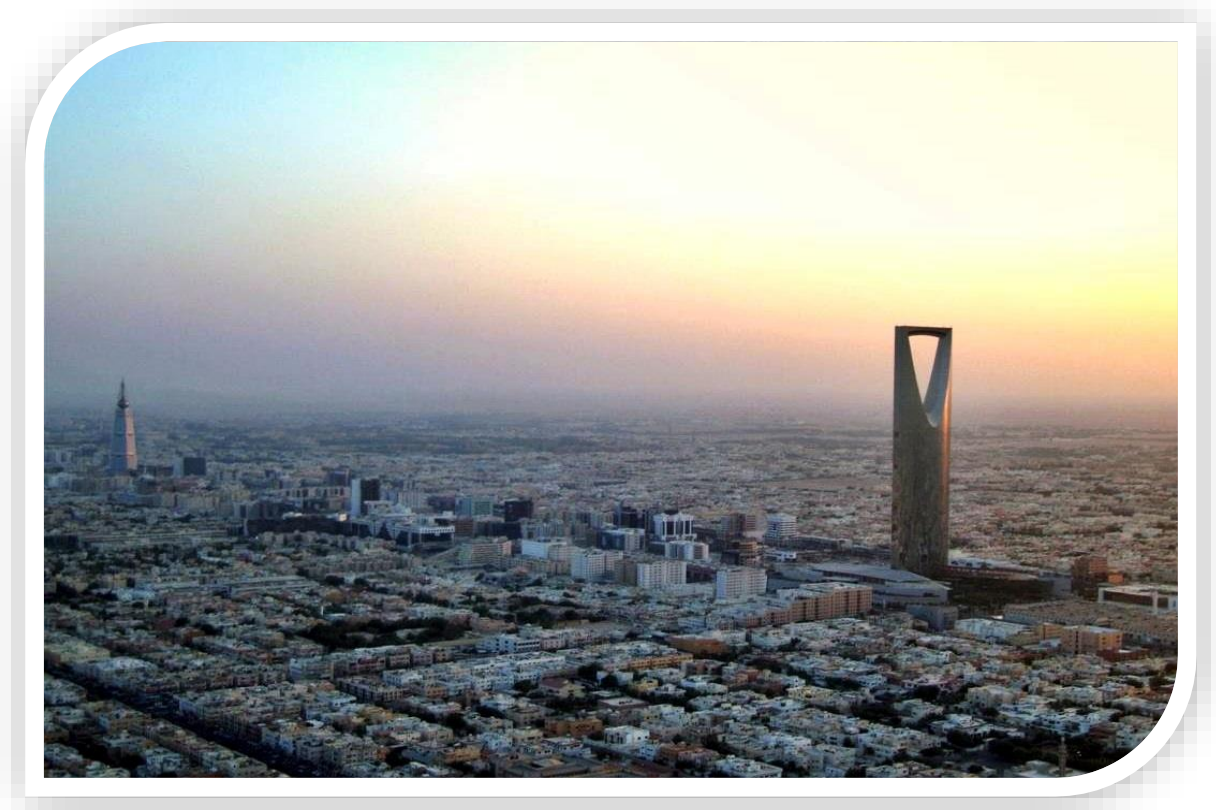
Riyadh

The city of **Riyadh** is located in the central part of Saudi Arabia and the Arabian Peninsula as a whole and is in the eastern area of Najd. The city has experienced unprecedented growth as between 1930 and the early 21st century the population has increased from 27,000 to over 6.5 million. This is thanks to strong economic growth as a result of the oil boom in the 1970s and 1980s. As in many other big cities in Saudi Arabia there is a significant contingent of foreign workers, accounting for about three-fifths of the workforce and one-third of the population of the city, including predominantly South Asians, Egyptians, Yemenis and small numbers of European and American expatriates. Riyadh has a young population with more than half of residents under the age of 20 years old and less than one-fifth being older than 60.

³⁹ JEG. Jeddah Economic Gateway: Commercial Records (CR) Statistics. March 2017. Available at http://www.jeg.org.sa/index.php?sec_code=eco_cat§orId=89

⁴⁰ USDA. Saudi Arabia Retail Foods Report. December 2013. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_12-12-2013.pdf

The city's skyline is dominated by two large tower buildings: Al-Faysaliyyah, a centre containing office space and numerous restaurants, and Markaz al-Mamlakah (Kingdom Centre), a complex of office, retail, dining and accommodation spaces. The Diplomatic Quarter is home to embassies and international organisations' offices. The Qasr al-Hukm (Justice Palace) district contains the majority of the prominent shops in the city. The city is an important marketplace for producers and distributors trying new innovations in Saudi Arabia, and most operators will have at least limited representation in Riyadh even if their primary market is elsewhere in Saudi Arabia. This in part reflects the consolidated structure of the Saudi unitary state.



The largest employer in Riyadh is the government, the source of around half of Riyadh's production of goods and services. Saudis dominate these government jobs, while foreign workers are more likely to work in the private sector. Institutional buyers are an important segment of the food-service industry, with a concentration in Riyadh. Many workplace settings also offer catering services to their employees, generating important economic activity in this sector.

Since Riyadh is the largest population centre in the country it is the largest market for EU F&B products. The diversity of its population must also be taken into account as a broad range of cuisines are on offer in the city to cater for the variety of tastes.

Eastern Province

The Eastern Province is the largest region in Saudi Arabia. It possesses one of the largest oil reserves in the world and, consequently, the region represents the backbone of the Saudi economy. It is home to Saudi Aramco, Saudi Arabia's

national petroleum and natural gas company. It is considered to be the most valuable company in the world. The Eastern Province is located on the shores of the Persian Gulf and so the oil is exported by sea from the oil port of Ras Tanura.

The economy of the region, however, is not very diversified and depends heavily on oil exports. Aside from Amalco, Saudi Arabia Basic Industries Corporate (SABIC), one of the largest manufacturing companies in the world, has an affiliate in Dammam, capital of the Eastern Province. The only other major product to be exported from the region is dates.



Dammam is the Eastern Province's capital and largest city, and forms part of the Dammam Metropolitan Area (DMA), along with Dhahran and Al-Khobar. Saudi Aramco is located within the DMA, in Dhahran. Dammam is thus a prime administrative centre for the Saudi oil industry. The city is home to the King Abdul Aziz Port, or Dammam Port, which is the largest port in the Persian Gulf and the second largest in the Middle East. It is well connected to regional economic centres. It is connected to Riyadh by a railway line and is linked to Bahrain through the King Fahd Causeway, a series of bridging connecting Saudi Arabia and Bahrain. There is also a direct highway from Dammam to Kuwait. These transport links and the geographical location of Dammam, taking into account its proximity to regional centres, makes it an attractive proposition for EU F&B products to be sold in, or distributed from, Dammam.

The population of the DMA has increased from 365,000 in 1974 to over 1 million today and it is expected to reach around 3.5 million by 2040. This growth is closely related to the growth of the petroleum sector and a significant proportion of the



DMA works at Aramco or in related businesses. This has led to an increased demand for housing and residents choose to invest their earned money in the housing sector, although it is often finding it difficult to keep up with demand. The average household income in the DMA is relatively high, at more than 2,685 EUR per month.⁴¹ The constant rise in population and high spending power of the residents make the DMA a lucrative area for EU F&B businesses.

During the most recent statistical year for which data is available, 4,142,686 food items were discharged from Dammam Port and 28,054 were loaded.⁴²

5.5 Regulation, Legislation and Administrative Information

Saudi Arabia maintains a modern food import regime relatively aligned with international standards and the CODEX Alimentarius. This section reviews the key actors, legislation and regulatory requirements to ensure your F&B product complies with Saudi import requirements and benefits from intellectual property protections, if applicable.

5.5.1 Registration of GI

Up until now, The Law of Trademarks, signed by royal decree in 2002, has been the basis for laws regarding the registration of trademarks in Saudi Arabia. This law and its articles may be accessed in English [here](#).

Applying for a trademark is done through the website of the Ministry of Commerce and Investment, which can be accessed [here](#).

The following information about the registration of geographical indication is taken from the Ministry of Commerce and Investment in Saudi Arabia.

The registration of a product's geographical indication shall be consistent with the following (Article 4):

1. It must not be inconsistent with Islamic law and must be consistent with the public order and morals.
2. Registration must not be contradictory to the regulations in force in the Kingdom.
3. It must not be identical to the name of any commodity in the Kingdom
4. Other controls specified by the regulations must be observed upon registration of the geographical indication and the information of the product must be available upon registration.

The application for the registration of the geographical indication shall be submitted to the appropriate department within the ministry by one or more of the producers of the commodity from the region specified in the geographical indication, including the details specified in the regulations and an attachment of

⁴¹ A. Abou-Korin and F. Al-Shihri. Rapid Urbanization and Sustainability in Saudi Arabia: The Case of Dammam Metropolitan Area. October 2015. Available at <http://www.ccsenet.org/journal/index.php/jsd/article/viewFile/51957/28913>

⁴² Alsharqia Chamber. Eastern Province of Saudi Arabia. 2006. Available at https://www.chamber.org.sa/sites/English/InformationCenter/Studies_documents/Eastern_Province.PDF

a booklet of the general terms of use. The following must also be included in the application (Article 5):

1. Product name.
2. Description of the product and its characteristics, quality, and components.
3. Name of the geographical area of production.
4. Description of the method of production.
5. Factors that determine the origin of the commodity in the area of production.
6. ***If the application for registration is made for a foreign geographical indication, protection must be provided within the country of origin and the application must also have the right to its use and be eligible for its supervision.***
7. Any other elements specified by the regulations.

The department within the Ministry dealing with GIs shall examine the registration for the geographical indication in order to verify that the requested information fulfils the requirements of the State and its requirements and that the contents of the booklet of general terms of use are provided. A decision on the application shall be made within **15 days** of the date of submission. (Article 6)

If the application for the registration is accepted then the application will be obliged to supply the authorities charged with supervising the commodity with a copy of the booklet of the general terms of use within **30 days** in order to verify the validity of the imported products. The authorities shall issue a decision within **10 days** of receiving the copy. If the authorities notice any lack of validity in the booklet then they will inform the applicant and request them to make amendments. If this is not completed within **90 days** then the booklet of the general terms of use shall be considered to be rejected. The applicant may appeal against the decision with **60 days** of the date of its publication on the website of the authorities. In the case of the rejection of this appeal, the applicant may then appeal to the Board of Grievances. In all cases the authorities charged over the supervision of the commodity is obliged to notify the relevant department within the Ministry of the content of its decision. (Article 7)

If all the specified stages of the registration are passed then the relevant department within the Ministry is obliged to register the geographical indication on the website of the Ministry and any other outlet as specified by the Ministry. (Article 11)

It is up to the producers to undertake their activities in the area of the geographical indication and it will not be permitted for others to waiver the producers' rights to the product. (Article 12)

It is permitted for the producers to make amendments to the booklet of the terms of use **except for** (Article 14):

1. The name of the product.
2. Description of the product and its characteristics and quality
3. Geographical area of production.

The relevant department within the Ministry is permitted to annul the registration of the geographical indication in 2 cases (Article 14):

1. Violation of Article 4.
2. If the registration is completed on the basis of deception or false information.

The registration of a foreign geographical indication will be annulled in two further cases:

1. If the product is no longer protected within the country of origin or if it is no longer in use.
2. If the authorities in the country of origins demand annulment of the registration.

A person who deliberately commits any of the followings acts shall be imprisoned for no more than 2 years and/or shall be fined no more than 1 million riyals (Article 23):

1. The commercial use or copying of a geographical indication or supplying any similar product that does not meet the terms set out in the terms of use of this indication even if the source of the real product is mentioned or if the indication is translated or if it is combined with terms such as type, class, method or imitation.
2. Copying or attempting to copy a product known by its geographical indication in terms of its form, packaging or advertising, which may cause confusion among ordinary people.
3. Any use of the geographical indication that constitutes an act of unfair competition in accordance with the provisions of the Paris Convention of 1967.

It is permitted to include the text of the judicial decision in the appropriate media outlet after acquiring peremptory status. In the case of repeated infringement, the punishment may be doubled, with the closer of the commercial premises or the project, or suspension of its activities. Depending on the case, this suspension may be for a period that is no less than 15 days but no more than 3 months.⁴³

5.5.2 GCC Trademark Law

The abovementioned article **DO NOT** act as a standalone law that protects geographical indications. What happens in practice is that some countries protect their geographical indications under collective marks or certification marks. Nevertheless, the newly adopted GCC Trademark Law has "extended legislative support to such practice and provides [an] option to the GCC member countries to protect geographical indications under collective or certification marks."⁴⁴

On 29 September 2016, a new GCC Trademark Law was adopted by the Saudi government and we are seeing the beginning of the practical application of some of its provisions by the Saudi Trademarks Office.

The GCC Trademark Law may be accessed [here](#).

⁴³ KSA Ministry of Commerce and Investment. Outline of Geographical Indication System. February 2015. Available at <http://mci.gov.sa/LawsRegulations/Projects/Pages/gi.aspx#0>

⁴⁴ A. Iqbal et al. Gulf Cooperation Council (GCC) Trademark Law and its impact on current Saudi Trademark law and practice. November 2015. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2691888

5.5.3 Customs Regulations

The primary legislation that applies to all imports coming into Saudi Arabia is the GCC Common Customs Law, which has been signed by all GCC members.

The whole draft of the GCC Common Customs Law may be accessed [here](#). A practical outline of its general provisions and definitions may be accessed [here](#).

Although the standards and regulations are established by the GCC, the sole government agency that is authorised and responsible for the implementation of these regulations in Saudi Arabia is the Saudi Food and Drug Authority (SFDA). All food, drinks and edible agricultural products, including food ingredients and processed animal feed whether locally manufactured or imported to Saudi Arabia are required to comply with regulations and standards set by the SFDA or the Gulf Standardisations Organisation (GSO).⁴⁵

Figure 22) Land, Sea and Air Ports in KSA



Kingdom of Saudi Arabia Ministry of Finance, Saudi Customs

The general customs rules are applicable to most products, but there are specific requirements for the import of meat. **For imports of meat and poultry meat, a Halal Certificate and an Islamic slaughter certificate are required for each consignment, in addition to other documentation generally required**

⁴⁵ "Food and Agricultural Import Regulations and Standards – Saudi Arabia - GAIN Report" August 2015 available at: http://agriexchange.apeda.gov.in/IR_Standards/Import_Regulation/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20%20NarrativeRiyadhSaudi%20Arabia1052015.pdf

for customs clearance. In addition, imports of meat must be sourced from SFDA approved establishments.⁴⁶

A unified guide for the customs procedures of all GCC member states - including controls, procedures and required documents - is provided [here](#). It provides information on controls, procedures and required documents.

Saudi Arabia altogether has 30 customs ports: 15 Land ports, 14 Air ports and 11 Sea ports.

Land ports (Grey/Brown)	Air ports (Yellow)	Sea ports (Blue)
At-Tuwai (الطوال) [Saudi-Yemeni border]	Jazan (جازان)	Jazan (جازان)
Alab (علب) [Saudi-Yemeni border]	Abha (أبها)	Farasan (فوسان)
Al-Khadra (الخصراء) [Saudi-Yemeni border]	Najran (نجران)	
Al-Wadi'ah (الواديحة) [Saudi-Yemeni border]	Al-Ahsa (الأحساء)	
Rub' al-Khali (الربيع الخالي) [Saudi-Yemeni border]	Dammam (الدمام)	Dammam (الدمام)
Al-Batha (اللبطحاء) [Saudi-UAE border]	Riyadh (الرياض)	Ras Tanura (رأس تنورة)
Salwa (سلوى) [Saudi-Qatari border]	Al-Qassim (القصيم)	Jubail (الجبيل)
King Fahd Causeway (جسر الملك فهد) [Saudi-Kuwaiti border]	Ha'il (حائل)	Ras Al-Khair (رأس الخير)
Al-Khafji (الخفجي) [Saudi-Kuwaiti border]	Al-Jawf (الجوف)	Duba (طبء)
Ar-Raq'i (الرقعي) [Saudi-Kuwaiti border]	Tabuk (تبوك)	
Jadidat 'Ar'ar [Saudi-Iraqi border]	Madinah (المدینة المنورة)	
Turaif (طريف) [Saudi-Jordan border]	Yanbu (يَبْع)	Yanbu (يَبْع)
Al-Hadithah (الحدیثة) [Saudi-Jordan border]	Jeddah (جدة)	Jeddah (جدة)
Halat Ammar (حلة عمارة) [Saudi-Jordan border]	Ta'if (الطائف)	Al-Mu'jaz (المعز)
Durra (الدرّة) [Saudi-Jordan border]		Rabigh (رَبِغ)

Each type of port has different customs procedures when importing products to Saudi Arabia, which is listed on the following page:

⁴⁶ "WTO Saudi Arabia Trade Policy Review Summary" February 2016 available at: https://www.wto.org/english/tratop_e/tpr_e/s333_sum_e.pdf

Land port

Arrival procedure:

1. The vehicle driver submits his passport along with the vehicle ownership document to the customs officer at the arrival gate.
2. The customs officer records electronically the passport and vehicle ownership document data.
3. The customs officer prints the entry processing card. If he notices that the vehicle stays more than one year outside the country, he will note in writing on the entry processing card that (the vehicle shall not be released unless after reporting that to the Customs Department).
4. The driver receives the entry to the Kingdom processing card.
5. The customs inspector directs the vehicle to the lane allotted for luggage and vehicle examination processing.
6. The customs inspector requests the driver to provide him with the passport and the processing card prior to starting in examination.
7. The customs inspector completes the procedures and seals the card indicating finalization of the procedures. If there are any notes on the card, no release will take place unless after reporting to the Customs Department.
8. The driver drives his vehicle towards the Kingdom entry gate and delivers the processing card to the customs inspector at the gate.
9. If the arriving vehicle is non-Saudi, the driver will direct his vehicle to any of the vehicle insurance booths.
10. The customs inspector enters the procedures completion card data and permits the driver to leave the customs office to enter the kingdom.

Import procedure:

1. The customs broker enters the consignment information into the computer in accordance with the documents submitted by the owner of the goods and prints the permit form and the preparation and examination request.
2. The customs group supervisor verifies that the consignment documents are complete and refers them to the customs inspector for examination.
3. The customs inspector examines the consignment, matches the imported goods against the attached documents, and verifies that it is free from any prohibited items, restrictions or remarks on the consignment. Then he signs the permit form and the preparation and examination request and refers them to the group supervisor.
4. The customs group supervisor reviews the consignment documents. If there are no remarks on the consignment, he electronically transmits it to the bank for collection of the customs duties.
5. The customs broker pays the customs duties to the bank. The consignment is then transmitted electronically from the bank to the release unit.
6. The release unit prints the customs declaration after payment of the customs duties by the customs broker. The customs broker will receive a goods release notification together with a copy of the customs declaration and a clearance notification for the goods, which its customs duties have been collected and destined for any of the GCC states.
7. The customs broker delivers the release notification to the truck driver to permit him to remove the consignment out of the customs area.
8. The release officer at the exit gate receives the goods release, verifies that the customs procedures are complete, and allows the consignment to leave out through the gate.

Country of origin procedure:

1. If the customs inspector suspects that the goods bear a duplicated evidence of origin or does not bear an evidence of origin on the whole imported consignment or a part of it, he will report that to the customs group supervisor.
2. The customs group supervisor reviews the documents and a sample of the consignment to verify that the origin evidence is lacking.
3. When the customs group supervisor is sure of the suspicion, he will refer the transaction and a sample of the consignment to the customs affairs.
4. The customs affairs head examines the transaction and submits a report to the port director general along with the customs affairs comments.
5. The customs affairs applies the regulations and instructions regulating the evidence of origin on the imported consignments whether dutiable or exempted.

Air port

Import procedure:

1. The Customs broker enters the consignment information into the computer in accordance with the documents submitted by the owner of the goods and prints an initial import declaration.
2. The customs group supervisor verifies that the consignment documents are complete, requests preparing the consignment, and refers it to the customs inspector for examination.
3. The customs inspector examines the consignment, matches the imported goods against the attached documents, and verifies that it is free from any prohibited items, restrictions or remarks on the consignment. Then he signs and refers the documents to the group supervisor.
4. The customs group supervisor reviews the consignment documents. If there are no remarks on the consignment, he electronically transmits it to the bank for collection of the customs duties.
5. The customs broker pays the customs duties to the bank. The consignment is then transmitted electronically from the bank to the release unit.
6. The release unit prints the customs declaration after payment of the customs duties by the customs broker. The customs broker will receive a goods release notification together with a copy of the customs declaration.
7. The customs broker checks with the customs security to obtain an entry card to allow the truck enter the customs area. He receives the entry card and checks with the vehicle entry gate to identify the vehicle and have information on both driver and vehicle.
8. The customs security officer at the gate receives the release notification from the driver and allows the consignment to leave out after verifying that its customs procedures are complete.

Sea port

Import by sea:

- a) Any goods imported into the country by sea shall be registered in the manifest.
 - B) A single manifest for the whole load signed by the shipmaster shall be made which shall contain the following information:
 - I. Name and nationality of the ship and its registered load.
 - ii. Types of the goods, total weight thereof and the weight of bulk goods, if any .If goods are prohibited, their actual description shall be mentioned.
 - iii. Number of packages and pieces, description of packing, marks and numero
 - iv. Names of the consignor and consignee.
 - v. The seaports where the goods are shipped from (ports of loading).
 - c) When entering the customs zone, the shipmaster shall produce the original manifest to the competent authorities.
 - d) When the ship enters the harbour, the shipmaster shall submit to the customs office the following:
 1. The cargo manifest
 2. The manifest of the ship's supplies (logistics) and the crew's baggage and belongings.
 3. A list of the passengers' names.
 4. A list of the goods to be unloaded at this port.
 5. All the shipping documents which the customs office may require for application of the customs Laws.
 - e) Manifests and documents shall be submitted within sixty-three hours from the time the ship enters the seaport, excluding official holidays.
- If the manifest belongs to a ship (vessel) that does not make regular voyages or that does not have a forwarder at the port, or if it is a sail ship, then the manifest must be endorsed by the customs authorities at the shipping port.

5.5.4 SPS Requirements

Saudi Arabia has implemented a variety of sanitary and phytosanitary measures and has requirements that must be adhered to when exporting F&B to the country. Food import requirements in Saudi Arabia are administered by the SDFA, which requires a range of general and product specific requirements. Given the dynamics of the Saudi business and regulatory environment, it is strongly encouraged to establish contact and consult with a representative of the SDFA prior to and during market entry. This strategy is likely to require the close cooperation of an import partner or agent on the ground in Saudi Arabia and proficient in Arabic.

General Food Import Requirements in Saudi Arabia

Without Prejudice to the general import requirements stipulated in the Saudi Customs, the basic conditions for the importation of food include the following:

- ❑ Importers have already created an account with the SDFA and registered their product to be imported
- ❑ Imported food items comply with all regulations, requirements, technical regulations and standards applied in the KSA
- ❑ Importers must be Commercially Registered as part of the food trade sector
- ❑ The original invoice for the consignment shall be certified from the competent authority in the country of origin
- ❑ One or more of the following certificates (as applicable to product) shall be made available
 - Copy of Certificate of Origin
 - Original Halal Certificate
 - Original Certificate of Slaughtering for Meat and Poultry
 - Specific Documents or Certificates Requested by the SFDA

Supplemental Product Specific Requirements

Meat Products:

- ❑ Verify that your product is eligible for importation into the KSA based on country of origin

Food for Special Dietary Uses:

- ❑ Refer to and ensure compliance with following standards administered by the GSO
 - GSO 2233:2012 for Nutritional Labelling Requirements
 - GSO 654:1996 for General Requirements applicable to Pre-packaged Foods for Special Dietary Use
 - GSO CAC/GL 10:2009 for Advisory Lists of Nutrient Compounds for Use in Foods for Special Dietary Uses Intended for Infants and Young Children

Novel Foods:

- ❑ Scientific evidence deemed reliable by official bodies to confirm safety for human consumption, including acceptable daily intake, possible warnings in case of intake by high risk populations and warnings if a food ingredient has exceeded its recommended daily allowance

- ❑ Information on criteria upon which method of use has been based
- ❑ Ingredient analysis results from accredited labs confirming that the product is fit for human consumption and free from any health hazards
- ❑ Free Sale Certificate testifying that the product with same components and ingredients is freely sold in countries which apply Codex standards or EU legislations
- ❑ Pledge of full responsibility towards the product after its entry to the market and commitment to follow any relevant circulars, standards or regulations that the SFDA officially publishes

Genetically Modified Foods:

- ❑ Label indicating the use of modern biotechnology and that the food or some ingredients are genetically manipulated, clearly written in both Arabic and English
- ❑ Official certificate issued by competent authority confirming that foods intended for exportation to the KSA are allowed to be used and consumed in the country of origin
- ❑ Proof of compliance with Sharia law and all relevant derived standards in the KSA

Additional requirements apply to irradiated food products, subsidised F&B items and products intended for consumption by infants. A full description of food import requirements can be found through the SFDA's public web resource, accessible [here](#).

Saudi Food and Drug Authority

The WTO has provided an overview of these measures and requirements in its latest Trade Policy Review of Saudi Arabia:

3.66. During the review period, the institutional framework for sanitary and phytosanitary (SPS) requirement remained largely unchanged. The Saudi Food and Drug Authority (SFDA) is the national notification authority and enquiry point for SPS matters in the WTO. The SFDA is the competent authority for food and feedstuffs (including animal products for human consumption, e.g. meat and poultry meat), medicine, as well as for medical devices; and the Ministry of Agriculture for live animals, animal products, plants, and plant products.

3.67. Between 1 January 2012 and 31 December 2015, Saudi Arabia notified 134 regular and 33 emergency SPS measures to the WTO. Saudi Arabia considered that for 55 notified measures there was a relevant international standard and they conformed to that international standard. Apart from the emergency notifications, almost all notifications specified a 60-day period for public comment; for the rest, the authorities considered that a comment period was not applicable or practical. In addition, the authorities submitted a number of addenda during the period under review, providing additional information on previously notified SPS measures. Since the last review, concerns relating to import conditions for poultry have been discussed in the SPS Committee.

3.68. During the review period, Saudi Arabia maintained import bans on bovine meat, sheep and goat meat, poultry meat, and their products from a number of trading partners for a number of reasons (Table A3.3).

3.69. Saudi Arabia is a member of the World Organization for Animal Health (OIE), the Codex Alimentarius Commission, and a contracting party to the International Plant

Protection Convention (IPPC). With regard to animals, plants, and their products, SPS measures are harmonized at the GCC level under the Veterinary Quarantine Law and the Plant Quarantine Law, and the corresponding Executive Regulations provide details of their implementation in Saudi Arabia. Saudi Arabia maintains bilateral arrangements on SPS matters with Belgium, Brazil, Canada, Denmark, Djibouti, Ethiopia, France, India, Ireland, the Netherlands, Kenya, Pakistan, Sudan, Turkey, the United Arab Emirates (Abu Dhabi), and the United States.

3.70. All food, including imported food, must comply with the general requirement laid down in the Food Law²⁵ and specific standard requirements depending on the product.

3.71. All imports of live animals and products of animal origin (including animal products, animal offal, animal fodder, and animal biological preparations) from anywhere outside the GCC require import permits from the Ministry of Agriculture.

3.72. All imports of live animals and products of animal origin from non-GCC member States must be quarantined at the point of entry for a period of 21 to 30 days depending on the diseases and exporting countries in question. Imported animals for slaughter or breeding may be transported to their final destinations if all documentation conditions are met, and there is no suspicion of an epizootic or contagious disease. Imported sperm for industrial insemination and fetuses, and hen eggs for hatching are also allowed, subject to sampling and testing.

3.73. In addition to obtaining a commercial registration (Section 3.1.1), food importers must register with the SFDA and specify the food items that they import. All imports of food and animal products for human consumption are subject to import permits issued by the SFDA. For imports of meat and poultry meat, a Halal Certificate and an Islamic slaughter certificate are required for each consignment, in addition to other documentation generally required for customs clearance.

3.74. Imports of meat and poultry meat must only be sourced from the establishments on the list maintained by the SFDA. This list can be consulted by sector or by country. Establishments that wish to supply meat and poultry meat to Saudi Arabia must apply for approval from the SFDA; the approval process involves an evaluation including an on-site audit by the SFDA. If the evaluation outcome is satisfactory, the SFDA grants an approval certificate to the establishment in question; the approval certificate is valid for five years, and renewable. The inspection and approval fees are borne by the individual establishment. Since 9 March 2014, the SFDA has begun to delegate to the competent authority of the exporting country to approve establishments on the list, provided that the competent authority of the exporting country signs bilateral minutes with the SFDA and assures compliance with the GSO standards. The authorities indicated that the delegation to the competent authority of the exporting country is a trade facilitating measure, and the measure has been notified to the WTO.

3.75. With regard to the maximum residues levels (MRLs) of pesticides, Saudi Arabia adopts the Saudi and GCC standards of MRLs. If an MRL does not exist, a reference must be made to the Codex Alimentarius standard; if an MRL is not indicated in the Saudi/GCC/Codex standards, a reference may be made to the EU or the US standard, whichever is lower.

3.76. All imports of food are subject to inspection at the border inspection posts (BIPs). The inspection involves documentary, identity, and physical checks. If needed, the imported food may be referred to an authorized laboratory for additional tests; under this scenario, the import will be held indefinitely until the final decision is taken. The authorities indicated that in the case of compliance, imported food is usually cleared by customs within one day.

3.77. The GCC rapid alert system for food (GRASF) operates to allow food and feed authorities of GCC member countries to exchange information on existing direct or

indirect risks to consumers' health. According to the authorities, GRASF functions in a similar way to the Rapid Alert System for Food and Feed of the European Union.

3.78. Under the GCC Plant Quarantine Law and its Executive Regulations in Saudi Arabia, phytosanitary requirements are applied to: plants, plant products, beneficial organisms, and regulated articles. All plants or plant products contaminated with pests listed in the "approved united pest list of the GCC" are prohibited from importation. The list is published on the Ministry of Agriculture portal; the Ministry of Agriculture has the authority to amend the list. In addition, all types of palm trees and their derivatives (except dates), plants, and products of anaesthetic types, or poisonous types are prohibited from importation. Furthermore, natural soil and natural organic fertilisers may not be imported into Saudi Arabia.

3.79. Importers of plants and plant products are required to apply for import permits issued by the Ministry of Agriculture. In order to apply for an import permit, importers must provide a phytosanitary certificate as well as a country of origin certificate issued by the exporting country. Usually, it can take up to three working days to process the request and issue an import permit. The authorities indicated that no applications for import permits were rejected during the review period.

3.80. All imports of plants and their products must be inspected at the point of entry into Saudi Arabia. There are no inspection fees or other treatment fees imposed on imports of plants and plant products, although the Executive Regulation of the GCC Quarantine Law provides for the possibility of such fees. Samples may be taken from suspected consignments and delivered to a laboratory for further testing. In practice, it takes two to seven days to complete a lab testing; the lab test cost is borne by the authorities, or by the importer, dependent on the imported plant species. Depending on the test result, the imports may be subject to quarantine treatments, re-export, or destruction.

3.81. During the period under review, the Organic Agriculture Act was issued. The Department for Organic Agriculture, under the Ministry of Agriculture, maintains and updates regularly a positive list of inputs and their characteristics (including fertilizers, soil conditioner, plant protection materials, food additives, etc.) which are in compliance with the Act. Agricultural products (including fresh and processed products and agricultural production inputs for organic farming activities) that comply with the Saudi organic farming law may be marketed as "organic", using a Saudi national logo for organic agricultural products or for organic production inputs. Producers of organic products are subject to compliance checks, at least once a year; the compliance checks are carried out by private bodies designated by the Department. Organic producers may face removal from the authorization list if severe infringement is found during the compliance check. According to the authorities, imported products may also be marketed as "organic" only when they meet the requirements of the law and are approved by the Department.

3.82. Imports of GM food must be accompanied by a certificate issued from the competent authority of the exporting country, confirming that the GM food in question is allowed to be consumed in the country of origin. Labelling of GM food follows a positive labelling approach, i.e. all ingredients must be indicated in the labels. Under the Council of Ministers Cable No. 7/5/2911 (dated 16/1/1425H - 7 March 2004), genetically modified dates, seeds, seedlings, and ornamental plants are banned from importation to Saudi Arabia

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The following is a list of products that were banned by SPS measures in Saudi Arabia **during the period of 2012 – 2015** and the reasons for the bans:

Table 2) Recent Agri-food Product Import Bans in Saudi Arabia

HS No	Description of products	Nature of SPS Measure	Affected WTO Members and non-WTO members
201 202 2060200 20602001 2066200 2062900 15020010 16025010 16025090 16029010 16029021 16029030 16030010	All types of bovine meat and its products	Banned because of BSE (Bovine Spongiform Encephalopathy)	All EU countries (except the Netherland; Ireland; Denmark; France); Switzerland; Japan; and the United States
201 202 2060200 20602001 2066200 2062900 15020010 16025010 16025090 16029010 16029021 16029030 16030010	All types of bovine meat and its products	Banned because of FMD (Foot and Mouth Disease)	All African countries (except Ethiopia; Tunisia; Djibouti; Sudan; Kenya); China; Malaysia; Yemen; Iran, Chinese Taipei; Lebanon; Bahrain, Kingdom of; Kuwait, the State of; Palestine; Syrian Arab Republic; Cyprus; North Korea; Myanmar; Kazakhstan; Korea, Rep. of; Japan; Mongolia; Russian Federation; Tajikistan; Bangladesh; Paraguay; and Egypt
204 2068010 2068090 2069011 2069012 2069019 2069090	All types of sheep and goat meat and their products	Banned because of FMD (Foot and Mouth Disease)	All African countries (except Ethiopia; Tunisia; Djibouti; Sudan; Kenya); China; Malaysia; Yemen; Chinese Taipei; Lebanon; Bahrain, Kingdom of; Kuwait, the Sate of; Palestine; Syrian Arab Republic; Cyprus; North Korea; Myanmar; Kazakhstan; Korea, Rep. of; Japan; Mongolia; Russian Federation; Tajikistan; Bangladesh; Paraguay; and Egypt
204	All types of sheep and goat meat and their products	Banned because of Scrapie virus	All EU countries and Palestine
207 407	Poultry meat and its products	Banned because of Avian Influenza with the exception of thermally treated poultry products	Japan; Korea, Rep. of; Viet Nam; China; Thailand; Hong Kong, China; Lao PDR, Cambodia; Indonesia, Russian Federation; Kazakhstan; Mongolia, Azerbaijan, Bulgaria, Slovenia; Greece; Germany; India; Iran; Nigeria; Iraq; Bosnia and Herzegovina; Burkina Faso; Côte d'Ivoire; Niger; Afghanistan; Cameroon; Sudan, Serbia; Montenegro; Djibouti; Bangladesh; Ukraine and the United Kingdom, Egypt; Turkey; Myanmar; Netherlands; Italy; South Africa; Canada; Mexico; Ghana; Nepal; Libya; Palestine; Chinese Taipei; the United States; and Bhutan

World Trade Organisation

For the latest up-to-date information regarding your specific product, it is strongly recommended to consult with a knowledgeable import partner regarding entry status and procedures. The SDFA maintains publicly accessible resources and import counselling tools to help you understand the market access status and requirements for your specific product. SDFA market access counselling resources can be accessed [here](#).

5.5.5 Labelling Requirements

- Labelling of products is required in both Arabic and English. Labelling only in English is permitted for marketing test purposes only on a case-by-case basis.
- Labelling on products must include the following information in both Arabic and English:
 - Product name
 - Country of origin

- Producer's name and address
- Production date
- Expiry/use by dates
- All imported products and documents must show use metric units of measurement
- Imports of GM food must be accompanied by a certificate issued from the competent authority of the exporting country, confirming that the GM food in question is allowed to be consumed in the country of origin. Labelling of GM food follows a positive labelling approach, i.e. all ingredients must be indicated in the labels. Under the Council of Ministers Cable No. 7/5/2911 (dated 16/1/1425H - 7 March 2004), genetically modified dates, seeds, seedlings, and ornamental plants are banned from importation to Saudi Arabia
- Meat products imported into Saudi Arabia must have a Certificate of Islamic (Halal) Slaughter and must bear a Halal label. The certificate and Halal label may be obtained from a member of an Islamic organisation that is approved by the World Muslim League. The regulations regarding imported meat in Saudi Arabia are stringent and the authenticity of the *halal* nature of the meat is scrutinised.

5.6 Saudi Arabia and International Trade in F&B

Saudi Arabia has trade agreements with a number of countries and regional entities. First and foremost, it is a member of the GCC and is therefore part of the Customs Union signed on 1 January 2003 with the other members: Kuwait, Qatar, Bahrain, the UAE, and Oman.

Saudi Arabia is also one of the founders of the Greater Arab Free Trade Area (GAFTA) in 1997. The GAFTA facilitates regional trade between 14 member states through harmonisation of customs procedures and tariffs, transparency and information sharing.

Saudi Arabia and the United States signed a Trade and Investment Framework Agreement (TIFA) in 2003 leading to the establishment of legal protections for investors, improvements in intellectual property protection, more transparent and efficient customs procedures, and greater transparency in government and commercial regulations.⁴⁷

The country is also a beneficiary of Generalised System of Preferences (GSP) with New Zealand (1972), Switzerland (1972) Australia (1974), Turkey (2002), Kazakhstan (2010), and Russia (2010).⁴⁸

Saudi Arabia is one of the founding members of the League of Arab States, founded in 1945. The League of Arab States is a regional coordinating body and administers several pan-Arab institutions, including the Council of Arab Economic Unity (CAEU). The CAEU facilitates commerce and economic growth through a more coordinated policy formation and implementation, including across areas such as customs, import and export policies and transit of goods.

⁴⁷ International Trade Administration. Saudi Arabia – Trade Agreements. November 2016. Available at <https://www.export.gov/article?id=Saudi-Arabia-Trade-Agreements>

⁴⁸ UNCTAD. Generalised System of Preferences: List of Beneficiaries. 2015. Available at http://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6_en.pdf.

5.6.1 Saudi Arabia at the WTO

Saudi Arabia has been a member of the WTO since 11 December 2005. The country has been involved in 32 disputes at the WTO regarding a variety of issues from anti-dumping to measures related to renewable energy. In each case it acted as a third party, never as a complainant nor as a respondent.

The WTO's most recent Trade Policy Review of Saudi Arabia may be accessed [here](#), with a brief summary of the Trade Policy Review available [here](#). Here is an outline of the main points:

- Tenth Development Plan (2015-2019): government is seeking to diversify the economy and alleviate the ongoing heavy reliance on oil. Mining, petrochemicals, gas, and communications were removed from the list of sectors where foreign investment was not allowed. In addition, different industries are set to expand geographically.
- Nitaqat programme: requires enterprises to meet quotas for employment. It also intends to increase female participation in the workforce.
- Trade policy is unchanged, however, procedures for importing and exporting are complicated. Steps are being taken to simplify customs procedures, including the introduction of the Electronic Data Interchange system which allows electronic submission and processing of import declarations. There are also steps being taken to introduce a single window for customs procedures operating in the Jeddah Islamic Seaport Customs Office.
- The GSO has developed standards and technical regulations applicable throughout the GCC. One new regulation is that imports of live animals and products of animal origin from outside the GCC must be quarantined for 21-30 days depending on the country of origin.
- Agricultural policy has sought to make more efficient use of resources in the country. The Council of Ministers has approved the regulatory arrangement to privatise the Grain Silos and Feed Mills Organisation (GSFMO), replaced by the newly-created Saudi Grain Organisation (SAGO). Feed subsidies are now provided for poultry producers and the Agricultural Development Fund provides interest free loans and a repayment subsidy of up to 25% of the loan value.
- Regulation of the financial sector by the Saudi Arabia Monetary Agency (SAMA), and the Capital Markets Authority (CMA) have helped insulate the sector from shocks and all banks met Basel III capital adequacy requirements in 2014. 48 percent of banks are compliant with Sharia law. Foreign banks may operate in Saudi Arabia either as locally incorporated joint-stock companies (up to 60 percent may be foreign) or as branches of international banks.

5.7 Saudi Arabia at the GCC 6

Due to the upheavals of the Middle East in the 1970s and 1980s, including revolution in Iran, the Iran-Iraq war, radical regimes in certain Arab states, and the effect of Cold War tensions on the region, the Gulf States felt motivated to form a cooperation pact with one another to offset the regional instability. The Gulf Cooperation Council was founded in May 1981 in Abu Dhabi as a result. The Council includes Saudi Arabia, Oman, Qatar, Bahrain, Kuwait and the UAE.

When the GCC was first established in 1981, the total GDP of all 6 members states was \$260 billion (232.7€ billion). By 2013, this figure had risen to \$1.4 trillion (1.3€ trillion). GDP per capita increased by around 70 per cent between these years. The great majority of revenues of all of the member states comes from exporting oil and natural gas.

Saudi Arabia is by far the largest state in the GCC and holds the greatest economic power. It accounts for 75 per cent of the total population of the GCC. In 2013, Saudi Arabia contributed to 46 per cent of the total GDP of the GCC. The country holds 55 per cent of GCC oil reserves. Saudi Arabia is therefore an important bellwether and leader for the remainder of the region through its trade, investments and financial linkages. In addition, the size of the country and its prominent religious status throughout the region and the “Islamic world” confer an important influence.

There is a substantial degree of intra-dependency among the economies of the GCC since its establishment. The reliance on Saudi Arabia for the overall growth in the economies of the GCC member states has been empirically tested and proven thanks to the size of its economy and the financial and economic linkages that the country has formed with its neighbouring states through the GCC, thus leading to positive economic spill over effects.

5.7.1 GCC Trademark Law

The GCC Trademark Law is the outcome of around 20 years of negotiations between the member states on a unified trademark law. This is not, however, a unitary law like the GCC Patent Law (i.e. each member state will have to implement the regulations of the GCC Trademark Law themselves and each member state will retain sovereignty over decisions on trademark applications and disputes). The law was concluded in 2007 and was formally adopted in Saudi Arabia on 29 September 2016. Its practical application, however, is still in the works.

As mentioned in Section 4.4.2, there will be changes to the official fees of registering trademarks. In addition, the opposition period for parties to submit an objection has changed from 90 to 60 days. The list of registrable trademarks has been expanded to include unconventional trademarks too.

Within the framework of the Saudi Trademark system, there is no provision that makes the ownership of trademark incontestable after a certain period of time. Under the GCC Trademark Law, Article 7 “provides that ownership of a trademark cannot be disputed if the trademark is registered and combined with use for at least five years without any legal action taken against it” and it also “further clarifies that registration can be disputed with 5 years of registration by prior user”. This would set a precedent within trademark legislation in Saudi Arabia that there would be legislative recognition of prior user rights. This would have an indubitable impact on the nature of trademark disputes in Saudi Arabia.

The GCC Trademark Law will also provide the option to Saudi Arabia to protect geographical indications.

As mentioned before, there is no binding system of precedent in Saudi Arabia with regards to registering trademarks based on prior use rights, however, one expects to see changes being implemented under the GCC Trademark Law.

5.7.2 Future of GCC 6

As with any regional political union, the GCC has solid foundations of collaboration, but also instances of confrontation that arise to varying degrees from time to time.

From the **economic perspective**, the cooperation between the GCC member states has all but yielded positive results throughout its history and intra-GCC trade has contributed to the economic growth of all member states. The GCC Customs Union put into effect on 1 January 2015 has led to the further integration of the economies of the member states.

Transportation is a vital component of the growing economies ties between GCC member states and much has been invested in the transport infrastructure of the region. In addition, a GCC Railway Network is under construction and is expected to be completed by 2020.

Food insecurity is an issue shared among GCC states due to the lack of arable land in the region. Member states are reliant on food imports as around 80 per cent of food in the region is bought from abroad. One example of a regional initiative to tackle the issue of food insecurity is the development of a GCC grain reserve.

The idea of a monetary union and the introduction of a shared currency among the 6 GCC member states has been on the table since the very establishment of the GCC. Nevertheless, it has been met by opposition, especially from Oman and the UAE, and has been generally perceived as an initiative that panders to the interest of Saudi Arabia since it holds the greatest economic power out of all the member states. No significant developments have taken place since 2013.

The main problem that faces the GCC from the point of view of the economy is the heavy reliance on oil and the susceptibility to the fluctuations in oil prices. Periods of low oil prices stunt economic growth in GCC countries

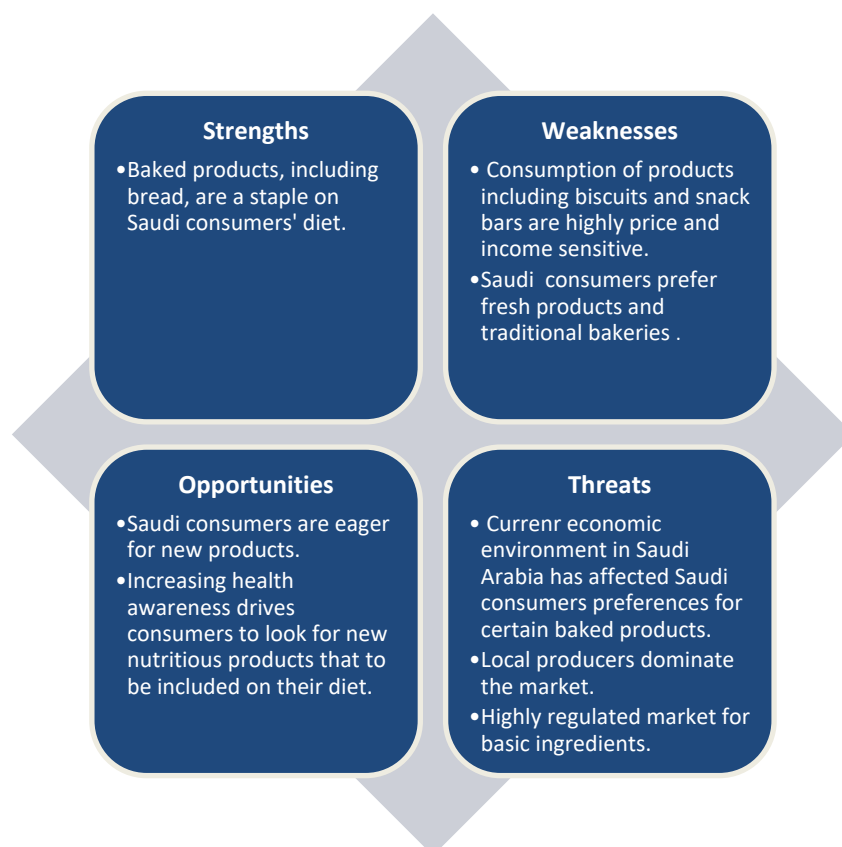
Geopolitical issues provide opportunities for cooperation, but also represent risks to GCC unity. The main issue that has led to collaboration is the Yemeni Civil War. However, the Syrian Civil War and relations with Iran are more ambiguous cases. The recent diplomatic crisis between Qatar and the rest of the GCC members is a manifestation of a number of underlying geopolitical problems that have come to the fore. This crisis will test the resolve of GCC unity.

6. Market Snapshots

This section provides product-specific information for 14 categories of F&B and agricultural products exported by the EU to Saudi Arabia. Each Market Snapshot contains the latest available information on consumption, production and retail trends for F&B products in Saudi Arabia. Likewise, each Market Snapshot reviews Saudi Arabia and the EU's trade profile for each covered product, as well as specific market entry requirements and anticipated trends, growth opportunities and challenges.



6.1 Market Snapshot: Baked Goods



6.1.1 Consumption

Saudi Arabia is the 20th largest market of bakery products worldwide. In 2015, the total value of retail sales for bakery products reached 4.38 billion EUR.⁴⁹ Products range from bread, cakes, biscuits, dessert mixes, pastries and frozen baked goods products.

Economic downturn in Saudi Arabia has led to a decline in consumers' purchasing power, as well as increase of price level. Consumption of products such as biscuits and snack bars has declined, given its higher price and position as premium goods.

Sales of bakery products in Saudi Arabia is estimated to grow consistently through to 2020. Saudi Arabian consumers are becoming increasingly sophisticated in their knowledge of health and wellness food products and seeking to alter their diet. At the same time, cross-cutting consumer trends emphasising greater health and nutritional awareness are expected to drive an increase in demand for whole wheat, reduced-sugar, and gluten-free bakery products.

Figure 23) Saudi Arabian flatbread



⁴⁹ "Bakery Products in Saudi Arabia" Agriculture and Agri-food Canada April 2016 Available at <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6881-eng.pdf>

6.1.1.1 Consumer Profile and Trends

Saudi Arabians enjoy eating baked products of all kinds. Bread is a staple of the Saudi daily diet and is eaten along with many meals, in particular several options of flat bread are available such as “Kimaje”. This bread is traditionally served warm from the oven and is used to scoop up food in meals, such as traditional Saudi dish Chicken Kabsa. The most important product besides flat bread is Samoli. This is a type of hot dog bun which is offered in small bakeries as well as in larger outlets.

Saudi Arabians prefer fresh products, therefore artisanal and independent bakers dominate the markets with an estimated two-thirds of overall market share.⁵⁰

Demand for sweet baked products, including cookies, cakes pastries and biscuits have increased significantly. Western options are popular in this regard, and are widely available of the processed bakery selection in supermarket stores, while others cater for specific regional taste. Examples include a preference towards toffee, caramel and mango flavours. Traditional Middle Eastern ingredients are dates and sesame, often used in many of their pastries, semolina, dough, butter, syrup and honey. Maamoul pastries, treats are filled with dates, pistachios or walnuts, are widely available and enjoyed by most of the Saudi population.

Fruit snacks and snack bars are considered a high-end product, are relatively more expensive and have little popularity among the average Saudi consumer.

The general trend towards health-consciousness manifests itself also in the baked goods sector as in recent years there has been growing demand for better and more sophisticated products that are good for health.

At the same time, consumption patterns in Saudi Arabia are likely to differ from other markets. For example, Saudi consumers enjoy many universally known sweet baked goods with different patterns of consumption. Cookies are consumed throughout the day. Saudi Arabians perceive oat cookies to be healthy and low-fat. Cakes and cupcakes are consumed on special occasions or as treats. Biscuits, on the other hand, are consumed between meals throughout the day. Croissants are part of Saudi Arabians breakfast, and are also consumed throughout the day.

Figure 24) Baked Goods on Offer in Saudi Arabia



⁵⁰ “Bakery Products in Saudi Arabia” Agriculture and Agri-food Canada April 20167 available at <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6881-eng.pdf>

6.1.1.2 Cultural Sensitivities

Artisanal products are preferred by Saudi consumers, where independent bakeries are frequented to buy bread daily, and a number of everyday bakery products such as cakes and traditional pastries. During Islamic festivities such as Ramadan, sales increase massively. Saudis value traditional bakery shops, and that the products they offer are “fresh of the oven”.

Saudi consumers look for innovative products. Mainly, their preferences over food products are made on base of packaging appearance, convenience, taste and product ingredients.⁵¹

6.1.1.3 Challenges for EU Products

Local players, including artisanal producers and large manufacturers dominate the market. Flour and bread are highly subsidized, and bread and flour prices are fixed, creating a challenging environment for bakery companies, which offer a diversified product range of value-added products in order to capitalize on more profitable bakery market segments.⁵²

Aggressive marketing campaigns have been implemented by local and international manufacturers of packaged bakery products marketing campaigns to promote their products and attract new customers. Products such as snack bars and fruit snacks are considered premium products, and consumers that acquire these are highly sensitive to price and income changes.

6.1.2 Offer

6.1.2.1 Domestic offer

Bread and Baked goods

Saudi Arabian baked goods production is largely dominated by independent and traditional bakeries, which account for nearly half of the overall market share.⁵³ Since products like flour and bread have a regulated fixed price, bakery companies offer an expanded product range of value added products in order to capitalize on more profitable bakery market segments.⁵⁴

Almarai Co Ltd, is a major manufacturer of baked goods, with a portfolio that includes all type of baked products from muffins, bread and burger buns to croissants, Swiss rolls and cake bars. Almarai Co Ltd owes its market dominance

⁵¹ “Bakery Products in Saudi Arabia” Agriculture and Agri-food Canada April 20167 available at <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6881-eng.pdf>

⁵² “Saudi Boosts Food Security as it shuts down Wheat Industry” Farrelly & Mitchell Food and Agri-Business specialists November 2014 available at <https://farrellymitchell.com/wp-content/uploads/2014/11/Insights-November-2014-2.pdf>

⁵³ “Sector Trend Analysis Bakery Products in Saudi Arabia” Agriculture and Agri-food Canada 2017 available at <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6881-eng.pdf>

⁵⁴ “Saudi Boosts Food Security as it Shuts Down Wheat Industry” Farrelly & Mitchell Food and Agri-Business specialists November 2014 available at: <https://farrellymitchell.com/wp-content/uploads/2014/11/Insights-November-2014-2.pdf>

to its massive distribution network, which allows the company to offer fresh products to Saudi consumers on a daily basis.⁵⁵

Almarai entered the bakery category in 2007. It offers over 650 products for 18 million dairy consumers. Almarai produces and distributed baked goods by its brands 'L'usine' and '7 Days' (a joint venture with Chipita (a Greek company) and Olayan Group). L'usine' offers baked products including cupcakes (4 flavours: caramel, chocolate, strawberry, vanilla), proposed as breakfast or snacking options. Almarai's bread lines include white sandwich wraps, white and brown sandwich squares and multigrain breads. Burger buns and sandwich rolls complement its bread selection. Cream cheese, chocolate, apple puffs and cheese croissant complement its selection of snacks. The cheese and zaatar croissant, sprinkled with local herbs similar to oregano, represent a good example of an international product adapted to the local taste. L'usine is built around values of freshness, quality, consistency and wholesome nutrition. According to Almarai's 2016 performance report, L'usine's key products in this period were white bread, milk bread and cream cheese sandwiches. This brand registered a growth of 16.3 per cent when compared to 2015.⁵⁶

Through its brand '7 Days', Almarai caters a whole variety of baked products and sweets, such as croissants, swiss rolls, cake bars, wafer sticks and apple strudel. These products are sold on convenient packages for snacking throughout the day.

Given its prospective growth, Almarai plans to introduce new product types and flavours for its bakery division in the near future.

Saudi Masterbakers Ltd is a global Saudi Arabian business, which exports to the U.K., South Africa, Canada, Yemen, the Gulf countries, Iraq and Syria. Saudi Arabia remains its center for manufacturing most of its products. Through its varied brands, the company covers a wide variety of baked products and delicacies, focusing both on local products as well as western-influenced products.

The Switz brand produces slice cakes, cupcakes, rusk, croissants, fruit cakes, sandwiches, donuts etc. The brand is mostly famous for its sambosa leaves, a ready-cut pastry used for all type of fillings. This is a very popular product in the region with peaks on consumption during Ramadan. The brand Bint Albadad is focused on traditional sambosa leaves, with extended shelf life of up to 1 year in frozen conditions.

The brand Garamesh Rusk focuses on rusk with shelf life of up to 1 year, and its market leader in this category in Saudi Arabia. Finally, the Nahool Cake brand focuses on cream-filled cakes for children, and the Sabahoo brand focuses on pastries.

⁵⁵ "Almarai Annual Report 2016" available at <http://annualreport2016-en.almarai.com/wp-content/uploads/Almarai-Annual-Report-English-2016.pdf>

⁵⁶ Ibid.

Figure 25) Baked Goods, including At-home Mix Preparations, are often Displayed near Confectionary and Chocolate Products in Saudi Arabia



Gulf Catering Co was established in Riyadh in 1986 and owns production facilities in Saudi Arabia's main cities: Riyadh, Jeddah and Dammam. It is well known for its food catering services; however its baked products have also become quite popular. These are affordable products that emphasise value for money. Gulf Catering Co provides pre-packaged products for schools and supermarkets through its brand Kako and Pronto. Products range from pre-packaged croissants, puff pastries, fresh sandwiches, cakes, donuts, popcorn, puff pastries, and school packed meals.

Biscuits, cookies and snack bars

The market is largely dominated by international brands, including Locker SpA, A⁵⁷ and Mondelez Eastern, Europe, Middle East & Africa FZE.

Locker was founded in 1925, and they have successfully expanded their business in more than 100 countries. Locker represents an example of successful EU family

business, its second market after Italy according to sold quantities is Saudi Arabia. Their main products are wafer and chocolate specialities, its main message is 'quality from nature'.

Mondelez it's one of the largest snack companies in the world. Mondelez Eastern caters snacks such as biscuits, chocolate, gum, candy, powdered drinks in the Middle East. Featured brands include Belvita and Chips Ahoy biscuits, Cadbury chocolate, Philadelphia spread cheese, Tang powdered beverage etc. Mondelez partnered with the local Olayan Group in 2013 for responding to increasing

⁵⁷ Saudi Arabia is the second largest market in terms of volume of sales for Locker SpA, A. source available at <http://www.locker.com/en/company/about-us/locker-overview/>

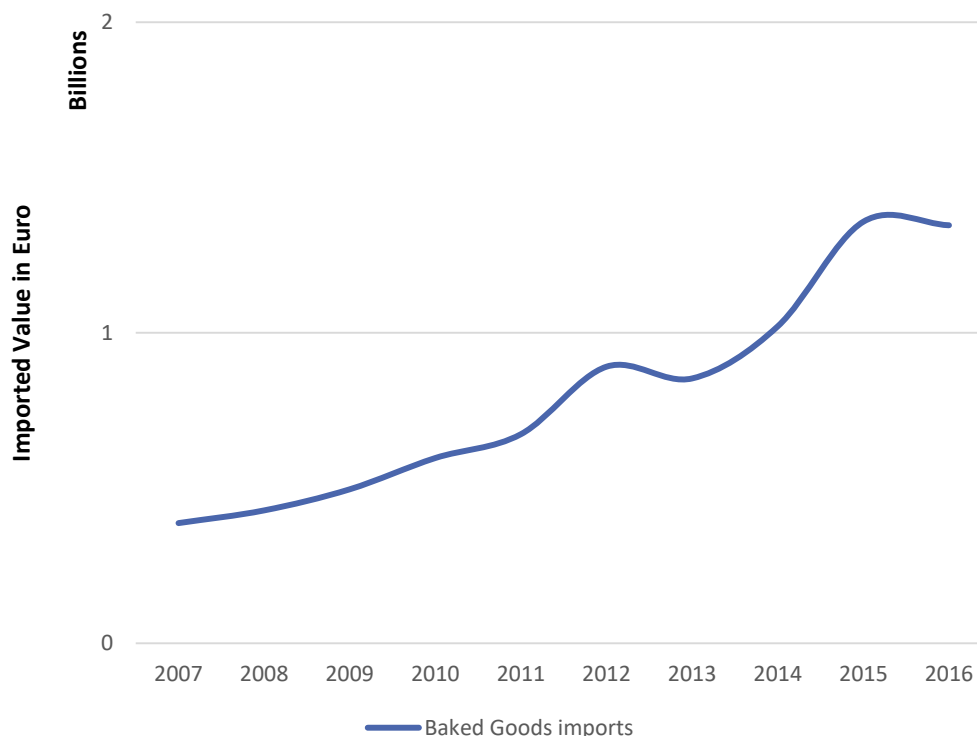


demand in the Kingdom.⁵⁸ Mondelez and its predecessor, Kraft Foods, is a well-established brand in Saudi Arabia, having sold its first can of cheese in this country in 1912.⁵⁹

6.1.2.2 Import

Imports of baked products in 2016 Saudi Arabia reached 550.8 million EUR ⁶⁰. Main countries of import origins are United Arab Emirates, Italy, United States of America, Turkey, Poland, Belgium and the United Kingdom.⁶¹ The highest tariff for importing baked products to Saudi Arabia- 5 per cent is applied by Iran.⁶²

Figure 26) Total imported value of baked goods to Saudi Arabia 2007 - 2016



© International Trade Centre⁶³

Table 3: Total imported value of baked goods to Saudi Arabia 2016

Exporters	Value imported in 2016 (Thousand Euros)
World	472559
United Arab Emirates	80166
Italy	55798
United States of America	42578

⁵⁸“Olayan Enters JV With Mondelez, Algosaiibi” January 2013 available at: <https://olayan.com/olayan-enters-jv-mondelez-algosaiibi>.

⁵⁹Mondelez corporate website available at: <http://ir.mondelezinternational.com/releasedetail.cfm?releaseid=873996>.

⁶⁰ Calculated using ITC Trade statistics. Baked products are defined using the following HS code: 1904, 1905. ITC Trade Map, International Trade Centre, www.trademap.org.

⁶¹ Ibid.

⁶² Ibid.

⁶³ Ibid.

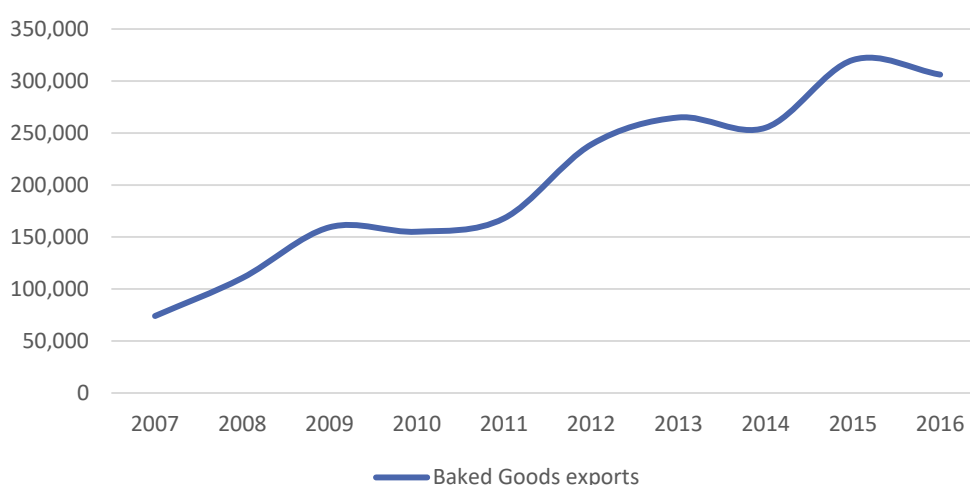
Turkey	39651
Poland	27869
Belgium	25378
United Kingdom	19696
Oman	16772
Bahrain	16199

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6.1.2.3 Export

Saudi Arabian bakery goods export destinations are mainly countries the Persian Gulf and Northern Africa, including United Arab Emirates, Kuwait and Jordan.

Figure 27) Exported value of baked goods to Saudi Arabia 2007 - 2016



© International Trade Centre⁶⁵

Companies like Almarai, have presence in several of the Persian Gulf and Northern African countries, like and Bahrain, Egypt, Jordan, Kuwait, Oman, Qatar, and the UAE. The company also has manufacturing 'plants in Egypt and Jordan, in addition to Saudi Arabia.

Table 4: Total imported value of baked goods to Saudi Arabia 2016

Importers	Value exported in 2016 (Thousand Euros)
World	296906
United Arab Emirates	95236
Kuwait	41416
Jordan	37131
Qatar	32461
Oman	25857

⁶⁴ ITC Trade Map, International Trade Centre, www.trademap.org.

⁶⁵ Ibid.

Bahrain	18296
Lebanon	11266
Iraq	10082
Yemen	7414

© International Trade Centre⁶⁶

6.1.2.4 Challenges for EU Products

Local and traditional manufacturers have a strong market and production share for baked products. In addition, even though Saudi consumers constantly look for innovative and new products, they also have a strong preference for traditional bakeries, which account for a vast majority of the market share.

Even though the number of supermarkets and hypermarkets in the country is consistently growing, baked products outlets are mostly traditional bakeries or stores. This challenges producers to building an efficient supply chain in order of maintaining fresh out of the oven products for Saudi consumers.

6.1.3 Specific Import Requirements

SASO is the only Saudi organization responsible for setting national standards for commodities and products, measurements, testing methods, meteorological symbols and terminology, commodity definitions, safety measures, and environmental testing, as well as other subjects approved by the organization's Board of Directors. While standards are set by SASO, the laboratories of the Saudi Ministry of Commerce and Ministry of Commerce and Investment perform sample testing of all processed and packaged food items at various ports of entry. The Saudi Ministry of Municipality and Rural Affairs Environmental Control Department tests foodstuffs at points of sale for product safety standards.⁶⁷

The Saudi Food and Drug Authority (SFDA) was established under the Council of Ministers resolution no (1) dated January 1, 2003, as an independent body that directly reports to the Prime Minister. The Authority objective is to ensure safety of food and drugs for humans and animals, and safety of biological and chemical substances as well as medical and electronic products. Saudi food standards are based mainly on Codex Alimentarius regulations and to some extent on European and U.S. standards but modified to reflect local conditions.

While standards are set by SASO, the Saudi Ministry of Commerce and Investment Laboratories do testing of all processed and packaged food items at various ports of entry. The Saudi Ministry of Municipality and Rural Affairs' Environmental Control Department tests foodstuffs at the point of sale for product safety standards.

The Saudi Food and Drug Authority is responsible for regulating, overseeing, and controlling food, drug, medical devices, as well as setting mandatory standard specifications thereof, whether they are imported or locally manufactured. The control and/or testing activities can be conducted at the SFDA or any other agency's laboratories. Moreover, the SFDA is in charge of consumers' awareness

⁶⁶ ITC Trade Map, International Trade Centre, www.trademap.org.

⁶⁷ "Saudi Arabia Country Commercial Guide" U.S. Department of Commerce's International Trade Administration 2016 available at <https://www.export.gov/article?id=Saudi-Arabia-trade-standards>

on all matters related to food, drug and medical devices and associated other products and supplies.

Bakery products must comply with food packaging requirements established by the GCC Standardization Organization (GSO), including packaging and container requirements established under the GSO 839: 1997 standard⁶⁸, and labelling requirements established under the GSO 9:2013⁶⁹ standard.

6.1.4 Distribution

Artisanal bakeries are losing share to packaged food manufacturers that are able to expand and innovate within its product range and distribution network. However, many supermarkets are not integrating in-house bakeries that are able to offer fresh baked products to their customers.

Traditional grocery retail is estimated to account for around half of all baked goods sales in Saudi Arabia. It is the largest retail channel for off trade bakery sales. This dominance in market share is largely due to sales of unpackaged breads, cakes, and pastries. However, modern grocers, such as supermarkets and hypermarkets, are growing rapidly. Modern groceries sales are consistently and popular with consumers as a convenience-oriented option with greater diversity of products on offer.⁷⁰

Mills are all state-owned and flour is subsidized by the government, in addition, the standard flat bread in Saudi Arabia must be offered at a fixed price. This is a challenge for companies to achieve product profitability and therefore companies try to offer higher quality products such as sandwich bread and hamburger buns in order to extend their profit margins. The flour qualities deviate which creates problems, in particular, for smaller bakeries and shops found in the supermarkets. Flat bread is only consumed when fresh. Packed bread must have a shelf life ranging from seven to 12 days or more.

6.1.5 Summary

Saudi Arabia is the 20th largest market of bakery products worldwide. Bread and bakery products are a staple on Saudi Arabians diet. Saudi Arabians enjoy eating baked products of all kinds. Bread is a staple of the Saudi daily diet and is eaten along with many meals. Demand for sweet baked products, including cookies, cakes pastries and biscuits have increased significantly. Western options are popular in this regard, and are widely available of the processed bakery selection in supermarket stores, while others cater for specific regional taste.

⁶⁸ The GSO 839: 1997 standard is concerned with the general requirements for all packages of food materials, including metal, glass, plastic, paper, carton, multi-layered textile, and wood packages, in addition to any other materials for packaging foodstuffs. "GSO 839:1997 - Food packages - Part 1: General requirements" available at <https://www.gso.org.sa/store/gso/standards/GSO:486245/GSO%20839:1997>

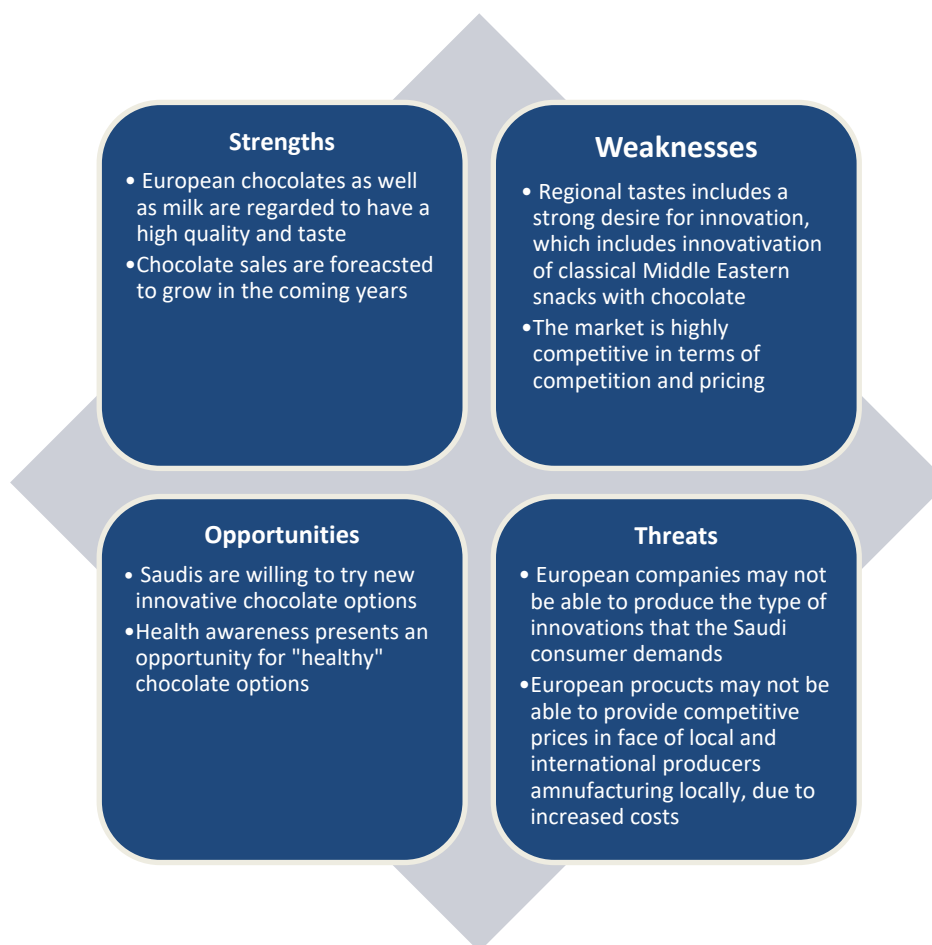
⁶⁹ This GSO 9:2013 standard is concerned with the labelling of all pre-packaged foods and to requirements relating to the presentation thereof. "GSO 9:2013 Labeling of pre-packaged food stuffs" available at <https://www.gso.org.sa/store/gso/standards/GSO:615544/GSO%209:2013?lang=en>

⁷⁰ "Bakery Products in Saudi Arabia" Agriculture and Agri-food Canada April 2016 available at <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6881-eng.pdf>



Saudi Arabian baked goods production is largely dominated by independent and traditional bakeries. Since products like flour and bread have a regulated fixed price, bakery companies offer an expanded product range of value added products in order to capitalize on more profitable bakery market segments. Local manufacturer include Almarai Co Ltd, is a major manufacturer of baked goods and market leader, Saudi Masterbakers Ltd and Gulf Catering Co. Loacker SpA, A and Mondelez Eastern, Europe, Middle East & Africa FZE are among the western competitors that have a strong presence on the biscuits category.

6.2 Market Snapshot: Chocolate



6.2.1 Consumption

6.2.1.1 Consumer Profile and Trends

Saudi Arabia is one of the largest markets in the Middle East region, in terms of value of chocolate sales, the per capita consumption in Saudi Arabia is approximately 1.6 kg. On average it is calculated that Saudi Arabians spend 28 EUR a year on chocolate purchases.⁷¹

As in many other respects, the taste for chocolate is unique in the region and consumers demand luxury products. A common perception is the linkage between simplicity and quality, naturalness and health. Chocolate sales have therefore been resilient in the recent term and are among the high value per volume F&B exports in Saudi Arabia. The Saudi consumer is indulgent, and not willing to cut their spending on chocolate.

In general, Middle Eastern markets are innovation-driven, where consumers are more interested in new flavours than in traditional markets. In the case of Saudi Arabia, filled chocolates have the largest market share, at more than one-third overall. There is a great reception for exotic flavours, mainly fruits like passion fruit and mango, among others.

⁷¹ "Chocolate Industry in the Middle East". 2015. Available at www.siicex.gob.pe/siicex/resources/estudio/590999191rad69F25.pdf.

However, there is currently a major shift in consumer expectations, as a large number of consumers pay more attention to the quality and exclusivity of the product. Consumers are less price-sensitive with regards to chocolate products. It is notable that the population of Saudi Arabia is interested in understanding chocolate - its origins, how it is made, the health benefits and the importance of the quality of the ingredients - and are even willing to pay more for artisanal chocolate.

A new trend that has emerged in Saudi Arabia is that the tradition of pairing dates with Arabic coffee has changed, as now people are replacing dates with chocolates. This is reflected in the increased consumption and imports of chocolate to the country, as the market is expanding rapidly.

The trend of replacing dates for chocolate can also be seen in other traditional sweets. Mamool is a traditional Gulf sweet, date biscuits. Innovation can be seen as chocolate covered Mamool are now available. Other instances of innovation occur with dates that are covered or filled with chocolate. In fact, innovation is happening all across the chocolate and non-chocolate confectionery section, either introducing new flavours or experimenting with traditional ones. For example, Al Nassma has created the first ever camel-milk chocolate, available across the GCC.

Figure 28) Imported Chocolate Products on Offer in Saudi Arabia



However, rising health awareness amongst Saudi Arabians is expected to also affect the chocolate sector. This trend indicates that chocolate consumption might restructure in the coming years, with greater emphasis on darker chocolates having less added sugar and fat content. Other notable ingredients that have been growing in popularity in recent years are goji berries and soya milk. Unlike sweet confectionery, there is growing public awareness that it may contribute in preventing heart disease and other circulatory problems, lower cholesterol levels and blood pressure and decrease the risk of cancer. The chocolate market in Saudi Arabia is complementary with the coffee market as chocolate is being increasingly consumed together with coffee.

6.2.1.2 Cultural Sensitivities

Islamic celebrations are reported to be peak selling periods also for chocolate, as for most food. Chocolate in particular is gifted more often in these occasions, such as Ramadan, Eid and Hajj.

Sweets as well as chocolates form part of the gift-giving traditions, and often seasonal gift boxes are available. Manufacturers are highly aware of the selling opportunities and special promotions; advertising and marketing campaigns are calculated around these celebrations. Ramadan is considered the month of giving and generosity, and people usually give each other gifts of chocolates on these occasions.

By some estimates the demand for chocolate increases even by 40 per cent during Ramadan compared to the other months.⁷²

In addition, Qarqe'an is celebrated mid-way through Ramadan, it is a special day when children dress up in traditional clothes and go door to door, as what Qarqe'an means "knocking", to receive chocolate, sweets and nuts from their neighbours. This celebration is commonly described as the equivalent of Halloween in the western world, where children receive "trick or treats" from their neighbours during the celebration. The cultural aspects of Qarqe'an is that children dress in traditional attire and sing traditional songs. Qarqe'an is celebrated in most Gulf countries.

Chocolate has always been popular in the Middle East for dessert and as a gift on special occasions. For this reason, you can find Chocolate boutiques that are almost like luxurious jewellers.

6.2.1.3 Challenges for EU products

The main challenge for EU products can be considered understanding the marketing and pricing strategy to undertake. Knowledge of the cultural sensitivities and regional preferences of taste and presentation is key in order to assess this correctly.

Pricing wars are affecting most popular chocolate brands, however with regards to premium chocolate Saudi consumers are very demanding and willing to pay the price. The market share for premium chocolate, such as those available at Belgian Choclateries among other "chocolate boutique" stores.

European chocolates, in particular those from Chocolatiers Belgium and chocolate brands such as Ferrero Rocher from Italy, are valued for its high quality. Partially this is due to the high opinion of the quality of European milk, as well as a long history of chocolate making in the European region. This is the key asset of European chocolates in face of global and regional competitors.

6.2.2 Offer

6.2.2.1 Domestic offer

Despite the economic slowdown, due to the falling oil prices, manufacturers' activities remain undeterred. Chocolate consumption remains high, and the greatest challenge is facing price wars in the market. Competition among manufacturers is expected to grow, as is the demand for innovation. In order to stand out from the competition, unique products are expected to be provided to the consumers.

⁷² CommodAfrica. Chocolate on the Eid Celebration Table in Saudi Arabia. July 2015. Available at www.commodafrica.com/17-07-2015-le-chocolat-au-menu-de-la-fete-de-laid-en-arabie-saoudite.



The Saudi Industrial Development Fund (SIDF) reported that in 2006, a total of 8 producers were active in Saudi Arabia. The total installed capacity is estimated at 23,700 tons per year.⁷³

6.2.2.2 Import

Saudi Arabia is one of the largest importers of chocolate globally. In 2016 it ranked 10th on a global position, importing approximately 2.3 per cent of the global total imported value. Among the MENA countries, it is by far the largest importer, which on the global ranking is followed by UAE at 17th. The top importing countries of chocolate and chocolate products globally, tend to be Western states, including most EU countries as well as North America.

Saudi Arabia imports most of its chocolate from the UAE, and is followed by Italy, the Netherlands, Egypt and the US. Note that chocolate products imported from the UAE are not necessarily produced therein, but sometimes re-exported from originating markets while passing through logistics hubs. In total 34.2 per cent of chocolate imports to Saudi Arabia in 2016 originated from EU countries.

Table 5) Imported Value of Chocolate Confectionery Products from the EU

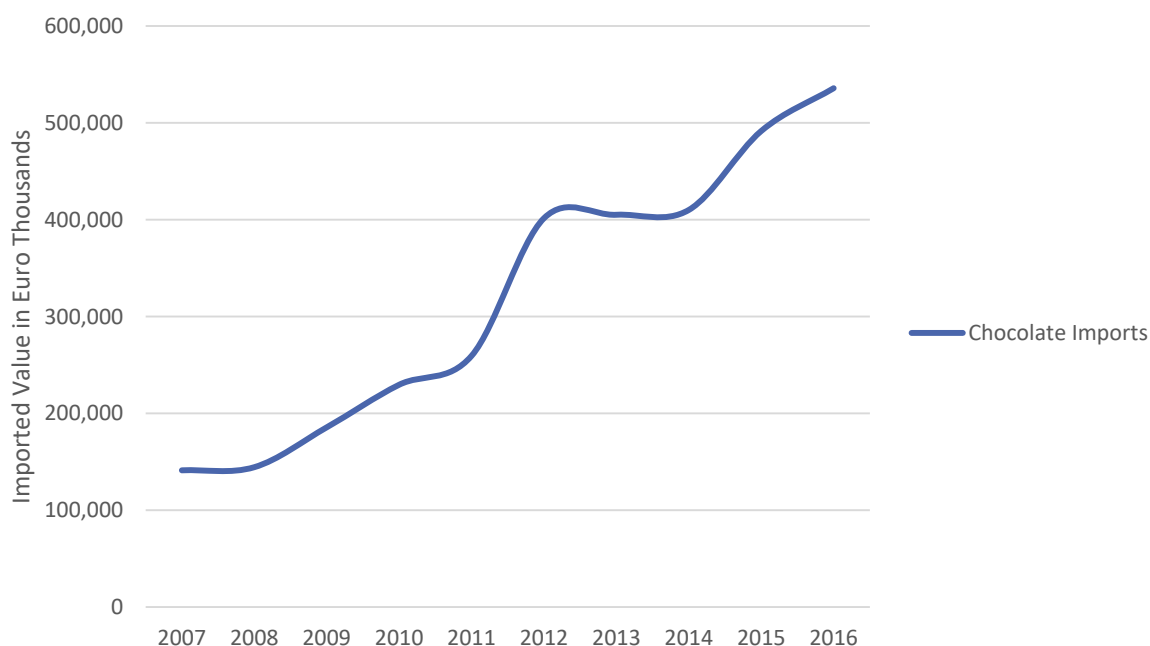
Exporters	Imported value in 2016
World	535,821
European Union (EU 28) Aggregation	183,177
Italy	50,310
Netherlands	47,273
Poland	25,871
Germany	22,650
Belgium	16,020
United Kingdom	14,365
France	3,447
Spain	1,255
Sweden	604
Czech Republic	537
Portugal	286
Greece	211
Ireland	103
Romania	83
Finland	70
Austria	55
Bulgaria	37

© International Trade Centre⁷⁴

⁷³ "EXPORT OPPORTUNITY PROFILE (EOP): Consumer Chocolate Sector". April 2007. Available at www.sidf.gov.sa/en/MediaCenter/ResearchandStudies/ExportInformationExportOpportunityArchive/2007-EOP-Consumer%20Chocolate%20Sector.pdf#search=chocolate.

⁷⁴ ITC Trade Map, International Trade Centre, www.trademap.org.

Figure 29) Imported Value of Chocolate to Saudi Arabia



© International Trade Centre⁷⁵

From 2007 to 2016 the growth of chocolate imports to Saudi Arabia increased by more than 279 percent. Growth stagnated from 2012 to 2014, but it took speed again from 2014 to 2016.

6.2.2.3 Export

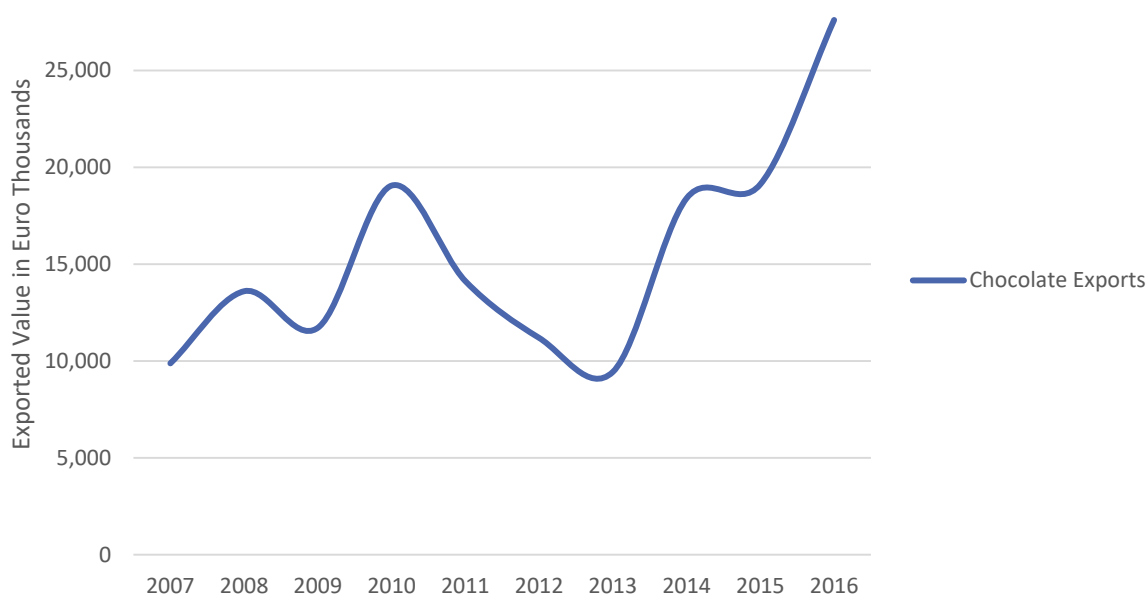
The trade balance is negative, as for most food categories. However, it is a highly negative balance. Exports from Saudi Arabia can be considered insignificant in comparison to the imported value that can be seen in the section above. Exports have declined from 2010 to 2013, and have slowly started to increase since.

High customs duties and non-custom fees represent important export barriers for Saudi exporters. Furthermore, there is a high demand locally, therefore the production is mostly consumed locally and imports are needed in order to cater to this strong demand. The main export partners of Saudi Arabia are MENA countries. The main importer is Kuwait, followed by Jordan, Oman, Qatar, UAE and Bahrain.

According to ITC Trade Map data, Saudi Arabia has historically in the past five years only exported to the Netherlands and the United Kingdom within the EU. Since 2015, no exports have been recorded.

⁷⁵ ITC Trade Map, International Trade Centre, www.trademap.org.

Figure 30) Exported Value of Chocolate from Saudi Arabia



© International Trade Centre⁷⁶

6.2.3 Main Competitors

The chocolate industry in Saudi Arabia is strongly dominated by Mars GCC, which has expanded its presence in the region through a series of investments and expansions to production capacity. Galaxy and Galaxy jewels are the most popular Mars brands. Other leading brands by Mars include Snickers, Twix and M&Ms.

Saudi Arabia has a large and growing youth population, and children and young adults highly demand chocolate products. Younger generations are also said to be more westernised both in mentality and in taste.

6.2.3.1 Challenges for EU Products

Entering the Saudi Arabian market involves the fierce competition of many foreign brands, which have stepped up their game and are successfully leading marketing campaigns tailored to the Saudi consumer. For example, Hershey's has included Arabic Recipes and Ramadan Recipes on their official Saudi Arabia website.

Overall the chocolate and confectionery industry face less restrictions than other food products, however producers must ensure that all chocolate products are halal for local consumption. Therefore any traces of pork in chocolate products must be strongly avoided.

6.2.4 Specific Import Requirements

Certain regulations must be taken into account when exporting to the Saudi market. Packaged chocolate should bear labels written or translated into Arabic.

⁷⁶ ITC Trade Map, International Trade Centre, www.trademap.org.

Moreover, since Islamic law is part of the country's legislative framework, imported chocolate must comply with halal requirements. Regulations on imports restrict entry into the country of alcoholic beverages, live pigs, pork and ingredients or additives which contain pork products. Chocolate producers must be prepared to certify that the chocolate product they wish to import to Saudi Arabia contains traces of pork or of alcohol. The Saudi authorities in 2014 decided to temporarily remove from the market Cadbury branded chocolate bars after reports that these products may contain traces of pork.

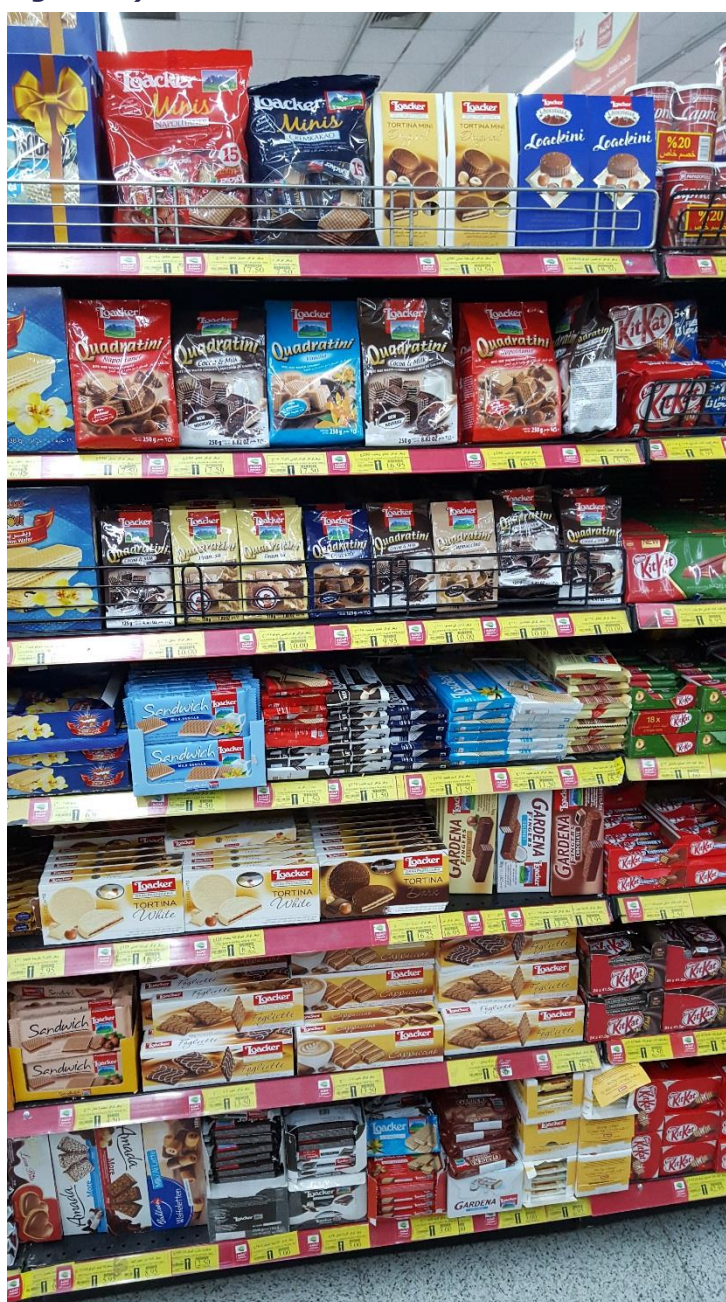
The Saudi Arabian Food and Drug Administration said that it had withdrawn two varieties of this product of English origin from the market pending laboratory testing. They had been withdrawn after Malaysian authorities had decided to test the 2 varieties of chocolate, following the discovery of pig DNA in these products.

6.2.5 Distribution

Distribution in Saudi Arabia operates with the predominant figure being the agent, importer and distributor. If the retailer is not a large chain, it will often depend on third-party importers, wholesalers and distributors to handle the logistics of import and storage of products. Importers and distributors in Saudi Arabia typically have modern storage facilities, truck fleets and specialised personnel, however specific capabilities will vary from provider to provider.

Most of the chocolate sold in Saudi Arabia is consumed off-site. Modern grocery retailers are often able to import directly, therefore it is recommended to make contact with them. Main supermarket and hypermarket chains include: Carrefour, Tamimi, Alhaggi, Forsan Foods, Hyper Panda, Geant, Othaim, Astra Arab Supply and Trading.

Figure 31) Chocolate Products on Offer in Saudi Arabia



In order to gain insight into the chocolate sector, and its distribution in Saudi Arabia it is recommended to attend the International Coffee and Chocolate Exhibition in Riyadh. It is considered one of the largest events in this industry in the Middle East, with both leading international and local industry participants.

6.2.5.1 Challenges to EU products

Distribution in Saudi Arabia can be challenging without the correct knowledge of the market and the Saudi Arabian and GCC regulations. In order to ensure that these are correctly followed, finding an adequate local partner is encouraged. The chocolate industry is in high demand, and the biggest threat is the low relative growth of value that is expected in the next years. However, the overall demand is expected to grow and choosing the right pricing strategy and marketing campaign can be advised by the local partner. This partner can be directly the agent / importer / distributor.

6.2.6 Summary

The chocolate industry in Saudi Arabia is booming – the demand is expected to increase in the coming years. Chocolate manufacturers have increased their sales dramatically over the past 10 years. However, the recession due to the falling oil prices has affected these sales as consumers are opting for the deal of the day. Volume sales are expected to grow, and commercial chocolate needs to be able to be price sensitive. On the other hand, premium or artisanal chocolate offers a niche market for the highly wealthy consumer who is ready to pay almost any price for this sweet indulgence.

Chocolate product innovations and marketing campaigns are extremely important, as the Saudi consumer is demanding and wishes to see a huge variety of options. Ramadan supposes an important opportunity of higher consumption and spending, as gift giving increases and larger meals are a daily habit.

6.3 Market Snapshot: Confectionary Products



6.3.1 Consumption

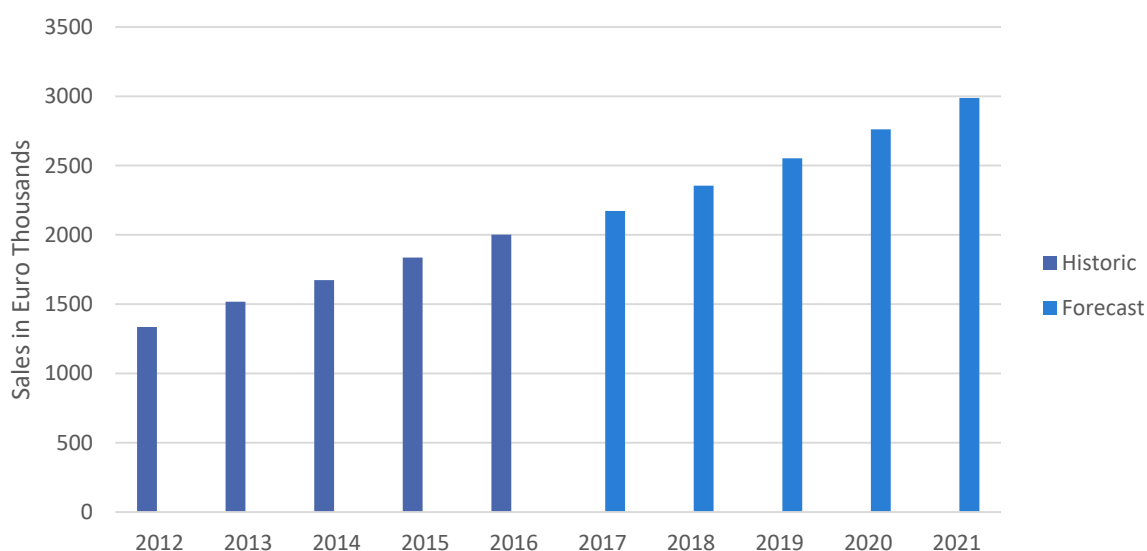
6.3.1.1 Consumer Profile and Trends

Consumption of confectionery has been increasing in the last years at a relatively high and stable rate. The weakened economy resulting in the fall of oil prices is expected to cause a slowdown in retail value growth.

In order to increase sales, manufacturers have been introducing a number of marketing strategies that include “buy one get one free” offers, offering more value for money. These price promotions are expected to reduce value growth even if overall volume is anticipated to grow. Packaged promotions are a viable strategy during early stages of market entry, when consumers may be sceptical. Through initial competitive price offers, consumers can be engaged to trust a brand and consider it as part of future regular purchases.

The consumer profile for confectionery products have traditionally been children in a global sense. This also applies to Saudi Arabia, as the main consumer base are in fact children. This is in part due to the demographic structure of the Saudi population and large concentration of young consumers in the market.

Figure 32) Historic and Forecast retail sales of confectionery in Saudi Arabia, Unit: Euro Fixed Million



Agriculture and Agri-Food Canada

The fact that Saudi Arabia is following the global phenomenon of the health-awareness is having effects also to the confectionery sector. Health concerns are increasing the popularity of “healthier” confectionery options. One of the top growing product claims is low, reduced and no calorie confectionery products.

However, confectionery contains a heavy-sugar content and alternatives with reduced calories are not entirely convincing to the consumer-base seeking a nutritious snack. This applies in particular across the important children’s snacks segment, where mothers in particular are increasingly sceptical of health claims made by substituted, reduced and no-sugar confectionary products. As an alternative, some parents increasingly cite alternative snacks and sweet foods including dairy options such as yoghurt ice cream or dark chocolate treats. These options usually have certain health benefits, such as calcium and other nutrients.

Although natural snacks such as fruits would be clearly healthier, consumer interest in sweet products is difficult to shake. Sugar confectionery is mostly unable to claim any health or nutrition benefits, and this could be considered a threat to the industry in the long term. Furthermore, obesity rates in Saudi Arabia are extremely high, among the highest in the world, and the government is trying to tackle this. Recently in June 2017, a “Sin Tax” was imposed on energy drinks and soft drinks. Health warning have been placed in supermarkets highlighting the high sugar content of these. In the future, it is even possible that such drastic measures could be taken by the government in order to further tackle the obesity problem in the country.

Furthermore, chocolate brands heavily dominate the confectionery industry as their marketing strategies are much more aggressive and competitive than sugar confectionery and chewing gum. The market share for chocolate is much higher, than market for confectionery in Saudi Arabia. It has been expected that demand for chewing gum segment will increase in the coming years due to increasing health concerns among the people and shift in the target consumer base.

6.3.1.2 Cultural Sensitivities

Ramadan and other important dates on the Islamic calendar are considered to be periods of high-sales for confectionery products similarly to chocolate products, as mentioned above. Despite the fasting during Ramadan, food consumption increases considerably as families break the fast with a large meal and thus also increase in confectionery consumption is not an exception.

As mentioned in the previous chapter covering chocolate gift-giving culture in Saudi Arabia is extremely important throughout the year but especially during Ramadan, as it is regarded as a charitable and generous time, and gift-giving is part of the holy month. Gifts of boxed sweets are common during this time. Confectionery is also increasingly given as gift during other celebrations like Eid and Hajj. During the festival periods confectionery products are in constant competition with chocolate products as they are similar in nature.

Figure 33) Flavoured Bateel Dates on Offer in Medina, with Gift Packaging Visible in Background



Confectionery sales also increase during the Qarqe'an day (like western Halloween, please see previous chapter on chocolate for further description of the Qarqe'an day), as special baskets and sweets are made for the purpose of Qarqe'an complemented with supermarket offers.

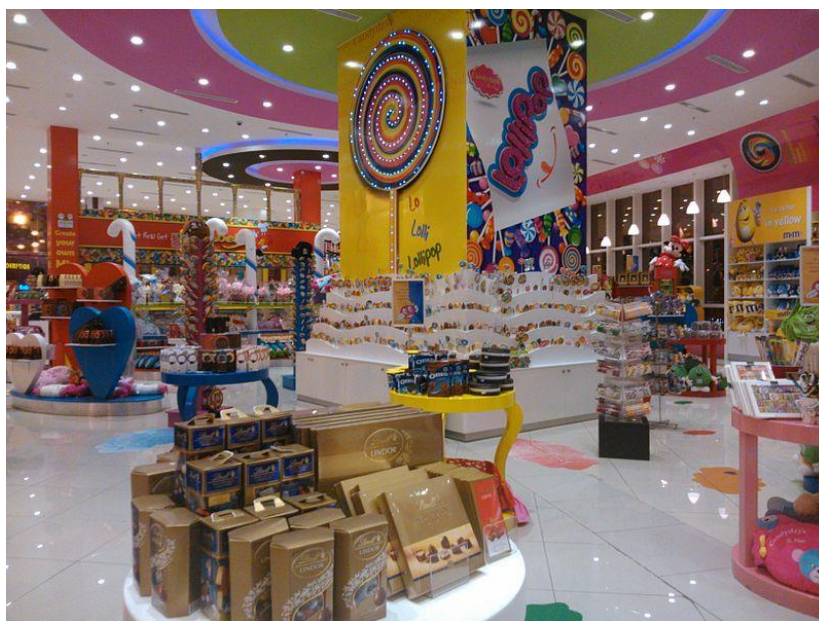
Certain flavours of confectionery products that are popular in Saudi Arabia have a distinct Middle Eastern flavour. For example, Cinnamon chewing gums, or traditional Middle Eastern treats.

6.3.1.3 Challenges for EU Products

The sugar confectionery market in Saudi Arabia is slightly smaller than the chocolate market. The marketing campaigns and fierce competition of chocolate companies - particularly in terms of pricing - are perhaps some of the key drivers behind its success. A challenge for EU exporters entering the market will include overcoming the incumbency and size of similar categories, such as chocolates.

The Saudi consumer enjoys European confectionery products, but also highly values American ones. Cheaper alternatives such as Chinese or Thai imports are prevalent in the market and generate heavy competition. In spite of this competition, Western confectionery products are regarded as being of higher quality. On the other hand, the demand for Middle Eastern sweets is quite strong, and a trend of the premiumisation of these products has appeared. Traditional and innovations of Middle Eastern origin are still preferred by many Saudis, and European companies may not be able to cater to these consumers.

Figure 34) Boutique Confectionary Shop in Riyadh



Saudi Arabians highly value Western confectionery brands, that are well known, and others prefer local or regional product ranges. The threat exists that European products unknown in the local market might not be well received by the Saudi consumer or may have difficulty establishing their presence.

6.3.2 Offer

6.3.2.1 Domestic offer

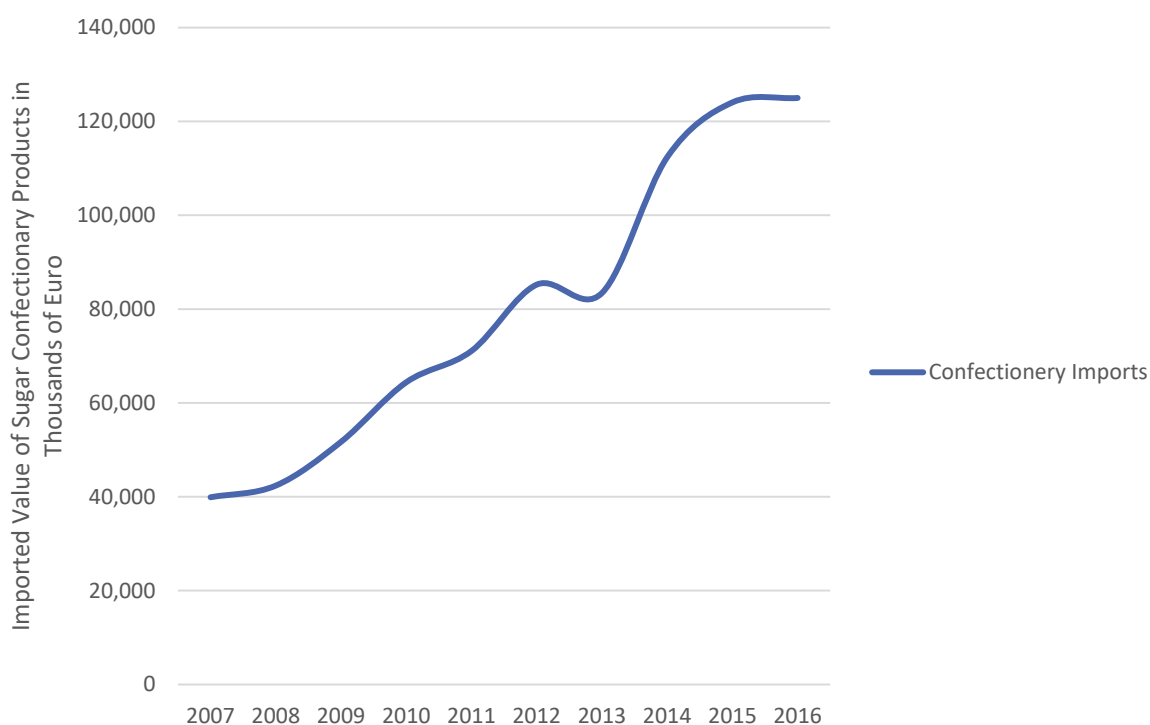
Saudi Arabia's food processing industry, largely relies on imported raw materials and ingredients, and is also being expanded and supported by financing and subsidies by the government. The confectionery industry has attracted many foreign investors, and continues to do so.

Confectionery sales in the Saudi Arabia are being driven by ongoing premiumisation. This has caused traditional local confectionery production to decrease, as large factories are taking over the confectionery sector. International confectionery factories have invested heavily in Saudi Arabia. However, overall the demand exceeds the supply, with most confectionery products consumed being imported from international markets.

6.3.2.2 Import

The demand for sweets is rampant, and this is reflected in the confectionery industry data. Imports to Saudi Arabia have been on the rise for the past 10 years, and the forecast is that these will continue to increase. China is leading confectionery exports, and is followed by Poland. The main non-EU countries active in the Saudi Arabian confectionery market are China, Turkey, UAE, Thailand, US, Oman, Egypt and Indonesia.

Figure 35) Imported value of confectionery to Saudi Arabia



© International Trade Centre⁷⁷

Imports from the European Union collectively amounted to almost one third of the total imported value in 2016. The United Kingdom appears to be the second largest trading partner after Poland. The expected consequences of Brexit will mean that the overall share of confectionery exports to Saudi Arabia is forecasted to decrease. Other countries that export significant amounts include Germany, Czech Republic, the Netherlands and Belgium. There is clearly an opportunity for growth in exported volume, however due to the slowed economic growth in Saudi Arabia the overall value growth is expected to stagnate. European products must be able to compete with the existing competitors.

Table 6) Imported Value of Sugar Confectionery Products from the EU

Importers	Imported value in 2016 (€ Thousand)
World	124,991
European Union (EU 28) Aggregation	40,071
Poland	16,459
United Kingdom	7,700
Germany	6,356
Czech Republic	1,710
Netherlands	1,456
Belgium	1,406
France	1,189
Slovakia	1,119
Italy	1,042
Spain	585

⁷⁷ ITC Trade Map, International Trade Centre, www.trademap.org.



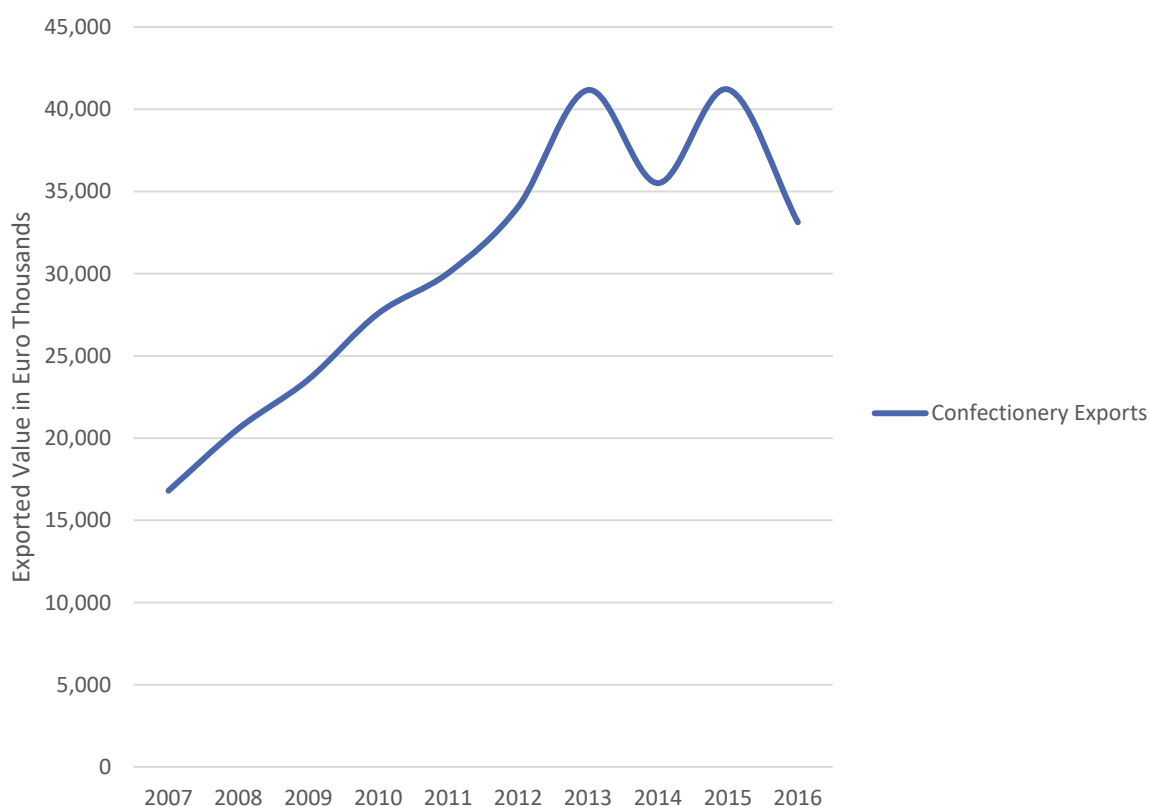
Hungary	549
Sweden	172
Greece	170
Portugal	76
Bulgaria	52
Ireland	31

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6.3.2.3 Export

The exported value of confectionery products has been increasing over the years, but has experienced a noticeable slowdown since 2013. The Saudi confectionery industry mainly exports to regional MENA partners, including UAE, Somalia, Kuwait, Yemen, Qatar and Jordan. Exports destined to EU countries are very scarce; in 2015 only Poland, Belgium and the UK only accounted for a total of 0.5 per cent of Saudi Arabia's total value of exports. Export performance in Saudi Arabia is undermined by the relative strength of the Saudi riyal, as most consumer markets are relatively price sensitive in terms of confectionary products.

Figure 36) Saudi Arabian Exports of Confectionary Products by Value



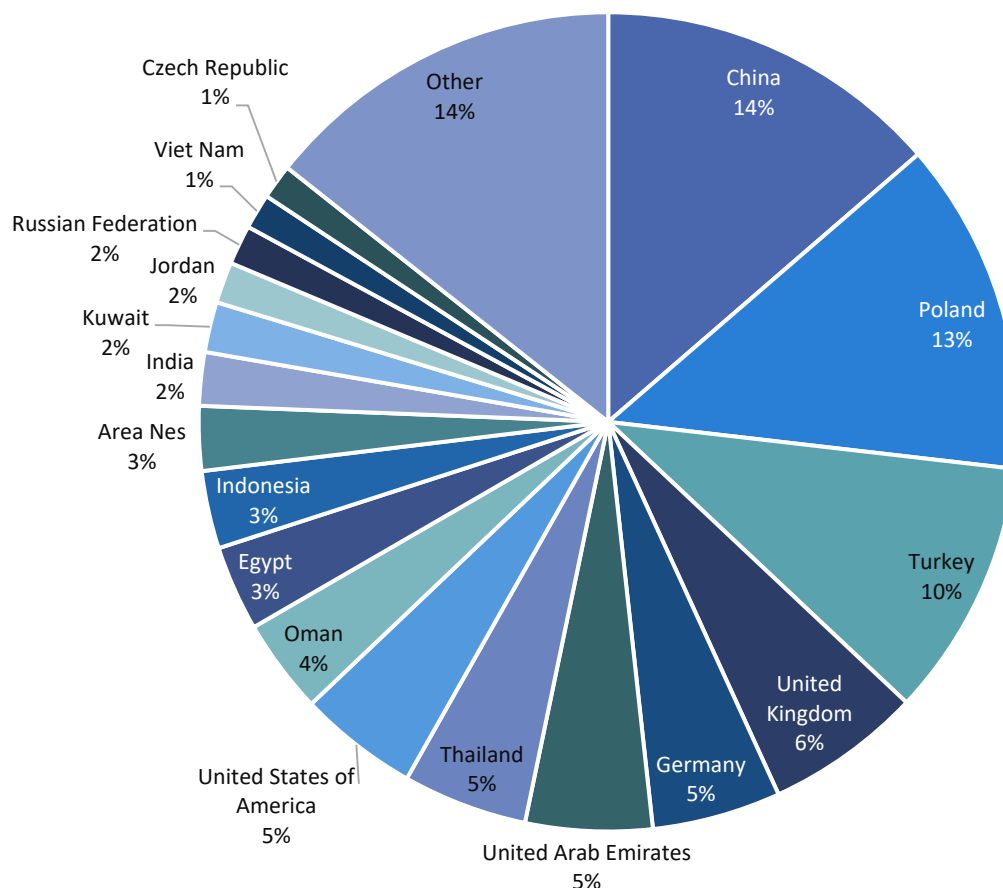
© International Trade Centre⁷⁹

⁷⁸ Trade Map, International Trade Centre, www.trademap.org

⁷⁹ Ibid.

6.3.3 Main Competitors

Figure 37) Competing Market Export Shares in Saudi Arabia



© International Trade Centre⁸⁰

6.3.3.1 Challenges for EU Products

Competition in this sector can mainly be attributed to the growing trend in Saudi Arabia to import from Asian markets. These markets, such as the Chinese and the Thai, often offer highly competitive prices that are able to compete with local products. Due to the recession in the economy, the prevalence of pricing offers is wide, and the competition and increasing variety and innovation can make it difficult to make profitable sales. The volume growth is indeed expected to grow, whereas value growth that will suffer a slower growth.

Currently, there is a wide variety of companies and brands in the market. There is no overall majority market share by any brand, which can be a symptom of the highly competitive sector. On the other hand, this can present an opportunity given that a "monopoly" does not exist, that prevents new companies from entering the market.

6.3.4 Specific Import Requirements

The necessary regulations and requirements should be followed when exporting to Saudi Arabia. Most requirements are available on the SFDA and Saudi Customs

⁸⁰ Trade Map, International Trade Centre, www.trademap.org

websites. Packaged confectionery should bear labels written or translated into Arabic.

Halal requirements strictly apply to all food products imported to Saudi Arabia, therefore it is recommended to check the ingredients that might not be Halal approved. These include pork and its by-products that are often contained in certain confectionery products. By-products animals not slaughtered according to the Islamic ritual are also banned. Types of animal by-products include: animal rennet, gelatine, lipase, pepsin, pure or artificial vanilla extract or whey. Any alcohol content in confectionery should also be strongly avoided.

6.3.5 Distribution

One of the main commercial figures to enter the Saudi market is the agent, followed by franchising and direct investment. The selection process of the agent is very important and must be carried out with rigor since this can depend to a large extent on the success in this market. It is also necessary to take into account the legal difficulties that could be reached in case of conflict, since it is a considerably different legal system to the European one. Once the agent is chosen, a fluid interrelation with support and frequent trips to the country is necessary.

6.3.5.1 Challenges to EU products

With regards to commercialisation, it is also important to take into account distributors of intermediate economic level and not be limited to the largest in the industry, as these usually have strong relationships with highly reputed competitors. For some time, however, there has been a clear tendency in Saudi economic and trade circles to reorient their relations to South-East Asia (India, China and Korea) for low-priced, high-consumption confectionery products and to Europe for products with Brand, high added value and high technological content. For this, it is almost essential to make repeated personal contacts direct, in the form of visits, trade missions and participation in fairs. The personal relationship is fundamental, and can hardly be replaced by other methods of commercialisation.⁸¹

6.3.6 Summary

The EU is a key source market for confectionary products in Saudi Arabia, meeting strong domestic demand. EU confectionary products are recognised for their premium quality among key consumer segments.

At the same time, the market approaches a potential transitional period in Saudi Arabia. Increasing health consciousness, driven in part by education and awareness campaigns financed by the Saudi government to combat obesity, are likely to increase pressure on producers to present their products as health-oriented, for example by emphasising natural ingredients, low fat and sugar contents. While the demand equation is likely to shift in the coming years, increasing pressure remains in terms of supply and price competition as a growing number of low-cost producers access the market from Asia at the same time as domestic production increases.

Overall value growth for confectionary products is therefore expected to remain subdued in the near-to-medium term, while increasing preference is anticipated

⁸¹ "Saudi Arabia Business Guide" Available at:
www.argentinatradenet.gov.ar/sitio/mercado/material/guiaarabiasaudita.pdf.



for premium-segment products with high value-per-unit. These products will likely need to adapt and position themselves as both tailored for consumers who are both indulgent and health-oriented, both individually and in terms of family purchases.

Price offers are prevalent in this sector, in particular buy-one-get-one-free offers. There is a wide variety of competitors, both local and international, although none have a strong market share majority. This presents an opportunity for European companies to enter the market.

6.4 Market Snapshot: Dairy Products



6.4.1 Consumption

6.4.1.1 Consumer Profile and Trends

Previously, the Saudi population lived in villages scattered around the country and followed a "Bedouin" lifestyle, that of a trader or herder. Their diets had been simple and cooked cereals in water. Raw milk from goats, sheep and camels had traditionally been a Saudi favourite drink of choice. The economic changes in the Kingdom, led to large-scale migration from the villages to the cities. Consequently, the population grew both in rural and urban areas and, just as most of the food supply in the kingdom, the demand outnumbered the supply. Milk production has increased in the kingdom, to be able to supply the growing demand, which today largely depends on imports.

Cheese

Cheese can be considered a staple food item in the Saudi Arabian diet, and a large variety is available. It is used extensively in many means. For breakfast, cheese is used as a filling in bread or as a spread. It is often used when cooking and in salads.

During Ramadan cheese consumption increases, as does most food consumption. Some traditional Ramadan recipes include a cheese base, for example "Cheese Sambosa" a fried cheese-filled pastry that is consumed almost daily throughout the month of Ramadan.

The high demand for cheese has led to fierce competition. Consequently, the overall volume of sales for cheese has increased, but the value has decreased. Overall the profit for this decrease in value is sustained by high sales.

Given that the oil recession has affected the country's economy, this is likely to affect consumer behaviour in the coming years. Consumers are more likely to downgrade to lower-priced products and look more for discounts and sales than ever.

Drinking Milk Products

The consumption of drinking milk products is forecasted to experience a continued growth, in line with population growth. Although milk consumption is lower than in many European countries, it can almost be considered staple in Saudi Arabia. Prices of milk are expected to rise as the government removed the existing caps, but this will not affect consumption rates.

Health awareness campaigns as well as the modernisation of Saudi medical industry and availability of healthcare practitioners means that people are actively advised about various nutrition deficiencies such as calcium and vitamin D and the negative consequences. Dairy intake could increase because of medical advice.

The demand for fresh milk is increasing, which is attributed to an increase in health awareness. This is particularly among women, as the Saudi female population are avid consumers of new media who follow global trends of beauty and lifestyle. As a result, the global trend to keep fit and healthy, is affecting this group particularly. Nutrition of fresh milk is the key selling point for this consumer group. Overall the sales of fresh milk are increasing at a faster pace than shelf stable milk in retail volume sales.

Yoghurt and Sour Milk Products

Product development in this category is flourishing, as many new innovative alternatives to traditional yoghurt and sour milk products are available. This innovation has been on the rise particularly since 2016, as manufacturers have been trying to break the stagnation in sales of this product.

Laban is a traditional sour milk product widely consumed in Saudi Arabia and in the Middle East. Culturally, this is a product that is consumed almost daily during the Ramadan period, and consumption is expected to increase, as Laban is commonly taken with dates when the fast is broken. This product has experienced innovation as new and wider options are available. Examples are low fat options, for consumers who wish to consume a healthier alternative, and different flavours such as cumin, cucumber, mango or strawberries.

Figure 38) Dairy and Cream Based Products are Prevalent Ingredients in Saudi Cuisine



Yoghurt options are also experiencing this type of innovations. Low fat products are also available for yoghurt and sour milk products, which are popular particularly among the female Saudi population.

These are projected to increase in popularity following efforts of the Ministry of Health to create awareness of the important obesity problem the country is facing.

Despite the weakened Saudi economy, consumption of these products is expected to remain high, the hot weather almost all-year round encourages the consumption of the refreshing relief of laban. These products are believed to suppress thirst and provide relief from heat, as well as providing essential nutrients during the fasting period. Furthermore, Ramadan will fall during warmer period of the year in the coming years, as every year it starts about 11 days earlier. In 2018, it is predicted that Ramadan will run from mid-May to mid-June.

Other Dairy

Among the other dairy category several dairy products may be included; Fromage Frais and Quark, Condensed Milk, Cream, snacks and desserts. Among these, Labneh is one of the most popular products under the fromage frais and quark category. Labneh is often compared to "Greek yoghurt", and is a popular breakfast and salad ingredient.

Tea consumption in Saudi Arabia is often accompanied using condensed milk, and cream is usually used as a cooking ingredient. Overall consumption is not expected to decrease, however due to the economic slowdown consumer are expected to downgrade to more economic options.

6.4.1.2 Cultural Sensitivities

Dairy consumption is a well-entrenched staple in Saudi culture. Dairy is one of the limited agriculture sectors with significant presence in Saudi Arabia. A large portion of local dairy output remains for consumption in the Saudi Arabia market.

Halal certification requirements extend to milk and dairy products, which must conform to the corresponding Islamic practices. Some Saudi consumers are sensitive to products which are certified as halal but originate outside of the Saudi Arabia. It is important to ensure your specific type and category of dairy product is eligible for halal certification and import into Saudi Arabia. Publicly available resources through the SDFA can help European producers determine the eligibility of their product in the Saudi market.

6.4.1.3 Challenges for EU Products

The weak oil prices have led to a slowdown in consumer spending, however dairy is a resilient sector.

Figure 39) Cheese, Yoghurt and Butter Dairy Products on offer in Saudi Arabia



Consumers are looking for the most economic options, and now there is higher competition and increasingly prevalent deep price discounting.

Culturally, local companies are able to cater their products and their marketing campaigns towards consumers effectively. In the dairy industry, some of the most popular product range are specific to the region, such as Labneh, Laban and Ayran among others. These are products that, although like some European equivalents, they must be adapted to meet the requests of the Saudi consumer.

6.4.2 Offer

6.4.2.1 Domestic offer

Although globally Saudi Arabia in dairy production, it is the largest dairy producer among the GCC countries, as well as the largest consumer. Saudi production of dairy is developing fast, as technology and mega-farms have been established.

These developments have resulted from investments from the Saudi Arabian Agricultural Bank and a number of investors, which provided financial and technical support for local farmers. This has been done in efforts to develop national production of milk production and processing. The financial assistance aided farmers to invest in the latest technology and equipment, mostly from European countries, mainly Ireland. Since 1998 the dairy industry has become a major sector of the Saudi economy which is slowly moving away into diversifying its oil-dependent economy.⁸²

The most common cows found in Saudi Arabia are Holstein-Friesian, known for the quality and large quantity of milk they are able to produce. Many of these cows have been imported from Ireland.

6.4.2.2 Import

Saudi imports of dairy have gradually been increasing over the past 10 years. Imports of cheese have consistently and strongly increased and have doubled in 10 years. Although the consumption of cheese is inferior to other dairy categories, it is apparent that cheese is a “niche” market with a very strong potential.

Although imports of sweetened milk products have increased, and account for largest proportion of imports, these have fluctuated over the years, and continue to decrease since 2014. Flavoured milk, under the sweetened milk category, is particularly popular with the children and younger generations. There is a growing perception that it provides better nutrition than carbonates.

Saudi Arabia overall experiences a trade deficit in the dairy industry across all sectors. The imported values exceed the exports. However, the dairy industry in Saudi Arabia is developing at a rapid pace, and so are its exports. As apparent in the graph below, these have been gradually increasing over the last decade, in particular unsweetened milk has experienced the largest proportionate growth. Most dairy products are performing well, by the exception of butter. Butter exports have remained largely stagnant, this could be attributed to the preference to oil-based cooking in Saudi Arabia and the Middle East.

⁸² Saudi Arabian Agricultural Bank. Loans Granted by Saudi Arabian Agricultural Bank by Type of Use. 2006. Available at <http://www.data.gov.sa/en/dataset/saudi-arabian-agricultural-bank-0>.

6.4.3 Main Competitors

The ability to produce raw milk at low cost is a natural competitive advantage in this industry and helps the local producer to sustain lower input costs and remain active in the market. Milk produced relatively close to the market place minimises costs and guarantees consistently high quality to the local consumer.

Almarai is the key and dominant player in the dairy industry in Saudi Arabia. It is one of the world's largest vertically integrated dairy companies, and one of the region's main food and beverage manufacturing and distribution companies.⁸³ The distribution network of Almarai allows it to maintain a strong hold on the market as over 8,000 transport vehicles are working across the country and the GCC region. This allows its products to be available, as well as function as a publicity tool. In fact, the Almarai's aggressive marketing campaign across Saudi Arabia ensures that it remains the key player in the dairy sector. Large investments are directed at communications via traditional advertising on TV and outdoor as well as a new and strong focus on digital media.

Other main players in the Saudi dairy industry include Sadafco and Nadec, among others. Western presence is apparent, particularly among the cheese category, including French brands Kiri and La Vache Qui Rit. Foreign partnerships with Saudi companies are common, and in the dairy industry European-Saudi companies include Al Safi Danone Ltd. And Friesland Arabia Ltd.

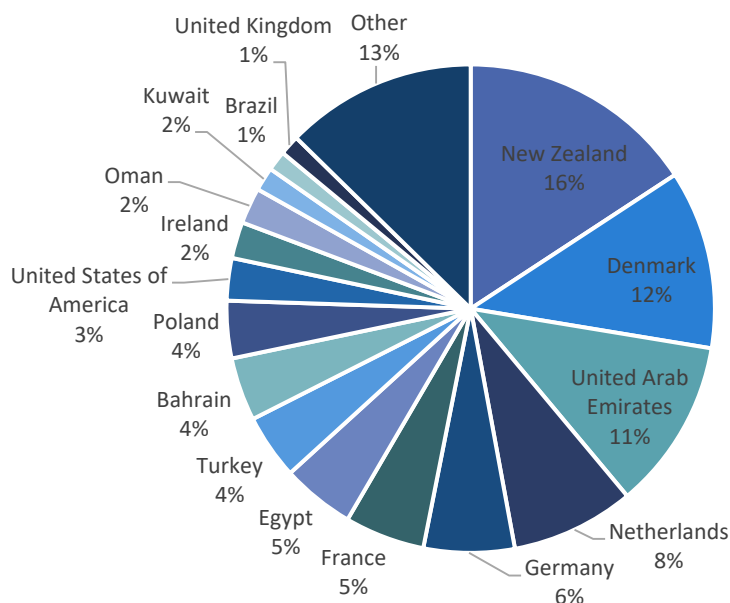
Unlike other sectors, the competitor landscape in dairy for foreign products is diversified. New Zealand is leading the rank, and is followed closely by Denmark, UAE, and the Netherlands. European dairy products are far more competitive than other product categories, as the high quality of the milk and dairy products is recognised in Saudi Arabia.

Figure 40) Logo of Saudi Dairy Producer Almarai



⁸³ Almarai. Annual Report and Global Research. 2015. Available at <https://www.almarai.com/wp-content/uploads/2015/06/Annual-Report-2015-EN-2.pdf?x11237>.

Figure 41) Total imports of Dairy in 2016 by Share



© International Trade Centre⁸⁴

6.4.3.1 Challenges for EU Products

Strong competition exists within the national market. Saudi companies have been subsidised by the government and are investing large capital into developing the dairy industry.

Despite the arid agricultural, the dairy industry in Saudi is flourishing. Consumption of dairy goods has been forecasted to increase, and the main dairy companies enjoy consumer confidence and loyalty, which means it will be difficult to the market. However, many foreign companies have established joint-ventures with locals that allow them to receive the loyalty from customers as well as insider knowledge to the market.

6.4.4 Specific Import Requirements

Dairy imports to Saudi Arabia must present a number of health certificates required by the SFDA. These requirements also include general, phytosanitary and custom requirements available on the SFDA and Ministry of Commerce websites. Any government official responsible for dairy inspection must state that the dairy product was manufactured on government approved and registered premises and is subject to regular audits or inspections. Pre-packaged food product labels should be in Arabic or include an Arabic language translation of the label.

The certificates must state:

- The product at the time of shipment contains no harmful level of contaminants including dioxins and is fit for human consumption.
- Milk and milk based product(s) have undergone a recognized pasteurization process with the aim of avoiding public health hazards arising from

⁸⁴ Trade Map, International Trade Centre, www.trademap.org.

pathogenic organisms associated with milk and the product can be freely sold for human consumption in the exporting country.

Table 7) Export Certificates Required by Saudi Government Agencies for Dairy Imports

Title of Certificate	Attestation Required on Certificate	Purpose	Requesting Authority or Organisation
1. Health Certificate	Products contain no harmful level of contaminants and fit for human consumption.	Food safety	SFDA
2. Veterinary Certificate	Among other things, it attests milk is derived from cows in which BSE has not been officially identified and bovine herds were not fed with protein derived from animal ruminant.	Food safety	SFDA
3. Certificate of Radioactivity Measurement	Products detailed on the certificate contain total radiocaesium concentrations within officially established level and are fit for human consumption.	Food safety	SFDA

Saudi Food and Drug Administration

6.4.5 Distribution

6.4.5.1 Structure of distribution

Grocery shopping is considered a form of entertainment for the Saudi family. Where the proliferation of hypermarkets has increased significantly. Hypermarkets, supermarket chains and other retailers are heavily dependent on importers. Some supermarket chains import a portion directly. Exporters should be aware of risks such as product boycotts.

There are more than 300 leading, international-standard supermarkets in Saudi Arabia and overall distribution options are increasing in number. Most are comparable to those in the United States. The main supermarket chains are: Carrefour, Tamimi, Alhaggi, Forsan Foods, Hyper Panda, Geant, Othaim, Astra Arab Supply and Trading. Most supermarkets have a direct purchasing capacity. These same supermarkets carry out significant imports of dry, refrigerated and dairy products.

It is recommended to go directly to the companies producing and manufacturing dairy products in Saudi Arabia. The Saudi milk market is increasingly dominated by a small number of large companies, which makes entering the market incredibly difficult, particularly with regards to business expansion.

Appointing a local agent or distributor is the most common means of accessing the market. Some larger supermarkets import directly from foreign suppliers and consolidators.

6.4.5.2 Challenges to EU products

The distribution sector in Saudi Arabia can be challenging to enter without a local partner. Finding the right importer or partner in Saudi Arabia can be key to success in the market, particularly in the dairy industry given the fierce competition and entrenched suppliers for fresh and processed dairy products. Importer, agents and representatives must be of Saudi nationality. All activities and contracts must be registered with the Ministry of Commerce.

Personal contact is essential to starting a business. It is the only way to get a solid and lasting agreement in the area. It is advisable to be willing at the beginning to receive small order, and to transport them with other suppliers, to provide a selection of products per lot, and even make price adjustment efforts.

6.4.6 Summary

The Saudi Dairy industry is booming, and so is the demand. The growing population is helping the demand in the country, set to grow in the coming years. High fertility rates in the country are increasing the consumer base, largely younger generations with greater predisposition towards dairy products.

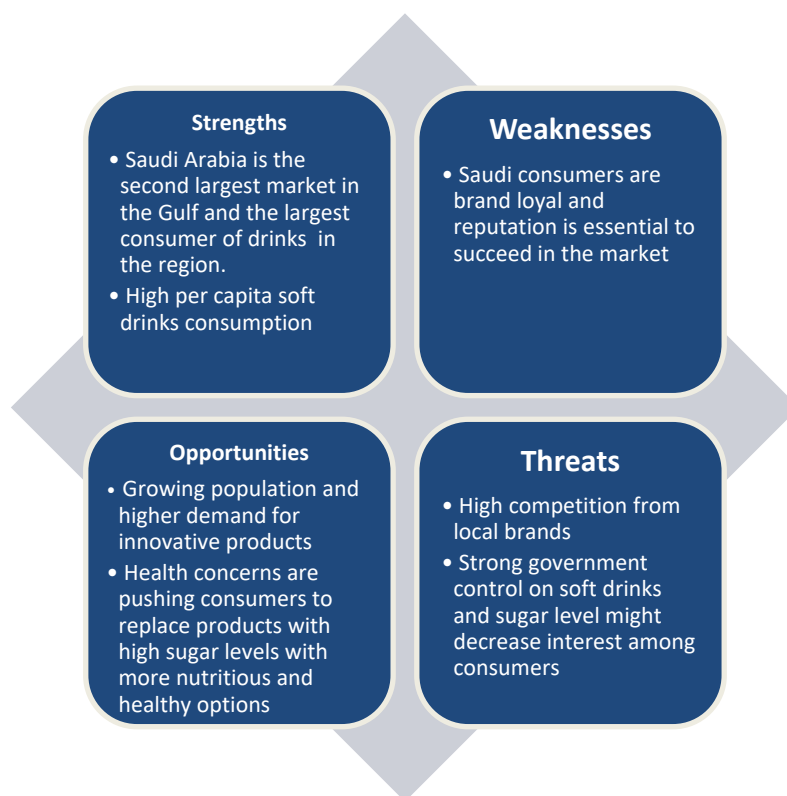
Saudi local production of milk can be considered one of the largest agricultural sectors in the country, as these have been helped by the government during the last 20 years through subsidies. Technological advances and the import of livestock for milk production have led to the development of a strong domestic dairy industry.

Despite the large domestic production and processing of dairy, Saudi Arabia's a significant share of dairy products is still imported. The outlook as positive on the aggregate, but it will be a challenge for smaller companies to enter the market, due to the dominance of the market leaders who regularly engage in price wars.

Figure 42) Domestic and Imported Cheeses on Offer in Saudi Arabia



6.5 Market Snapshot: Drinks



6.5.1 Consumption

Research carried out by Farrelly & Mitchell, an international food and beverage consultancy with a KSA branch, indicates that Saudi Arabia is the largest retail market for soft drinks in the Middle East and has among the highest per capita consumption rates in the world, accounting for two-thirds of the sales of the whole Gulf region.⁸⁵ Consumption in the country is driven by high temperatures, a cultural preference for sweetened drinks and a ban on alcoholic drinks. Per capita consumption of soft drinks increased from 217 litres in 2004, to more than 250 litres in 2014. Soft drinks consumption is largely dominated by the bottled water and carbonated drinks categories, which account for 80 per cent of the total sales of soft drinks. It is interesting to note that bottled water is often more expensive than carbonated drinks in Saudi Arabia.⁸⁶ Both water and flavoured beverage consumption constitute significant segments of the overall drinks market in Saudi Arabia.

Consumption of tea and coffee is part of most Saudi's everyday life. Consumers are most interested now on convenient ways to consume the product, such as RTD tea and RTD coffee. Whereas categories such as bottled water and juice are largely dominated by local players, carbonates, RTD tea and RTD coffee are led by international manufacturers. The absence of alcoholic drinks in this market is also a key factor for the booming sales of fizzy drinks and juices.

Young people make more than half of the population, a segment attracted to soft drinks, especially carbonated ones. Females present a stronger tendency to

⁸⁵ © "Saudi Soft Drinks Market Continues to Fizz" Farrelly & Mitchell 2015 available at <https://farrellymitchell.com/wp-content/uploads/2015/01/Insights-January-2015-.pdf>

⁸⁶ Ibid.

consume healthier products such as fruit juices. Juice register peak sales during Ramadan, as pilgrims and locals include them as an essential part of their diets to recover their strengths once they break fasting after dawn. Overall, fruit juices are an important part of the local diet as they provide the necessary vitamins and water to keep the population hydrated during the yearlong hardship meteorological conditions. Producers are increasing their variety of flavours by introducing exotic fruits.

Saudi Arabia is often among the countries with highest soft drinks and sugary drinks consumption in the world. The country also has one of the highest obesity rates in the world: as mentioned above, 35.6 per cent of Saudi Arabian adults are obese and 72.4 per cent of Saudi adults are overweighted, only following United Arab Emirates in percentage of obese adults in the Gulf region. Several decades of internal growth, economic prosperity and rapid improvement of living standards have led into life of opulence and consequently changing eating habits.

Fast food has become increasingly popular, as well as sugary drinks and snacks, becoming a constant part of Saudis' diets. As many countries in the Middle East, traditional diet is being replaced by western diets and fast food, boosting consumption of carbonate drinks. This trend has pushed the Ministry of Health to take measures and implement regulations to take care of population's health, by imposing high tax rates on carbonate and energy drinks and banning them from schools and government facilities. Advertising energy drinks has been outlawed as an effort to reduce its consumption.

Soft drinks consumption also increases every year during the Ramadan season, especially due to the high number of tourists and pilgrims that visit the country for religious tourism purposes. In 2015, tourism contributed with 2.7 per cent of the country's GDP and 5.7 per cent of non-oil GDP; during the same year religious tourism sector was valued at 5.68 billion USD (49.5 billion EUR), and 19 million pilgrims visited Makkah and Madinah. This number is expected to reach 30 million by 2025.⁸⁷

Saudi Arabia has imposed a selective tax on energy drinks and soft drinks from June 2017.⁸⁸ According to experts, the impact on trade will be minimal, since the target market segment for this product is wealthy enough and the measure is not expected to affect consumption of these drinks category.⁸⁹

Carbonated Drinks

According to Farrelly & Mitchel, the carbonated drinks sales in 2015 reached 781.5 million USD (684.7 million EUR).⁹⁰ However, demand growth for carbonated drinks is expected to slow its pace, as the country implements campaigns to promote

⁸⁷ "Tourism in Saudi Arabia" Jeddah Chamber, April 2016, available at: <http://www.jeg.org.sa/data/modules/contents/uploads/infopdf/2867.pdf>

⁸⁸ "100% tax on cigarettes, energy drinks in Saudi from June 10" Khaleej Times May, 2017 available at: <http://www.khaleejtimes.com/region/saudi-arabia/100-tax-on-cigarettes,-energy-drinks-in-Saudi-from-June-10>

⁸⁹ "New Saudi taxes on tobacco and soft drinks spark anger" Middle East Eye June 2017 available at: <http://www.middleeasteye.net/news/new-saudi-tax-tobacco-and-beverages-sparks-anger-706817716>

⁹⁰ © "Saudi Soft Drinks Market Continues to Fizz" Farrelly & Mitchell available at <https://farrellymitchell.com/wp-content/uploads/2015/01/Insights-January-2015-.pdf>

healthier eating habits among the population. Nonetheless, carbonated drinks are an essential part of social activities for both Saudi and expatriate families. Carbonates continued to be dominated by two leading international players, PepsiCo Inc. and The Coca-Cola Co. The category is led by Pepsi Co, through its subsidiary Al Jomaih Bottling Plant. In 2015, Pepsi Co accounted for a market share of 70 per cent, the largest share of the Saudi carbonated drinks market.⁹¹ Pepsi Co has gained Saudi consumers' loyalty by implementing marketing and promotional activities, involving famous superstars and creating massive social media campaigns, product diversification and direct communication with young consumers. Given the company's increasing sales and positive market forecast, PepsiCo made public in early 2017 its plans of building one of its largest plants in Jeddah.⁹²

Bottled Water

With a per capita consumption of more than 113.5 litres of water in 2015, Saudi Arabia had the ninth highest level of bottled water consumption in the world.⁹³ Sales of bottled water reached 1,061.07 million EUR in 2015, dominating the soft drinks market.⁹⁴ Saudi Arabia is the largest bottled water consumer in the Middle East; per capita water consumption in Saudi Arabia is 91 per cent higher than the international average.⁹⁵

In a country with little sources of potable water, bottled water is a forced choice. In addition, the country's consumption for mineral water has been increasing significantly as a no calorie option to carbonated drinks, which has been more demanded over time given the increasing health awareness among the Saudi population.

Non-Alcoholic Beer

Alcohol consumption is forbidden by the Shariah Law, alcoholic drinks are prohibited in the Kingdom. However, Non-alcoholic beer is perceived as a healthy alternative to carbonated drinks. Producers have a wide offer range of fruity flavours, which are very popular among the young and middle age male population. Westernization, lack of entertainment options and customers'

⁹¹ "Saudi Packaging Sector Shows New Growth and Opportunities" U.S. Saudi Arabian Business Council 2015 available at

<https://www.us-sabc.org/i4a/pages/index.cfm?pageid=4434>

⁹² "Pepsi building 'one of its largest plants' in Saudi Arabia – reports" available at <http://www.foodbev.com/news/pepsico-to-build-one-of-its-largest-plants-in-saudi-arabia-reports/>

⁹³ "Bottled Water 2015" International bottled Water Association available at http://www.bottledwater.org/public/BWR_Jul-Aug_2016_BMC%202015%20bottled%20water%20stat%20article.pdf#overlay-context=economics/industry-statistics

⁹⁴ © "Saudi Soft Drinks Market Continues to Fizz" Farrelly & Mitchell available at <https://farrellymitchell.com/wp-content/uploads/2015/01/Insights-January-2015-.pdf>

⁹⁵ "Saudi per capita water consumption 91% higher than international average" Jeddah Economic Gateway 2012 available at: http://www.jeg.org.sa/index.php?sec_code=more_news&frm_module=news&frm_action=news_categories&newsId=91099&newsType=1&title=Saudi+per+capita+water+consumption+91%25+higher+than+international+average&set_lang=en

eagerness to try new and innovative products have led to increasing competition of new brands for this product segment.

Fruit Juice

Saudi Arabian consumers are switching to juice and concentrated drinks over carbonates, as healthier options. As more women become more educated, preferences for awareness of the nutritional value of what their family consume and opt for more nutritious and healthy beverages. Fruit Juice sales in 2015 reached 1,321.3 million EUR.⁹⁶

During Ramadan, consumption of juice increases by as much as a quarter compared to the rest of the year. A main factor for this is that the Ramadan season is usually held during the peak summer season, and brings together large gatherings where emphasis is placed on ensuring large volume availability of food and beverage items after fasting during daylight hours. During the holy season, distribution of food and beverages for charitable purposes increases, as part of Islam's main practices of redistributing wealth. Thousands of pilgrims purchase products and distribute them without a charge, especially in the holy cities of Mecca and Medina, which boosts demand for soft drinks and fruit juice.

Juice is considered a higher value drink, and flavours like mango, orange, mixed fruit, apple, guava and strawberry, are preferred by Saudi consumers. Producers have also been launching other fresh flavours, including watermelon and grape juice. Berry flavour is considered the Ramadan drink as Saudi families like to consume it during Ramadan.⁹⁷

Energy Drinks

Despite being one of the fastest growing drink category in Saudi Arabia, energy drinks face restrictive regulations for distribution and high taxation. Value of sales for energy drinks reached 113.2 million EUR.⁹⁸ Event though, consumption might be affected by the ban energy drinks on government facilities, hospitals and schools, sales of energy drinks are expected to experience a robust growth, driven by young consumers' demand who are increasingly interested in innovative and exciting products.

6.5.1.1 Challenges for EU Products

Saudi consumers are brand-loyal and are always interested in new and original products, which is an essential factor in the drink industry. Finding the right way to communicate with consumers, competing with brand positioning, using social media, as well as offering innovative and new products is key in the Saudi market.

The Saudi government has strict regulations over sugar consumption and sugar containing products. Authorities have launched several campaigns to improve and

⁹⁶ © "Saudi Soft Drinks Market Continues to Fizz" Farrelly & Mitchell 2015 available at: <https://farrellymitchell.com/wp-content/uploads/2015/01/Insights-January-2015-.pdf>.

⁹⁷ "Saudi per capita water consumption 91% higher than international average" Jeddah Economic Gateway 2012 available at: http://www.jeg.org.sa/index.php?sec_code=more_news&frm_module=news&frm_action=news_categories&newsId=91099&newsType=1&title=Saudi+per+capita+water+consumption+91%25+higher+than+international+average&set_lang=en

⁹⁸ © "Saudi Soft Drinks Market Continues to Fizz" Farrelly & Mitchell 2015 available at: <https://farrellymitchell.com/wp-content/uploads/2015/01/Insights-January-2015-.pdf>.

protect the population. In 2012, “The Healthy Food Palm” program was launched as an initiative to control obesity and improve Saudi Arabians eating habits.

6.5.2 Offer

6.5.2.1 Domestic offer

Non-Alcoholic Beer

The Middle East accounts for two thirds of worldwide sales of non-alcoholic beers, driven in large part by widespread restrictions on consumption of alcoholic beverages. Saudi Arabia is one of the most restricted markets for consumption of alcoholic beverages and the largest for sales of non-alcoholic adaptations of the product. Most of these sales are made through off trade channels, where producers play with flavours and packaging to seduce customers. The non-alcoholic beer market is largely dominated by international brewers, including Carlsberg and Heineken, and has a strong participation of local and regional companies.

Barbican is one of the leading malt beverages brands in both market share and brand strength in the category. The brand targets young population, and describes itself as “courageous, chivalrous, loyal, genuine, and open. Its marketing strategy is to establish direct contact with its customers, through social media and Barbican TV. Barbican is available in 330 ml glass bottles and aluminium cans, in a range of nine flavours including malt, peach, raspberry, strawberry, pineapple, mango and passion fruit, apple, pomegranate and lemon.

Other regional players include the Iranian producer Behnoush Co Ltd, brewer of the Delster brand. Delster is sold in different presentations including 1500 cc and 1000 cc pet bottle, 330 cc can, and 330 cc glass bottles, and is sold as a malt beverage with fruity flavours including classic, apple, chocolate, ginger, lemon, peach and pineapple.

International companies like Heineken, with its brand Fayrouz and Carlsberg with the market leader brand Moussy, have a large dominance over the non-alcoholic beer market.

Carlsberg also owns a brewery in Saudi Arabia that produces Moussy, which with 38 per cent market share of non-alcoholic brews in the nation, is the market leader brand. Moussy flavours include classic malt beverage, ice berry, apple and strawberry. Producers are constantly in touch with customers through social media and websites, offering an entertaining alternative to their customers.

Heineken owns breweries in Egypt, Jordan, and Lebanon. In 2002 Heineken purchased the Al Ahram brewing company for control of Fayrouz, which claims to be the world first halal non-alcoholic beer, which targets young population as well as devout Muslims.

Carbonated Drinks

Saudi Arabia is the regional leader in the Middle East in terms of drinks consumption. In 2016, the carbonated drinks market was led by Pepsi Co’s subsidiary Al Jomaih Bottling Plant, which holds the distribution rights for Pepsi, Lipton, Mirinda, 7-Up, Mountain Dew, non-alcohol beer, Tropicana, Aquafina

mineral water. Sales of Pepsi products have traditionally been stronger in the region, due in part to an Arab League-imposed boycott on Coca-Cola.

Pepsi has captivated Saudi consumers by diversifying package sizes and designs, as well as implementing aggressive media campaigns involving sport stars.

Saudi Arabia is the Middle East's largest consumer of Coca-Cola products.⁹⁹ The company is currently expanding its offerings to satisfy new tastes. In 2016, the company announced its expansion in the country, by investing USD 100 million in building a new plant in Saudi Arabia to satisfy the growing demand for its products. The Coca-Cola Bottling Company of Saudi Arabia (CCBCSA) produces carbonated drinks including Coca Cola, Fanta, Sprite, Schweppes, Thums up and QJ storm. The company also competes in the bottled water category, with its Arwa brand.

Juices

Increasing health awareness among the Saudi population has driven consumers to shift to healthier options, including juice and concentrates. It should be noted that during Ramadan season, demand for family size containers increases, due to customs and traditions followed during the holy month.

Almarai Co Ltd is one of the most popular brands for juices and nectars in this market, ranked among the most valued brands in the Middle East. As a regional leader in the food market, Almarai Co Ltd counts with strong loyalty among Saudi consumers. The company claims its consistently strong performance in the market is due to the offer of well differentiated value propositions, consistent product quality, relevant flavours, and target consumers focused on communication. The total range of Almarai juices includes more than 30 flavours, and a wide range of products including lower sugar content flavours and children's range under the Nijoom sub-brand.¹⁰⁰ Juice presentations include 200 ml, 300ml and 1.75 litre pet bottles.

Al Rabie Al Saudia Dairy Company focuses on fortified and health foods, and has operations in the Middle East, Libya, Mauritania and the U.S., being Saudi Arabia one of its strongest markets. The company's slogan is: 'Health for All', and it has been focused in providing healthy alternatives to sugary drinks.

Al Rabie's long-life juice and nectar is available in many flavours: pineapple, orange, fruit cocktail, mango, apple and grape. Its 9 months of extended shelf life provides great benefits as more extensive product distribution is possible. Classical flavours are chosen for this type of product, which is a safe option for retailers, distributors and consumers, who can keep the product stored for a long time.

On the other hand, its premium nectar line caters for more exotic flavour combinations such as: kiwi & lime, berry mix, watermelon & rose, hibiscus & rose, tamarind & date. Package size for these two categories range from 1 litre to 330 ml and 200 ml.

⁹⁹"Industry Sector Brief: Saudi Packaging Sector Shows New Growth and Opportunities" U.S.-Saudi Arabian Business Council 2015 available at: <https://www.us-sabc.org/i4a/pages/index.cfm?pageid=4434>.

¹⁰⁰ "Almarai annual report" 2016 Almarai available at: <http://annualreport2016-en.almarai.com/wp-content/uploads/Almarai-Annual-Report-English-2016.pdf>

Short-life juice & nectar is sold in larger cases (1.75 Litre), and its shelf life is 30 days. This product line is available in both classic and new flavour combinations, such as orange, apple, mango, fruit cocktail, watermelon & role, pink guava, berry mix, kiwi & lime.

Finally, the popular vitamin fortified products have 9 months of shelf life. The 330ml package targets adults with its multifruit flavour. Its 200 ml and 120 ml products target children, proposing interesting combinations between healthy foods and fun flavours, such as bubble-gum, marshmallow and Tutti Frutti.

Aujan Industries Co Ltd, through its subsidiary Rani, is one of the leading fruit juice brands in Saudi Arabia. Its products are commercialized in several product formats, such as cans (180 ml, 330ml), PET (1L, 1.5L), bottles (200ml, 300ml), and FiberBricks (125ml, 200ml, 235ml, 250ml). Such a wide range of packages and sizes make these products very competitive, as they provide solutions to their corresponding needs.

Rani's fruit drinks are available in the following flavours: orange, mango, cocktail, apple, carrot & orange, guava, red grape, pomegranate, banana, peach, apricot, tomato and 'three jewels'.

Sports and Energy Drinks

It is estimated that Saudi consumers spend 1.3 billion EUR a year on energy drink, amid industry fears of losses due to a partial government ban on brands such as Red Bull, Monster and Power Horse. The Saudi Government has imposed energy drinks with a sales tax rate of 100 per cent as of June 2017, and will potentially be imposed with an additional five percent value added tax (VAT) as an initiative to protect Saudi consumers health, as these drinks are perceived to be harmful for consumer's health. Sales of energy drinks are banned in sports clubs, within government health and education facilities.

Bottled Water

Hana and Nova are popular brands of bottled water in Saudi Arabia. Bottled water comes in presentations ranging from 0.2 litres to 12 litres per bottle. The flavoured, bottled water with an emphasis on the size of bottles, are taking a great place in the industry due to the lack of adequate drinkable water thus, it will carry on strong growth over the forecast period.¹⁰¹

6.5.2.2 Import

SASO is the only Saudi organization responsible for setting national standards for commodities and products, measurements, testing methods, meteorological symbols and terminology, commodity definitions, safety measures and environmental testing, as well as other subjects approved by the organization's Board of Directors. While standards are set by SASO, the laboratories of the Saudi Ministry of Commerce and Ministry of Commerce and Investment perform sample testing of all processed and packaged food items at various ports of entry. The

¹⁰¹ "Saudi Food, Beverages and Hospitality Market Analysis" Saudi Horeca 2011
http://saudihoreca.com/files/EN/horeca-report_of_ksa.pdf

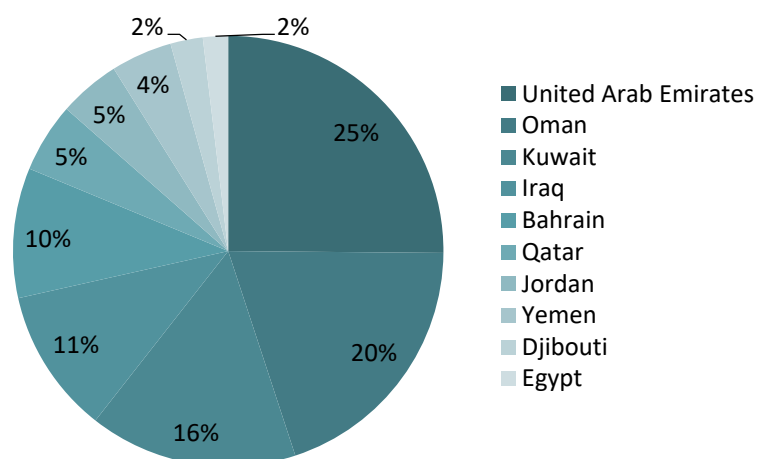
Saudi Ministry of Municipality and Rural Affairs Environmental Control Department tests foodstuffs at points of sale for product safety standards.¹⁰²

The Saudi Food and Drug Authority (SFDA) was established under the Council of Ministers resolution no (1) dated January 1, 2003, as an independent body that directly reports to the Prime Minister. The Authority objective is to ensure safety of food and drugs for humans and animals, and safety of biological and chemical substances as well as medical and electronic products. Saudi food standards are based mainly on Codex Alimentarius regulations and to some extent on European and U.S. standards but modified to reflect local conditions.

While standards are set by SASO, the Saudi Ministry of Commerce and Investment Laboratories do testing of all processed and packaged food items at various ports of entry. The Saudi Ministry of Municipality and Rural Affairs' Environmental Control Department tests foodstuffs at the point of sale for product safety standards.

The Saudi Food and Drug Authority is responsible for regulating, overseeing, and controlling food, drug, medical devices, as well as setting mandatory standard specifications thereof, whether they are imported or locally manufactured. The control and/or testing activities can be conducted at the SFDA or any other agency's laboratories. Moreover, the SFDA is in charge of consumers' awareness on all matters related to food, drug and medical devices and associated other products and supplies.

Figure 43) Value of imports in 2016 by Country of origin (% imports)



© International Trade Centre¹⁰³

¹⁰² "Saudi Arabia-Trade Standards" Export.gov November 2016 available at: <https://www.export.gov/article?id=Saudi-Arabia-trade-standards>.

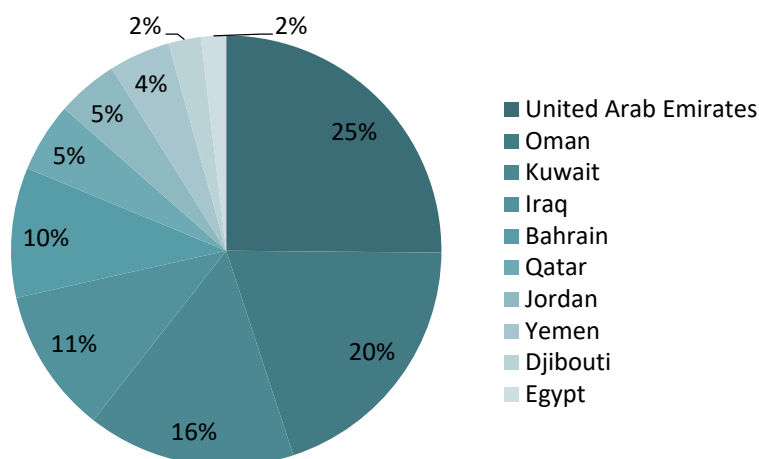
¹⁰³Trade Map, International Trade Centre, www.trademap.org

6.5.2.3 Export

Most Saudi Arabian Exports go to the GCC countries, United Arab Emirates being the main export destination. Saudi Arabia is not a big food and beverage exporter, the juice and soft drinks represent less than 1 per cent of the country's exports.

Alamari Co Ltd is the main exporter of beverages. Its products are exported to different countries including Bahrain, Egypt, Jordan, Kuwait, Oman, Qatar and UAE.

Figure 44) Value of exports in 2016 by destination (% of exports)



© International Trade Centre¹⁰⁴

6.5.3 Distribution

Most of grocery and drinks sales are done through off trade channels, including bakalas, supermarkets and hypermarkets. Bakalas, convenience stores commonly found in neighbourhoods, are the dominant retail outlets in terms of both number and food retail value. In 2014, the number of bakalas was estimated at 36,787 outlets¹⁰⁵. The number of Bakalas has not significantly decreased to date as many individuals do not have easy access to hypermarkets or supermarkets.¹⁰⁶ Foreign beverage exporters are suggested to work together with a local agent, buyer or importer in order to be able to sell their products in the widest possible range of distribution channels.¹⁰⁷ According to Farrelly & Mitchell, exporting beverages

¹⁰⁴ Trade Map, International Trade Centre, www.trademap.org

¹⁰⁵ "Saudi Arabia Retail Foods" USDA Foreign Agricultural Service September 2015 available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods/Riyadh_Saudi%20Arabia_9-17-2015.pdf.

¹⁰⁶ "Saudi Arabia Retail Foods" USDA Foreign Agricultural Service September 2015 available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods/Riyadh_Saudi%20Arabia_9-17-2015.pdf

¹⁰⁷ © "Opportunities for Supply Chain Consolidation in GCC Food Sector" Farrelly Mitchell November 2014, available at <http://farrellymitchell.com/wp-content/uploads/2014/11/GCC-Food-Report-Farrelly-Mitchell-Nov-2014.pdf>

using a KSA registered importer is not only a regulatory requirement but is a key component in successful market development.

Farrelly and Mitchell suggests that an experience and reliable importer can help navigate the importation process and the complexity of the market, not just in terms of meeting regulatory requirements but also by ensuring the exports products are sold in the widest possible range of distribution channels.

Modern grocery retailing has a penetration rate of 52 per cent in Saudi Arabia. The number of supermarkets and hypermarkets in the country is consistently growing. Shopping in supermarkets and hypermarkets is considered a leisure family activity, since these establishments offer an alternative for entertainment for Saudi families.¹⁰⁸ Hypermarkets and supermarkets use in-store promotions and packaging to attract customers.

Saudi consumers are brand-loyal, and constantly look for new and innovative products. Manufacturers look to satisfy Saudi consumers' demands, by enhancing their brand visibility while offering product differentiation using new packages and designs. Plastic is the most used material for soft drink packaging, while beverage cans have proven very suitable for the region's hot climate as they are quick to chill.

6.5.4 Summary

Saudi Arabia is the largest retail market for soft drinks in the Middle East, accounting for two thirds of the sales of the whole Gulf region and one of the largest soft drinks consumers in the world.¹⁰⁹ Consumption in the country is driven by elevated temperatures, and a cultural preference for sweetened drinks has been noted. The total ban on alcoholic drinks acts as a market stimulus for other categories. Soft drinks consumption in Saudi Arabia is largely dominated by the bottled water and carbonated drinks categories. Juice and non-alcoholic beer are gaining popularity among Saudi consumers, as they are a healthier alternative to carbonated drinks.

Saudi Arabians have a high preference for sweet and sugary products, which has an impact on the country's high obesity rates and has driven the government to implement measures to protect Saudi consumers, including imposing high tax rates on carbonate and energy drinks and banning them from schools and government facilities.

Figure 45) Non-alcoholic Beers and Bottled Drinks on Sale in Saudi Arabia



¹⁰⁸ Ibid.

¹⁰⁹ © "Saudi Soft Drinks Market Continues to Fizz" Farrelly & Mitchell 2015 available at <https://farrellymitchell.com/wp-content/uploads/2015/01/Insights-January-2015-.pdf>



In spite of being brand loyal, Saudi consumers are constantly looking for innovative products and flavours. Newcomers in the market will have a better chance to succeed by following solid PR and communication campaigns. The concept of reputable brand is particularly important during religious festivities and Ramadan.

Soft drinks sales peak during Ramadan season, when millions of pilgrims visit the country for religious tourism. Soft drinks sales mainly take place through off trade channels, in supermarkets and local grocery stores, bakalas. Low oil prices have affected significantly Saudi Arabian economy and Saudi consumer's preferences, reducing their purchasing power and increasing consumer's price sensitivity.

6.6 Market Snapshot: Fresh Fruits and Vegetables



People in Saudi Arabia traditionally did not consume significant quantities of fresh fruits and vegetables, except for dates, due to the harsh desert environment. The Saudi population lived in villages scattered around the country and followed a mainly nomadic lifestyle. Their diets had been simple and cooked cereals in water. The main source of energy was meat, dairy products, and carbohydrates. As wealth and imports made all kinds of fruits and vegetables available, a change in diet from the traditional low levels of consumption to more consumption of fruits and vegetables has increased demand for fresh fruits and vegetables. Furthermore, a growing concern about increased levels of obesity, and growing awareness in the importance of good health has led to growth in the consumption of fresh fruits and vegetables. Rapidly growing demand for fresh juices and organic produce also reflects this consumer trend. Due to the harsh climate in Saudi Arabia, there is limited capacity for domestic supply to increase to keep up with demand. EU producers of high-quality fresh fruits and vegetables, and particularly producers of fruit juices and organic produce will find strong market potential in Saudi Arabia.

6.6.1 Consumption

Home to 60 per cent of the population and nearly 95 per cent of the cultivated land in the GCC, Saudi Arabia is by far the region's largest producer and consumer of fresh fruits and vegetables. Sales of fruits and vegetables in Saudi Arabia grew by 12 per cent per year in recent years, driven by growing disposable income of the local households, increasing health concerns of the Saudi population and accelerating urbanisation trends. According to the GAIN Report in 2016, fresh

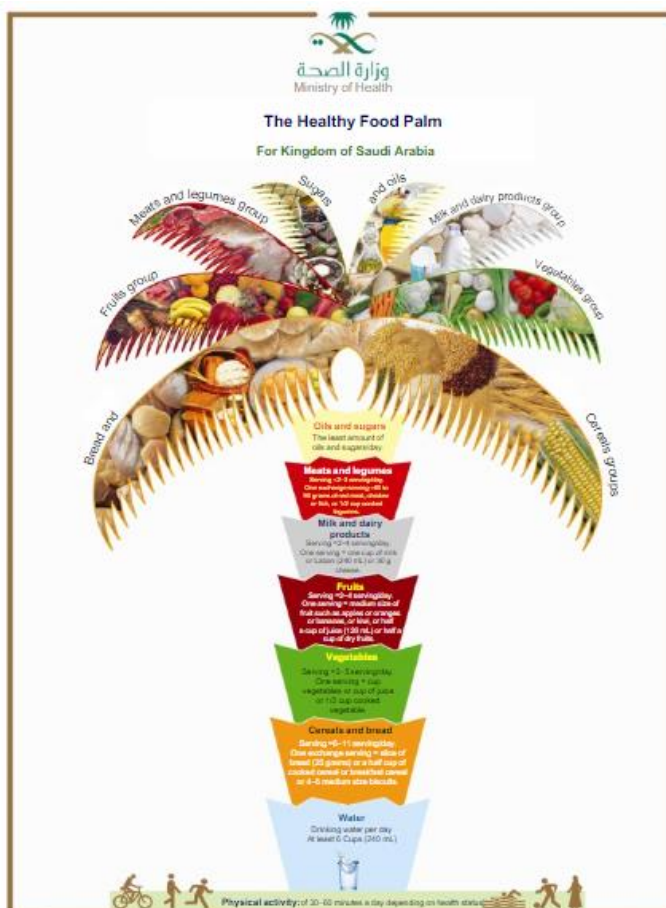
fruits and vegetables are categorized on the list of consumer products with the best demand prospects in Saudi Arabia.¹¹⁰

Saudi Arabia currently produces the majority of its fresh fruits and vegetables to satisfy local needs through innovative farming and cultivation techniques. That being said, there is limited potential for increased supply due to climate limitations and water shortages. Also, there are limits in terms of the types of fruit and vegetables that can be grown in its severe climate where temperatures in many parts exceed 50 degrees Celsius in the summer months, and can drop below freezing at nighttime in the winter. The chart below indicates this feature of Saudi Arabia's food landscape, where consumption is steadily increasing but demand remains virtually unchanged or falling.

Despite relatively self-sufficiency in terms of production of fresh fruits and vegetables, seasonal demand and supply-side constraints mean local output is commonly supplemented by foreign imports. Leading export markets from the EU in terms of meeting seasonal demand variations include France and Italy. Key seasonal demand spikes include important religious holidays such as Ramadan, which are associated with increased food consumption as well as large numbers of religious migrants visiting Islamic holy sites in Saudi Arabia.¹¹¹ Fresh fruits are often served without additional preparation during these religious occasions, or are otherwise often used as ingredients in food preparations.

Saudi Arabia will be increasingly dependent on imports to meet its consumption needs for fresh fruits and vegetables. In conjunction with the trend towards

Figure 46) Saudi Arabia's Healthy Food Palm, providing guidelines on recommended daily intake of food type



¹¹⁰ "Saudi Arabia Exporters Guide" (GAIN Report), available at https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf

¹¹¹ "Saudi Arabia: 15% increase fruit and veg imports", available at Saudi Arabia: 15% increase fruit and veg imports", available at <http://www.freshplaza.com/article/141033/Saudi-Arabia-15-procent-increase-fruit-and-veg-imports>

healthier and fresher food choices, EU producers are well positioned to expand their offerings in Saudi Arabia, particularly with organic produce and fresh juices.

6.6.1.1 Consumer Profile and Trends

Saudi Arabia has experienced rapid socio-economic changes in recent years, greatly influencing its consumer preferences. Notable changes include increasing disposable income, urbanization, and an influx of Western brands and products. Large numbers of Saudis have incorporated Western style shopping and eating habits into their daily lives. Consumers are increasingly willing to pay for high quality foods, and are becoming more health conscious in their choices.¹¹² As such, Saudis are substituting away from products that have low nutrient value such as canned fruit and vegetables towards fresher alternatives. These trends are certain to continue given the low starting baseline for consumption of fresh fruits and vegetables.

The Saudi government is orchestrating health and wellness campaigns designed to combat obesity and related problems, which is also bolstering demand for fresh fruits and vegetables. In 2012, the General Directorate of Nutrition, a division within the Saudi Ministry of Health, issued "Dietary Guidelines for Saudis" in the form of the "Healthy Food Palm". The Palm is widely disseminated amongst the population, particularly at schools. It recommends 2-4 servings of fruits and vegetables every day. The campaigns are having an impact, especially with young people. In 2005, 5.5 per cent of Saudis aged 15–64 years reported consuming at least five servings of fruits and vegetables per day. This increased to only 7.3 per cent in our survey for the same age group.¹¹³ Saudi Arabia currently imports 1.1 billion USD (970 million EUR) in fruits and vegetables at a time of relative self-sufficiency in fresh fruits and vegetables.¹¹⁴ In the future, as a larger proportion of the population consumes fresh fruit and vegetables in line with the government guidelines, additional demand will be met largely through imports.

The main categories of fresh vegetables produced and consumed in Saudi Arabia are tomatoes, eggplant, cabbage and cucumber. Regarding fresh fruits, the main categories are dates, grapes, watermelons, bananas, and pomegranate. However, it is important to recognize that Saudi Arabia's consumer market is evolving to include greater varieties of both fresh fruits and vegetables, many of which are imported.

The rapid increase in the number of modern retail outlets throughout Saudi Arabia is enabling higher consumption of fresh fruits and vegetables. Hypermarkets and modern supermarkets have superior distribution channels and in-store equipment, increasing shelf life of fresh offerings, and allowing for greater varieties of fresh fruits and vegetables. For instance, Del Monte Saudi Arabia Co Ltd has introduced fresh-cut pineapple within supermarkets and hypermarkets, thus leading people away from canned substitutes. The consumers shopping in hypermarkets have

¹¹² "Saudi Arabia Exporters Guide" (GAIN Report), available at https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf.

¹¹³ "Fruit and vegetable consumption among adults in Saudi Arabia, 2013", available at http://www.academia.edu/22927747/Fruit_and_vegetable_consumption_among_adults_in_Saudi_Arabia_2013.

¹¹⁴ Ibid.

growing disposable incomes, and are also keen to purchase premium items such as organic produce and high-quality fresh juices.

Religious tourism will also strengthen demand for fresh fruit and vegetables. The Saudi government is encouraging further growth in religious tourism, spending generously on the expansion programs for mosques and other religious attractions. The Saudi government has set ambitious targets for increasing the number of religious tourists the country receives into the near term.

Juices

Consumers in Saudi Arabia, especially women, are choosing to drink juices over less healthy flavored beverages such as soft drinks. Within the juice category, 100 percent fruit juices and juices that contain a significant proportion of fresh fruit are experiencing rapid sales growth. The leading flavors of juices that contain a high percentage of fresh fruit include apple, mango, and orange. That being said, new product lines are frequently released by companies in this category. Almarai Co Ltd is an industry leader in Saudi Arabia, and has recently popularized premium juice offerings such as 100 per cent watermelon juice and other nectars. In branding their products, EU beverage manufacturers should introduce new product lines with high vitamin content.

Organic Produce

The government is actively supporting the growth of the organic fresh fruit and vegetables market through measures such as reimbursing the certification fees and providing technical assistance to farmers with the aim of growing the industry. This began in 2007 with the establishment of the Saudi Organic Farming Association and continued with the foundation of the Department of Organic Agriculture at the Ministry of Agriculture in 2008. The government also converted the Qassim Farming Research Centre into an organic farming centre in 2011. European technical assistance has also been vital through organisations such as GIZ, which ran a project in close cooperation with the Ministry of Agriculture from 2005-2014 aimed at introducing organic farming.¹¹⁵

Figure 47 The Saudi National Organic Logo



A major milestone in the marketing of the industry with local consumers was the creation in 2011 of The Saudi National Organic Logo. Its creation is the result of a close and successful cooperation between all three leading actors – the Department of Organic Agriculture, the Saudi Organic Farming Association, and GIZ.¹¹⁶ The logo serves as both a marketing instrument for certified organic operators and a guide for consumers.

Market prospects are very strong for organic produce: Saudi consumers believe in the health benefits from eating organic, and they trust the credibility of the products on offer due to the buildup of institutional capacity to properly regulate the sector. EU producers are well-positioned to gain market share in Saudi Arabia

¹¹⁵ "Introducing Organic Farming in the Kingdom of Saudi Arabia", available at <https://www.giz.de/en/worldwide/18343.html>

¹¹⁶ "Organic Agriculture in Saudi Arabia" (GIZ Report), available at <https://www.giz.de/en/downloads/giz2012-organic-agriculture-saudi-arabia-en.pdf>

as a world leader in the production of organic produce. Organic fruits and vegetables can be marketed to Saudi Arabia as fresh produce, and as components in high-end packaged and processed food products.

6.6.1.2 Cultural sensitivities

Saudi Arabia's expanding religious tourism sector, combined with greater Western influence is leading to a consumer market that is more culturally diverse and international. This is reflected in the offerings of imported exotic fruits and vegetables at hypermarkets and supermarkets. Another sign of this cultural trend is in the growing market for international cuisine in Saudi Arabia. New international restaurants are opening in major city centres in Saudi Arabia. Japanese cuisine is particularly popular as part of the same health food trend.

Despite recent cultural trends, it is still a country that is deeply religious and conservative. Saudi Arabia is an Arabic-speaking country, which shares many middle-eastern customs with its neighbours. It can be defined as an Arab and a Muslim state. Strong awareness of the religious traditions and practices is crucial for producers looking to enter the local market. Fortunately, fresh fruits and vegetables do not contravene any of these traditions or principles. To the extent that there is any sensitivity to fresh produce in Saudi Arabia, it is more a matter of lack of familiarity among Saudi consumers.

6.6.1.3 Challenges for EU Products

Consumption patterns in Saudi Arabia are sensitive to macroeconomic shocks, such as fluctuations in oil and food prices. Saudi Arabia's heavy reliance on food imports exposes it to fluctuations in international food prices, causing one-time big-spending consumers to seek value-for-money products and discounts. This can cause a decline in demand – especially for high-end products such as expensive juices and organic produce.

Geopolitical risks are also a concern in Saudi Arabia given the volatile nature of the region. Much of the food that Saudi Arabia imports from abroad (including Europe) is shipped through the Suez Canal in Egypt and the Bab-el-Mandeb Strait between Yemen on the Arabian Gulf and Southwest Africa. Closure of these routes due to political instabilities can have an adverse impact on food supply and the ability of EU producers to export their goods to the region. Fresh produce are particularly sensitive to delays or diversions while in transit, as they often require refrigeration and timely distribution to the end-consumer to ensure freshness and ripeness.

Culturally, local companies are able to cater their products and their marketing campaigns towards consumers effectively. With their large investments in local production facilities and strong distribution networks, these companies can

Figure 48) Selection of Fresh Fruits Offer in Saudi Supermarket



provide products to consumers at very affordable prices. They also have a keen understanding of local consumer tastes and preferences, and are savvy at marketing their new product lines through new media to young persons, creating brand loyalty at an early age. The effects of advertising and marketing campaigns are however less pronounced for fresh produce, where specific producers may be harder to distinguish, compared with other agri-food products.

6.6.2 Offer

Like most GCC countries, Saudi Arabia has a high dependency on imported food, but this is less true of fresh fruits and vegetables, where it is relatively self-sufficient. According to the GAIN Report on Saudi Arabia's food industry, Saudi Arabia imported 690.6 million USD (608.38 million EUR) of fresh fruits and vegetables in 2014, and 283.4 million USD (249.66 million EUR) of fresh vegetables. With regards to fruit, the main import sources were some countries in the region, including Egypt, Turkey, India, and also China, Chile and the US. For fresh vegetables, the primary import sources were Egypt, Jordan, the Netherlands, China, India and the US.¹¹⁷ Despite current low levels of direct exports from the EU of fresh fruit and vegetables, the market has future potential as Saudi Arabia as demand increases and domestic production cannot keep up. Specific sectors such as fruit juices and organic produce are particularly promising market opportunities.

6.6.2.1 Domestic offer

Saudi Arabia is a leading producer of fresh fruits and vegetables in the region. Since 2012, dates continue to be the primary domestic crop in Saudi Arabia despite a 30 per cent decline from 2013 to 2014. Of the top ten crops produced in Saudi Arabia in 2014, sorghum, watermelons, and onions saw the highest growth from 2010 to 2014, with a compound annual growth rate (CAGR) of 23 per cent, 12 per cent, and 9 per cent.¹¹⁸ Production has shifted away from wheat and towards a range of higher value crops that are less dependent on scarce water resources, including a range of fruit and vegetables.¹¹⁹

The increased production of fruits and vegetables in Saudi Arabia has been paired with improved agricultural techniques, and infrastructure linking farmers with urban populations. Saudi Arabia's most productive crops of fresh fruits and vegetables include watermelon, grapes, citrus fruits, onions, squash and tomatoes. That being said, geography plays a significant role on where fruits and vegetables are produced. There is now producing tropical fruits including pineapples, paw-paws, bananas, mangoes and guavas produced in the well-

¹¹⁷ "Saudi Arabia Exporters Guide" (GAIN Report), available at [https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide Riyadh Saudi %20Arabia 10-1-2015.pdf](https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide%20Riyadh%20Saudi%20Arabia%2010-1-2015.pdf).

¹¹⁸ "Market overview: Saudi Arabia", available at <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6872-eng.pdf>

¹¹⁹ "Fresh Fruits, Vegetables Middle East", available at http://www.intracen.org/uploadedFiles/intracen.org/Content/Exporters/Market_Data_and_Information/Market_information/Market_Insider/Fruit_and_Vegetables/Middle%20East%20Fruits%20and%20Vegetables%20December%202014.pdf

watered Southwest, with plans to greatly expand production in coming years with the intent of growing exports in the region.¹²⁰

Table 8) Production of Fresh Fruits and Vegetables in Saudi Arabia

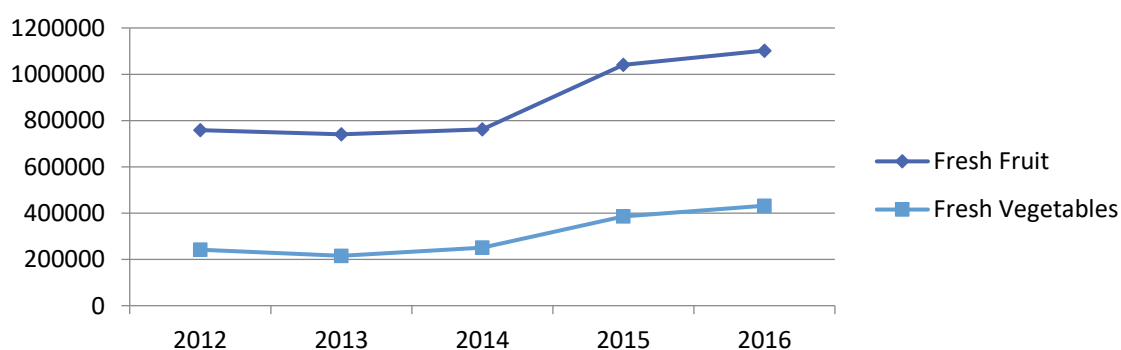
Top ten crops (tonnes)	2010	2011	2012	2013	2014
Dates	991,546	1,008,105	1,031,082	1,095,158	766,800
Watermelons	338,881	365,903	374,203	401,058	532,192
Wheat	1,349,389	1,184,454	854,256	660,145	500,000
Potatoes	398,993	404,679	405,680	390,259	445,028
Tomatoes	492,402	520,034	549,119	544,464	389,698
Fresh fruit	313,353	355,458	364,944	360,000	357,546
Sorghum	114,022	117,091	118,393	110,299	265,000
Onions	93,360	104,504	107,361	112,478	131,177
Cucumbers and gherkins	220,978	228,762	240,584	246,986	127,415
Fresh vegetables	159,551	131,137	115,490	114,860	114,230

© Agriculture and Agri-Food Canada

6.6.2.2 Import

Saudi Arabia imports significant quantities of fresh fruits and vegetables. The 5-year compounded annual growth rate for imports of fresh fruit was 7.75 per cent, and 12.27 per cent for fresh vegetables. Import growth was especially high from 2014 to 2016. This is a positive trend that indicates Saudi Arabia is increasingly unable to meet its demand with domestic production.¹²¹

Figure 49) Imports of Fresh Fruits and Vegetables to Saudi Arabia, unit: Euro Thousands



© International Trade Centre¹²²

Among EU28 member states, Saudi Arabia imported fresh fruit mainly from Italy, France, Spain, Greece and Poland. With regards the fresh vegetables, the strongest imports came from Spain, the Netherlands, France, Poland and Belgium.¹²³

¹²⁰ Royal Embassy of Saudi Arabia, Washington D.C. About Saudi Arabia - Agriculture & Water. Available at <https://www.saudiembassy.net/agriculture-water>

¹²¹ ITC Map, International Trade Center, available at www.trademap.org.

¹²² Ibid.

¹²³ Ibid.

Table 9) Top 5 EU Fruits and Vegetables Exporters to Saudi Arabia

Top 5 EU-28 Countries – Imports of Fresh Fruit	Top 5 EU-28 Countries – Imports of Fresh Vegetables
Italy	Spain
France	Netherlands
Spain	France
Greece	Poland
Poland	Belgium

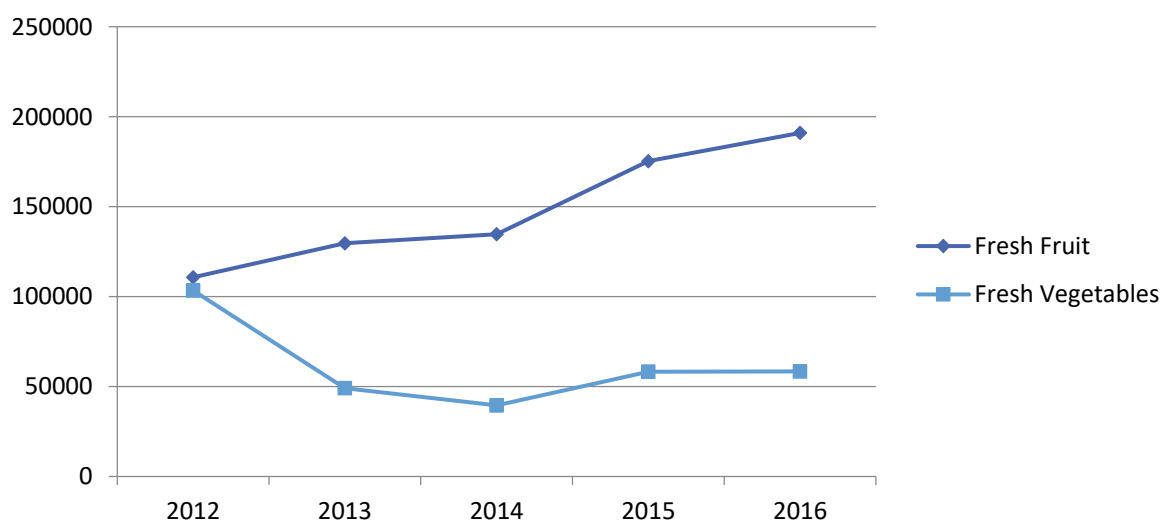
© International Trade Center¹²⁴

6.6.2.3 Export

Exports of fresh fruits and vegetables from Saudi Arabia were predominantly inter-regional, with GCC and other Arab countries as the major destinations. As illustrated from the figure below, fresh fruit exports from Saudi Arabia have grown robustly. This can be attributed to Saudi Arabia’s dominance in the production of dates, as well as government efforts to promote the expansion of fresh fruit crops.

Exports to the EU of fresh fruits and vegetables were negligible (less than 1 per cent of total export volume from Saudi Arabia). As such, the EU holds a large trade surplus in this food category with Saudi Arabia.¹²⁵

Figure 50) Saudi Arabia Export of Fresh Fruits and Vegetables



© International Trade Center¹²⁶

6.6.3 Main Competitors

There are no countries that dominate the market for fresh produce in Saudi Arabia. Egypt is the leader with approximately one-quarter of the market. A number of other non-EU countries are presently exporting large volumes of produce to Saudi Arabia, including South Africa, the Philippines, Ecuador, Turkey, China, the United

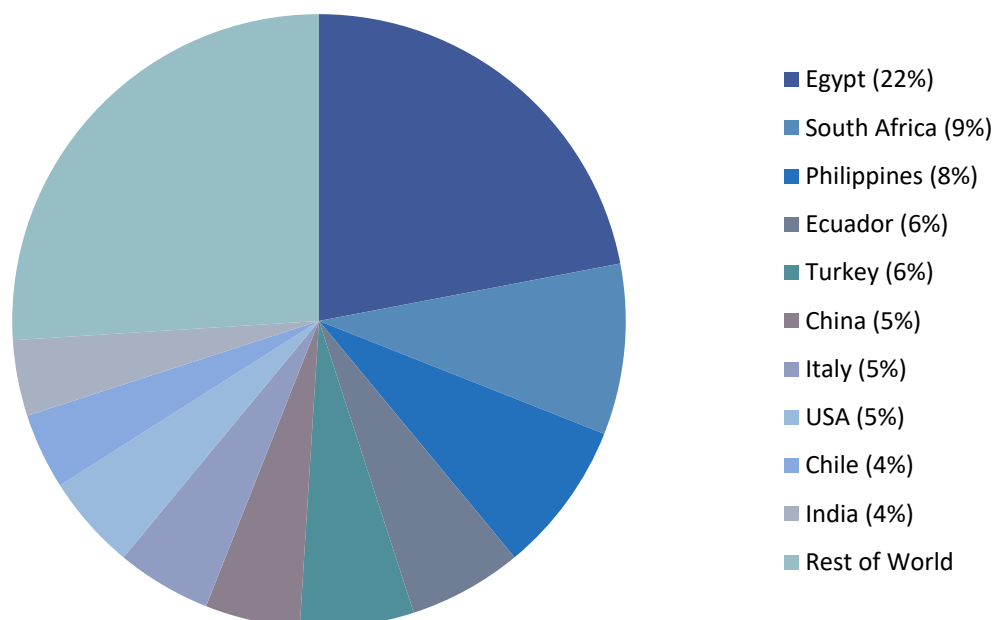
¹²⁴ ITC Map, International Trade Center, available at www.trademap.org.

¹²⁵ Ibid.

¹²⁶ Ibid.

States, Chile and India. Within the EU, Italy is the only country that has at least a 5 per cent market share for exports of fresh produce.¹²⁷

Figure 51) Saudi Arabia Fresh Produce Imports by Country



© International Trade Center¹²⁸

6.6.3.1 Challenges for EU Products

There is strong local competition within the national market in the fresh juice sector, one of the fastest growing categories for sales of fresh fruit and vegetables. The population exhibits strong brand loyalty towards leading local brands such as Almarai Co Ltd. Local companies have advantages such as strong distribution networks and facilities.

A further challenge relates to the supply chain, with large costs associated with distribution. It can be challenging to secure a reliable independent provider of scale in order to lower transportation, distribution and storage costs. Local competitors are often better positioned to manage these complicated logistical issues.

Finally, the volatility in local demand due to macroeconomic factors, such as fluctuations in oil prices and inflation, can cause uncertainty for EU exporters looking for a stable destination for their goods.

6.6.3.2 EU GI Products and Organics

Organic certification bodies operating in the KSA Regarding organic certification, Saudi Arabia has attracted a number of international certification bodies. Currently, in the year 2012, there are four international certification organizations operating in the Kingdom: two from Germany (BCS and CERES), one from France (ECOCERT), and one from Egypt (COAE). Until 2010, the certification of organic farms was performed by private certification bodies in accordance with

¹²⁷ ITC Map, International Trade Center, available at www.trademap.org.

¹²⁸ Ibid.

international standards, especially the EU Regulation. Since 2011, organic farmers can also be certified according to the new Saudi National Organic Regulation. This new regulation, like the EU Regulation, requires that certifiers operating in the Kingdom be accredited according to international norms (ISO 65/17065).¹²⁹

Labeling requirements in Saudi Arabia are quite specific, and GIs must be pre-registered in the Kingdom. Pre-packaged food product labels should be in Arabic or include an Arabic language translation of the label. Organic foods must be approved by the Department for Organic Agriculture, although this is certainly possible and at present the majority of organic foods in the Kingdom are imports.¹³⁰

6.6.4 Specific Import Requirements

The Saudi Food and Drug Authority (SFDA) sets and enforces food products regulations and standards as well as it is the main agency that conducts inspection of imported food products to ascertain that they meet established Saudi and/or GSO regulations and standards.¹³¹ The majority of Saudi food regulations and standards are based on CODEX Alimentarius regulations and to an extent to EU and U.S. FDA regulations. These are usually modified in order to apply local religious, cultural and environmental conditions of Saudi Arabia.

A health certificate is required by the SFDA for all fresh fruits and vegetables exported to Saudi Arabia. The intent of the health certificate is to demonstrate that exported products were processed or manufactured under conditions that comply with sanitary and health laws of the exporting country and are fit for human consumption.¹³²

The vast majority of food products are subject to a 5 per cent import duty. The maximum import tariff rate of 40 per cent is applied when local production of a food or agricultural product exceeds a self-sufficiency level. Currently, a 40 per cent import duty rate applies to fresh, dried and processed dates. Nine types of fresh vegetables (tomatoes, onions, carrots, cucumbers, marrow, okra, watermelons, melons and potatoes) are subject to a 25 per cent tariff on a seasonal basis.¹³³ Finally, in 2008, the Saudi government exempted a range of products from import tariffs in order to alleviate the rising costs of living in Saudi Arabia. Certain classes of fruit and vegetable juices were included in this list of products exempt from import tariffs.

Some large Saudi importers and supermarkets chains pack foodstuffs under their own brand names locally and in foreign countries, including in the EU. Salim Basamah Company, one of the largest importers of grocery products in Saudi Arabia, places its private label, "Goody" on a wide variety of food products

¹²⁹ "Organic Agriculture in Saudi Arabia", available at <https://www.giz.de/en/downloads/giz2012-organic-agriculture-saudi-arabia-en.pdf>

¹³⁰ "Food and Agricultural Import Regulations and Standards – Saudi Arabia" (GAIN Report), available at http://agriexchange.apeda.gov.in/IR_Standards/Import_Regulation/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20%20NarrativeRiyadhSaudi%20Arabia1052015.pdf

¹³¹ Ibid.

¹³² Ibid.

¹³³ "Saudi Arabia - Import Tariffs", available at <https://www.export.gov/article?id=Saudi-Arabia-import-tariffs>

imported from the abroad. Other well-known private labels include Freshly, Al-Alali and Harvest.¹³⁴ This presents another opportunity for EU producers to sell their produce in Saudi Arabia, but do not want to navigate the complicated process of exporting directly into the market themselves.

6.6.5 Distribution

The bulk of distribution of fresh produce to consumers in Saudi Arabia takes place through supermarkets and an increasing number of hypermarkets. Owing to the relatively low value per unit of fresh fruits and vegetables, these forms of retailers are better equipped to handle larger product volumes which make the distribution profitable. Overall distribution of fresh produce is smaller through retail outlets such as convenience stores and bakalas, as these distributors typically focus on products with longer shelf-life and higher value per unit.

Given the rising demand for healthier food products, hypermarkets and modern supermarkets are increasing their product lines of fresh juices and organic produce. For example, Hyper Panda has introduced a separate area within its vegetables section which is especially for imported organic fruits and vegetables. In addition, Danube hypermarket has expanded its range of products to include organic products (mainly imported), including organic juices. Fresh cut fresh is also a common item sold in modern food retailers across Saudi Arabia.

6.6.6 Summary

Increased health consciousness of consumers in Saudi Arabia is positively impacting the demand for fresh fruits and vegetables. Within this category, organic produce and fresh juices have especially strong growth prospects. Due to the severe climate in Saudi Arabia, there are limitations for increasing domestic supply of fresh produce in response to greater demand. Furthermore, certain types of fresh produce simply cannot be grown in the region for the same reasons. This means that as Saudi Arabia continues to develop and internationalize, it will become more dependent on imports to satisfy its consumption needs.

Hypermarkets and modern supermarkets offer a promising channel for EU fresh produce to be sold in Saudi Arabia. Producers should consider partnering with large hypermarkets such as Hiper Panda, Géant, and Carrefour, which are keen to expand their offerings of high-quality and healthy foods. EU producers face strong competition from local manufacturers, particularly in the fresh juice category. Therefore, it is imperative to understand the local market and forge strategic partnerships as necessary with local retailers, distributors and importers in order to be competitive.

¹³⁴ "Saudi Arabia Exporters Guide" (GAIN Report), available at https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf

6.7 Market Snapshot: Fresh Meats



6.7.1 Consumption

Saudi Arabia is a large market for the consumption of meat, and it serves as a base for most dishes prepared locally. Middle Eastern Cuisine typically uses chicken and lamb in many dishes, as well as other types of meat including beef, and sometimes more exotic types such as camels or some wild birds.

According to the OECD, meat consumption is directly affected by the standards of living of a country, consumer prices, as well as diet and culture. Other important factors are livestock production levels and a number of macroeconomic determinants.¹³⁵

Globally, the demand for meat is commonly linked to higher incomes and the urbanisation of societies. Changes of food consumption favour increased proteins from animal sources in diets.¹³⁶

Saudi Arabians have traditionally relied on lamb, goat, and camel meats in their diets, however, a number of socio-economic changes over the last half a century have drastically changed the food consumption habits, and now Saudis are preferring mainly chicken meat and beef. The consumption of pork is close to non-existent in Saudi Arabia, due to the fact that this is a forbidden meat for Muslims, which account to almost the entirety of the population in Saudi Arabia.

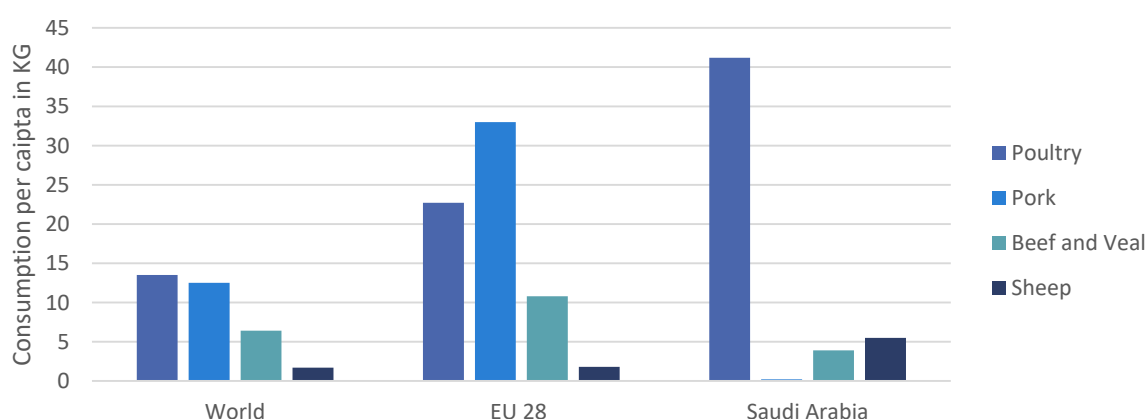
¹³⁵ "Meat Consumption". 2016. Available at <https://data.oecd.org/agroutput/meat-consumption.htm>

¹³⁶ Ibid.

Saudi Arabians consumed a total of 50.8 Kilograms of meat per capita in 2015. This is far greater than the global average, which amounts to 31.1 kilograms per capita in 2015. Europeans consume more meat a year than Saudis, accounting to 68 Kilograms per capita in 2015 as indicated in the figure below.¹³⁷

However, as indicated in the graph below, chicken consumption is Saudi Arabia is especially high, particularly in comparison to the global and European average. In 2015, it was by far the most popular meat, establishing itself at 41.2 Kg/per capita, vastly greater than any other meat consumed in the country, according to data available. This almost doubles the amount of chicken consumed by Europeans, and more than triples the global average of chicken consumption in 2015.¹³⁸

Figure 52) Saudi Meat Consumption by Product Category



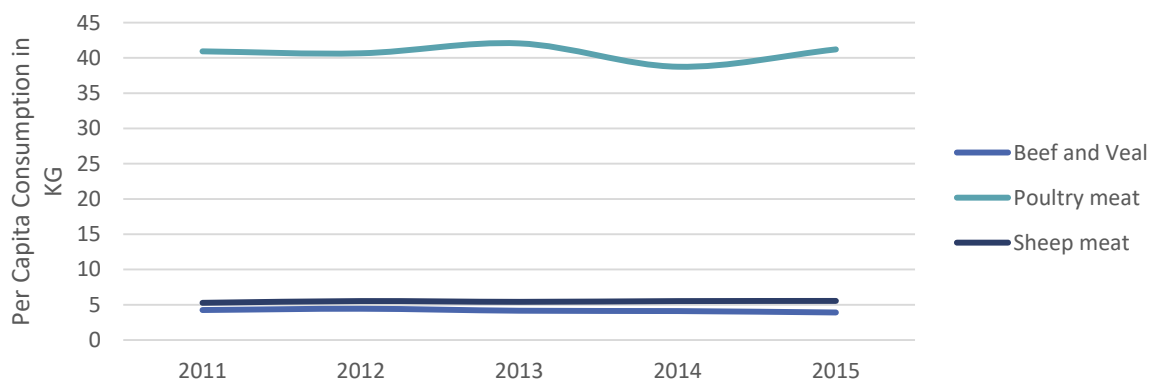
Organisation for Economic Co-operation and Development

It is estimated that poultry and bovine meat will account to a total of 80 per cent of traded meat in the next several decades. Saudi Arabia is considered one of the main importing countries from the developing world, among Indonesia, Philippines and Viet Nam. Beef in developing countries is foreseen to be produced domestically and poultry constitutes the bulk of additional imports. In Saudi Arabia, chicken is considered a necessity, whereas studies suggest that implied income elasticities indicate that beef, lamb and fish are considered to be luxuries, while chicken is a necessity.

¹³⁷ "Meat Consumption". 2016. Available at <https://data.oecd.org/agroutput/meat-consumption.htm>

¹³⁸ Ibid.

Figure 53) Meat Consumption in Saudi Arabia Expressed as Kilograms Per Capita



Organisation for Economic Co-operation and Development

6.7.1.1 Consumer Profile and Trends

In the Middle Eastern region, home-cooking of fresh meat include stews and slow cooking, grilling of cubes for kebabs and mince as a filling for pastries and kofta are widespread. Grilling of prime cuts is also popular in the region. Saudi Arabian society is modernising and along this there have been different approaches to diet and views on food. Part of this influence comes through the introduction and subsequently widespread use of the internet and satellite TV across Saudi Arabia.

The region's increase in meat consumption is in line with the rising global trend of consumption of protein-rich foods, particularly organic and healthy produce with a strong, branded and most often halal provenance.

The GCC region is predicted to increase the levels of meat consumption, in line with global trends of following a protein-rich and healthy diet. The rise of the health-conscious individual can be considered a global phenomenon, and the Saudi Arabian society is no exception. It is apparent that Saudis are increasingly interested in healthier diets, and due to this are cutting back on fats and extra calories. For example, supermarkets are introducing more organic and low fat options in their packaging.

Many organic products are being produced, particularly fruit and vegetables but at this point in time organic meat is almost a non-existent. Some local farming industries have introduced "organic" processes of farming for animals, however organic meat products are not yet widespread or popular in Saudi Arabia. Most organic animal husbandry focuses on sheep and goats, as well as camels. In 2012, a total 2,800 animals were kept according to organic standards and 735 were reported to be in the process of becoming organic.¹³⁹

6.7.1.2 Cultural sensitivities

The shared and distinct Gulf or *Khaleeji* culture has emerged over the years through the similar dialects that are spoken in the regions, its history and as well the geography and climate. The dry and hot climate has been a key factor that influenced the diets of the Gulf people, given that the agricultural sector depends on this. The history of nomadic lifestyle and Bedouins is also an important factor.

¹³⁹ GIZ. Organic Agriculture in Saudi Arabia. 2012. Available at <https://www.giz.de/en/downloads/giz2012-organic-agriculture-saudi-arabia-en.pdf>.

All these aspects can explain why chicken is a staple food in Saudi Arabia, unlike in other Middle Eastern countries such as Egypt for example. Chicken Kabsa is the Saudi National dish, as seen in the picture above. This dish is rice based and can also be prepared with lamb, camel or beef.

Saudi society itself is deeply religious and conservative. Cultural and religious traditions are followed, where friends and family gather together.

The religious festival Ramadan has an effect also on meat consumption. Particularly, lamb consumption increases during this period, especially in the end of Ramadan "Eid al-Fitr" when more elaborate and full meals are prepared on daily basis.

Figure 54) Chicken Kabsa Dish in Saudi Arabia



Lamb is traditionally served to honoured guests and at holiday feasts. According to Islamic law, sacrificial lamb slaughtering takes place during celebrations throughout the year, such as Eid ul Adha - The Festival of Sacrifice. This festival commemorates

The Prophet Ibrahim who was willing to sacrifice his son Ismail for Allah. Other prominent days where lamb is widely consumed is the Islamic New Year "Muharram" and the birthday of the Prophet Muhammed "Mawlid al Nabi".

6.7.1.3 Challenges for EU products

From the different food and beverage products, attitudes towards meat can be seen as the most strongly defined by Islamic principles. In Saudi Arabia, as in most Muslim countries, meat sold must be Halal. Halal means "allowed" by the Islamic rule, and so following the necessary slaughter ritual known as *Zabihah*.

Unlike some more liberalised Muslim countries, meat is strictly regulated by the government to guarantee that the animals to be consumed are slaughtered in accordance with religious principles. As Saudi Arabia is also a deeply religious country, this Islamic rule is taken seriously by the population, including those working in the meat industry.

Saudis tend to trust the government regulates imported meat and assures it is Halal for the consumption of Muslims. However, despite this, the population often believes meat that has been locally slaughtered have a higher "Halal standard"

Figure 55) Meat Dish with Base of Camel Meat Traditionally Served in Saudi Arabia



than imported meat products originating from non-Muslim countries.¹⁴⁰ Therefore, the greatest weakness that European meat exporters face are the attitudes and opinions regarding meat originating from non-Muslim sources.

Incorporating Halal regulations to the production process of meat, can also be considered a market opportunity, as right now this is an important restriction to access the market. Cultivating greater consumer confidence in European meat products and halal certifications will be important for securing long-term growth opportunities.

6.7.2 Offer

6.7.2.1 Domestic offer

Saudi Arabia's rapid economic development and the affluence of the country's citizens are served by both imported and domestically produced meat.

Agriculture in Saudi Arabia has mostly concentrated in a small area, the south-west corner. Given the adverse climatic conditions of the peninsula, this has traditionally allowed nomadic herding but restricted most agricultural activity. Despite the hot and dry weather that creates a restrictive setting for large scale livestock production, approximately half of the meat consumed in Saudi Arabia is produced locally.

Table 10) Domestic Livestock in Saudi Arabia

Meat (tonnes)	2010	2011	2012	2013	2014
Chicken	576,819	576,270	572,270	52,000	618,130
Sheep	45,000	40,640	41,160	43,610	101,580
Cattle	39,662	42,283	49,683	100,000	54,183
Camel	37,610	22,112	49,683	569,000	42,460
Goat	720	2,174	2,174	50,683	29,246
Livestock (head)	2010	2011	2012	2013	2014
Chickens	148,200,000	175,900,000	179,000,000	181,500,000	183,000,000
Sheep	8,741,000	10,096,000	10,129,000	11,500,000	11,650,000
Pigeons, other birds	5,500,000	5,500,000	5,500,000	5,500,000	5,500,000
Goats	3,408,000	3,382,000	3,408,000	3,430,000	3,450,000
Cattle	393,324	426,204	486,503	456,371	354,276

© Food and Agricultural Organisation of the United Nations¹⁴¹

6.7.2.2 Import

The GCC region is reported to be one of the fastest growing markets. The population growth is increasing far more rapidly than other regions globally, and Saudi Arabia accounts to 60 per cent of food consumption from the region. The

¹⁴⁰ USDA FAS. Saudi Arabia Poultry and Products Annual. August 2016. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Poultry%20and%20Products%20Annual/Riyadh_Saudi%20Arabia_8-31-2016.pdf.

¹⁴¹ Source: Food and Agriculture Organisation of the United Nations, 2017, FAOSTAT, Livestock Primary, <http://www.fao.org/faostat/en/#data/QL>, Reproduced with permission.

estimated annual growth rate from 2012 – 2017 was calculated to be 2.6 per cent.¹⁴²

The high per capita income is increasing the demand for imported meat. In particular certain countries such as Brazil or Australia are considered to have premium high-quality beef and lamb that cater to the Saudis with a higher disposable income.

Most of the meat imported to Saudi Arabia proceeds from Brazil. The Brazilian meat market is able to provide large amounts of meat products at an economic price for Saudi society. Collectively the EU market accounted in 2016 to 9.4 per cent of the imported meat in Saudi Arabia. Among these, as apparent in the table below, France largely dominates the European market in Saudi Arabia, accounting to 96.8 per cent of the imported value in 2016. Most of the meat proceeding from France is poultry.

Table 11) List of Supplying Markets from the EU for Meat Products in Saudi Arabia

	Exporters	Imported value in 2012	Imported value in 2013	Imported value in 2014	Imported value in 2015	Imported value in 2016
€ Thousands						
	World	1,967,757	2,092,563	1,921,572	2,522,290	1,933,176
	European Union (EU 28) Aggregation	239,980	267,424	193,757	260,762	181,604
1	France	238,023	262,480	187,248	252,272	1757,75
2	Netherlands	1,191	2,285	3,273	2,005	4,235
3	Ireland	252	2131	1812	3997	823
4	Belgium	35	290	370	536	514
5	Spain	58	0	0	0	132
6	Poland	0	0	0	0	68
7	Estonia	26	121	28	0	57
8	Denmark	142	72	952	1,951	0
9	Portugal	0	44	74	0	0
10	Romania	220	0	0	0	0
11	United Kingdom	32	0	0	0	0

© International Trade Centre¹⁴³

6.7.2.3 Export

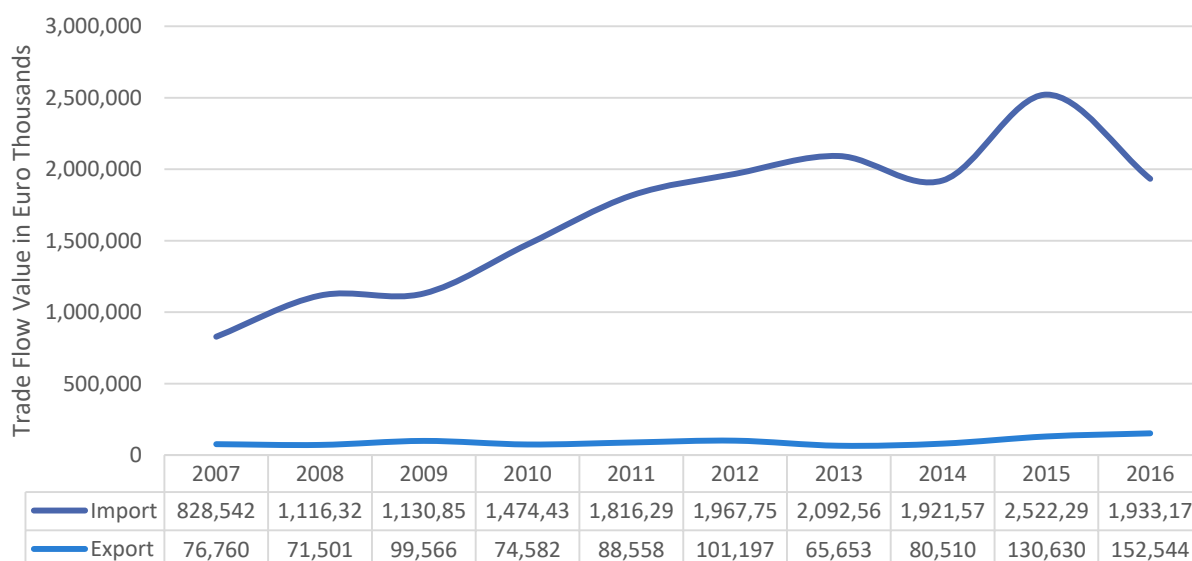
The level of exports of Saudi Arabia is vastly inferior to imports of fresh meat. Whereas exports have been stagnant over the last 10 years, imports have increased significantly, as apparent in the graph below. Most Saudi exports are destined to GCC countries; therefore, they remain regional. Overall, the trade

¹⁴² "Inside Gulf Cooperation Council" September 2015 available at: <http://www.agr.gc.ca/eng/industry-markets-and-trade/statistics-and-market-information/agriculture-and-food-market-information-by-region/middle-east-and-africa/market-intelligence/inside-gulf-cooperation-council-gcc-beef-trade/?id=1441717698363>

¹⁴³ ITC Map, International Trade Center, available at www.trademap.org.

deficit is large, which accounts to the large demand for meat and limited capability of Saudi Arabia to meet this demand.

Figure 56) Global Import and Export figures of Meat in Saudi Arabia

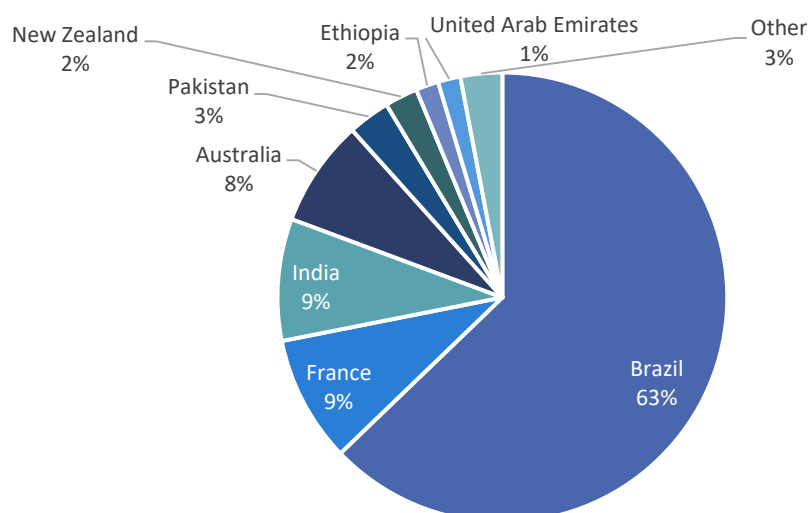


© International Trade Centre¹⁴⁴

6.7.3 Main Competitors

Overall Brazil largely dominates the market for imported meats in Saudi Arabia, accounting to 63 per cent in 2016 as indicated in the table below. France is the only European country that exports a significant account to Saudi Arabia, mostly poultry.

Figure 57) Supplying markets for meat imported by Saudi Arabia



© International Trade Centre¹⁴⁵

¹⁴⁴ ITC Map, International Trade Center, available at www.trademap.org.

¹⁴⁵ Ibid.

6.7.3.1 EU GI Products and Organics

The organic sector in Saudi Arabia is young and dynamic. A comprehensive system of data collection is not yet in place. The Department of Organic Agriculture (Ministry of Agriculture) in Saudi Arabia supervises interactions among sector participants and the control mechanisms by domestic and international certification bodies.

Figure 58) Saudi Organic consumer logo



Higher-income consumer segments in Saudi Arabia are more likely to maintain a preference for organic and GI meat products, as they are less likely to be price sensitive when considering these options. Many Saudi consumers are likely to have at least loose familiarity with EU quality schemes and meat products. The share of production of organic meats and consumer demand are expected to increase in the medium-term assuming macroeconomic stabilisation and the continued trend in consumer preference for health and quality options.

6.7.3.2 Challenges for EU products

Saudi Arabia's population is almost entirely Muslim, therefore the biggest constraints for the market are strict quality checks and phytosanitary norms, along with Halal requirements. Processes, such as stunning and automated mechanical slaughter, do not accommodate for Halal procedures, making these methods of slaughter unsuitable for the region.

Furthermore, Saudi Arabia has strict regulations regarding meat origins and which countries are permitted to import to Saudi Arabia. These are listed in the table below. Furthermore, within each country permitted there are certain approved meat establishments by the SFDA available on their website.

6.7.4 Specific Import Requirements

The majority of Saudi food regulations and standards are based on CODEX Alimentarius regulations and to an extent to EU and US. FDA regulations. These are usually modified in order to apply local religious, cultural and environmental conditions of Saudi Arabia.¹⁴⁶

The most important and restrictive requirement that is strictly to be followed by all meat imported to Saudi Arabia is that it must have an Islamic Slaughter Certification. The exporter must obtain a Certificate of Islamic (Halal) Slaughter from a member of an Islamic Centre or organisation that has been approved by the World Muslim league.¹⁴⁷

Meat products that have been labelled Halal have to provide this certificate or a written statement where the exporter affirms that this certificate will be available before the product reaches Saudi Arabia.

¹⁴⁶ USDA FAS. Saudi Arabia Exporter Guide. 2015. Available at <https://www.fas.usda.gov/data/saudi-arabia-exporter-guide-0>.

¹⁴⁷ USDA FAS. Export Requirements for Saudi Arabia. March 2017. Available at <https://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/exporting-products/export-library-requirements-by-country/saudi-arabia>.

The SFDA requires these certificates with all meat and meat products consignments. Importers are recommended to contact the SFDA and the Department of Halal Meat at the Muslim World League; to recognise the approved centres for issuance of Halal slaughtering meat.¹⁴⁸

The GCC is aiming to standardise the legislations across all GCC countries, including Saudi Arabia. The GCC issued a Guide for Control on Imported Foods, which has been implemented by SFDA on experimental basis for unspecified period starting June 1, 2015.

Saudi Arabia is set to integrate these standards to imports on a gradual basis. More details on the regulations are available on the websites of **the SFDA**; Saudi Standards, Metrology and Quality Organisation (SASO); and the GSO.

Some of the following certificates) shall be made available:

- Certificate of origin (Copy)
- Halal Certificate (original)
- Certificate of slaughtering for meat and poultry (original)
- Any other documents or certificates required by the SFDA
- In addition to the general requirements listed above, there may be special requirements by the SFDA

6.7.5 Distribution

The geographical location of Saudi Arabia, means it finds itself in a difficult situation to be able to feed its population. Following this, the government is following a food security program that involves land purchases for developing food chains with the partnership of existing food producers at home and abroad.



Figure 59) Halal logo

¹⁴⁸ SFDA. Islamic Centres Approved for Issuing Halal Certificate Worldwide. Available at www.sfda.gov.sa/en/food/about/administration/mangement_food/Pages/EDOIFC-IslamicCenter.aspx.

WAYS TO IMPORT



6.7.5.1 Direct Imports by Supermarkets

Locally based supermarkets include supermarket chains such as Othaim, Panda, Tamimi, and Danube. These frequently import directly from foreign suppliers, although these have to go through governmental inspections to ensure the meat imported follows the necessary regulations. The French hypermarket chain, Carrefour and Dubai’s Lulu also follow the same standard.¹⁴⁹

6.7.5.2 Challenges for EU products

Local importers prefer to initiate business deals with small orders; conditions many EU exporters are not willing or able to meet.¹⁵⁰ This is done to ensure that new business deals do not suppose high risks. Such deals if followed up correctly, can gradually increment in the future into a strong and fruitful business relationship.

Table 12) Saudi Food and Drug Authority: Meat and Countries of Importation

	Camel Meat	Table eggs	Poultry meat heat treatment	Poultry meat	Meat of sheep & products*	Meat of bovine species & products**
Austria	●●●	●●●	●●●	●●●	●●●	●●●
Belgium	●●●	●●●	●●●	●●●	●●●	●●●
Bulgaria	●●●	●●●	●●●	●●●	●●●	●●●
Croatia	●●●	●●●	●●●	●●●	●●●	●●●
Cyprus	●●●	●●●	●●●	●●●	●●●	●●●

¹⁴⁹ USDA FAS. Saudi Arabia Exporter Guide. 2015. Available at <https://www.fas.usda.gov/data/saudi-arabia-exporter-guide-0>.

¹⁵⁰ Ibid.



Czech Republic	●●●	●●●	●●●	●●●	●●●	●●●
Denmark	●●●	●●●	●●●	●●●	●●●	●●●
Estonia	●●●	●●●	●●●	●●●	●●●	●●●
Finland	●●●	●●●	●●●	●●●	●●●	●●●
France	●●●	●●●	●●●	●●●	●●●	●●●
Germany	●●●	●●●	●●●	●●●	●●●	●●●
Greece	●●●	●●●	●●●	●●●	●●●	●●●
Hungary	●●●	●●●	●●●	●●●	●●●	●●●
Ireland	●●●	●●●	●●●	●●●	●●●	●●●
Italy	●●●	●●●	●●●	●●●	●●●	●●●
Latvia	●●●	●●●	●●●	●●●	●●●	●●●
Lithuania	N/A	N/A	N/A	N/A	N/A	N/A
Luxembourg	●●●	●●●	●●●	●●●	●●●	●●●
Malta	●●●	●●●	●●●	●●●	●●●	●●●
Netherlands	●●●	●●●	●●●	●●●	●●●	●●●
Poland	●●●	●●●	●●●	●●●	●●●	●●●
Portugal	●●●	●●●	●●●	●●●	●●●	●●●
Romania	●●●	●●●	●●●	●●●	●●●	●●●
Slovakia	●●●	●●●	●●●	●●●	●●●	●●●
Slovenia	●●●	●●●	●●●	●●●	●●●	●●●
Spain	●●●	●●●	●●●	●●●	●●●	●●●
Sweden	●●●	●●●	●●●	●●●	●●●	●●●
United Kingdom	●●●	●●●	●●●	●●●	●●●	●●●

●●● Importation is banned according to banning decree.
 ●●● Importation is allowed according to regulations and conditions.
 ●●● Importation is allowed from the approved establishments only.
 ●●● Importation of heat treated of poultry meat and table eggs are allowed according to regulations and conditions.
 ●●● Importation of heat treated of poultry meat and table eggs are allowed according to regulations and conditions from the banned area mentioned in the SFDA decree.
 * Also include bovine, calves, buffalo and deer ** Also include goats and sheep

Last updated 10/5/2017

6.7.6 Summary

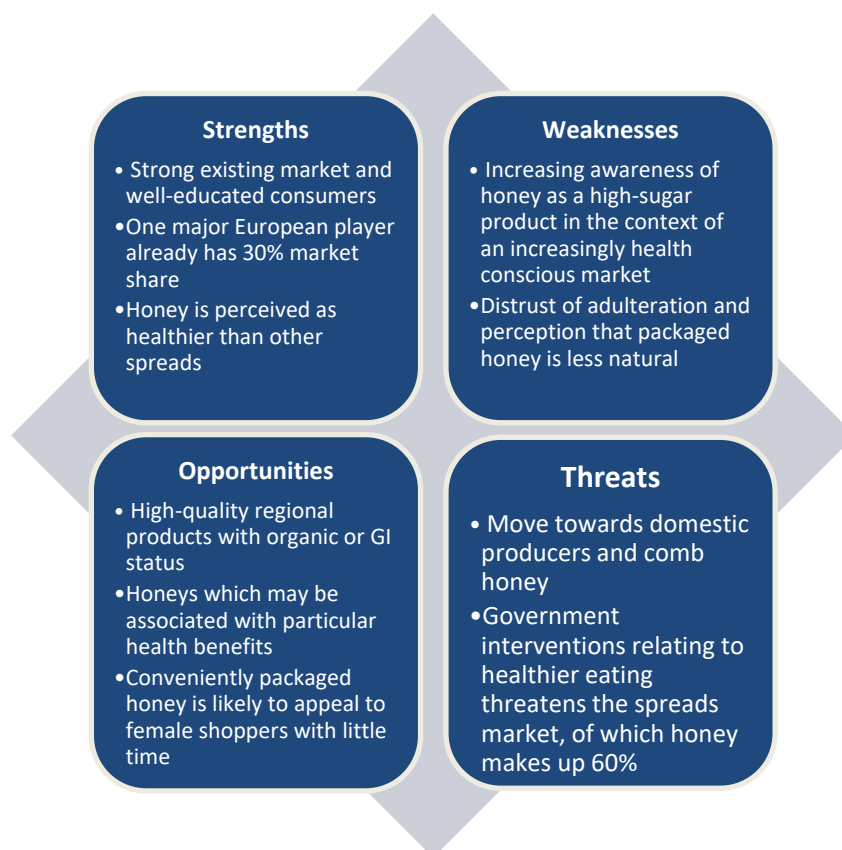
Meat consumption is a staple in Saudi cuisine, reflected in the larger size of the market compared with regional and income-group counterparts. Fresh meats are the primary ingredients of many traditional products in Saudi Arabia, at the same time as they factor into imported and innovative cuisine that is increasingly sought after.

Despite strong base demand, the market for fresh meats in Saudi Arabia is nonetheless deeply complex, with the need to appeal to both a competitive consumer market while also meeting demanding market entry requirements. Meat products that do not meet religious criteria are prohibited from market entry outright. These include most notably all pork products and those which do not fulfil halal certification requirements. The market entry status of other meat products imported into Saudi Arabia is variable, depending on specific SPS requirements and health-risk assessments periodically published by the SFDA. Further information on the importation of meat products can be accessed directly through the SFDA [here](#). Given the complexity and fast pace of change in terms of market



access for this category of product in Saudi Arabia, it is strongly recommended to consult with a knowledgeable local partner, SFDA and other import authorities prior to launching your market entry.

6.8 Market Snapshot: Honey, Gum Resins and Plant Products



6.8.1 Consumption

6.8.1.1 Consumer Profile and Trends

Honey

Saudi Arabian consumers, particularly younger people, are fond of spreads and are generally adventurous and willing to try new brands. Honey is popular in Saudi Arabia both among the young, who make up the majority of the population and tend to have a very sweet tooth, and among older consumers who view it as a traditional and product with health-giving and even medicinal properties. As a result, honey products make up nearly two-thirds of the total value of the spreads market in the country.¹⁵¹

Improved awareness of healthy eating will likely push consumers towards “purer” and “more natural” honeys over the coming years, leading to increased domestic market share, as well as opportunities for organic and GI protected packaged honeys, and for comb honey. The one major advantage that will benefit packaged honeys in the future is the ever-increasing number of Saudi women entering the labour market. Combined with the prohibition of women driving and the resulting inconvenience and lack of time available to female grocery shoppers, this trend tends to favour supermarkets and hypermarkets over the smaller stores and markets that distribute the honey of domestic producers.

¹⁵¹ Nuru Adgaba et al. Structure and Performance of the Retail Outlets of Honey in the Kingdom of Saudi Arabia. Available at http://rp.ksu.edu.sa/sites/rp.ksu.edu.sa/files/res-files/Annex.7_%20Retail%20outlets%20of%20honey%20.pdf.

Gums, resins and other vegetable saps

While there is a market in Saudi Arabia for gums, resins and vegetable saps, Saudis do not tend to consume these as foods, and the majority of these products, particularly of the European imports (almost exclusively pine products), are processed and used in industry. These products tend to be characterised by very high value per unit, but relatively low trade flow values overall. This chapter will therefore tend to focus on honey.

6.8.1.2 Cultural Sensitivities

Honey is perceived very positively by Saudi consumers, both as a food and as a traditional remedy (applied either topically or ingested) for ailments including pain, rheumatism, and hair and skin problems. However, increasing awareness of nutrition, backed by Ministry of Health campaigns, has led to increasing awareness of honey as a high-sugar product, which has tended to detract from its otherwise healthy image.

The main cultural factor at play in Saudi Arabia that European producers should be aware of is the high level of existing knowledge regarding different types of honey among Saudi consumers, along with a degree of distrust of imported honey due to a perceived high risk of adulteration, and the accompanying folk tests and intuitions that are expected to prove whether or not a honey is "pure", which may tend to favour domestic products.¹⁵²

Figure 60) Honey Production in Saudi Arabia



Many Saudi consumers are aware of traditional honeys that originate in the Middle East, especially *Samar* and *Sidr* honeys, which are harvested from the pollens of particular trees that are endemic to the region. These honeys can retail for very high prices¹⁵³.

On the one hand, this means that consumers may tend to be more discerning in their choices, and possibly less interested in honeys

harvested from less-familiar sources such as clover or heather. On the other, more discerning consumers of honey are better able to understand price differentiation between products, and are habituated to paying relatively higher prices for better quality products. Product positioning and marketing should take these considerations into account.

6.8.1.3 Challenges for EU products

Distrust of adulteration has been led by domestic honey producers, who have capitalised on scandals involving syrup addition to increase their own market share, based on a perception that Saudi honey is inherently more trustworthy. There is relatively high awareness among Saudi consumers for traditional tests of honey quality that involve cooling, blotting, dissolving, etc., although these tests are far from scientific. The majority of Saudi consumers intuitively expect honey

¹⁵² Life in Saudi Arabia. How to Check the Purity of Honey. Available at <http://life-in-saudi-arabia.blogspot.be/2014/11/how-to-check-purity-of-honey.html>.

¹⁵³ Saudi Beekeeping Industry. Saudi Honey. June 2017. Available at https://www.saudibi.com/index.php?module=sitemap&page=content_en&id=179.



to be a viscous liquid, and producers of honey that is prone to crystallisation (including many producers of raw honeys) should be aware that their product will likely be treated with suspicion.

Domestic Saudi honeys come in a wide variety of colours, taste intensities and degrees of sweetness, therefore these aspects of any honey product are less likely to cause concern. However, similarly to *Manuka* honeys from New Zealand, the more valuable honeys in Saudi Arabia such as *Sidr* tend to be darker, less sweet and more intensely and medicinally flavoured, and European producers looking to access the upper end of the market should bear this in mind and market appropriate honeys accordingly.

6.8.2 Offer

Saudi Arabia consumes 23,000 tonnes of honey per year, of which 9,000 tones are produced domestically and 14,000 imported.¹⁵⁴ The market is characterised by strong competition between foreign and domestic suppliers. Domestically produced honey products are typically sold at higher prices than imports. Many Saudi consumers purchase domestically produced honey products at higher prices as they perceive these as more likely to be pure and have homeopathic or health-related properties. Still, the domestic production market in Saudi Arabia is not large enough to fulfil the overall demand, creating opportunities for price-competitive imports.¹⁵⁵

Table 13) Average Retail Prices for Specific Honey Products in Saudi Arabia

Product	Price in € per kilogram		
	Minimum	Maximum	Mean
<i>Sidr</i>	125	660	308
<i>Sumra</i>	70	500	207
<i>Taleh</i>	50	500	211
Imported	35	500	175

King Saud University

6.8.2.1 Domestic offer

Beekeeping is relatively common in Saudi Arabia, however the domestic output has been falling sharply in recent years. Nonetheless, there are several large domestic producers with significant share of the local market. One large domestic producer is the Sunbullah Group, which operates 2 primary product lines in the Saudi Market. The Al Shifa line is Sunbullah's flagship brand and caters to health and quality conscious consumer segments. Al Shifa honey products are typically packaged in glass jars, and several specific offerings include specific infusions for flavour and perceived health value. The Sary line on offer from the Sunbullah Group is oriented as a value-for-money brand marketed to price-conscious consumers and the food service industry. However, because of the relatively limited availability and high cost of Saudi honey, both brands are actually blends of imported honeys from around the world.

¹⁵⁴ Al Arabiya. Beekeepers Make Saudi honey Festival a Sweet Success. December 2014. Available at <http://english.alarabiya.net/en/life-style/art-and-culture/2014/12/15/Beekeepers-make-Saudi-honey-festival-a-success.html>.

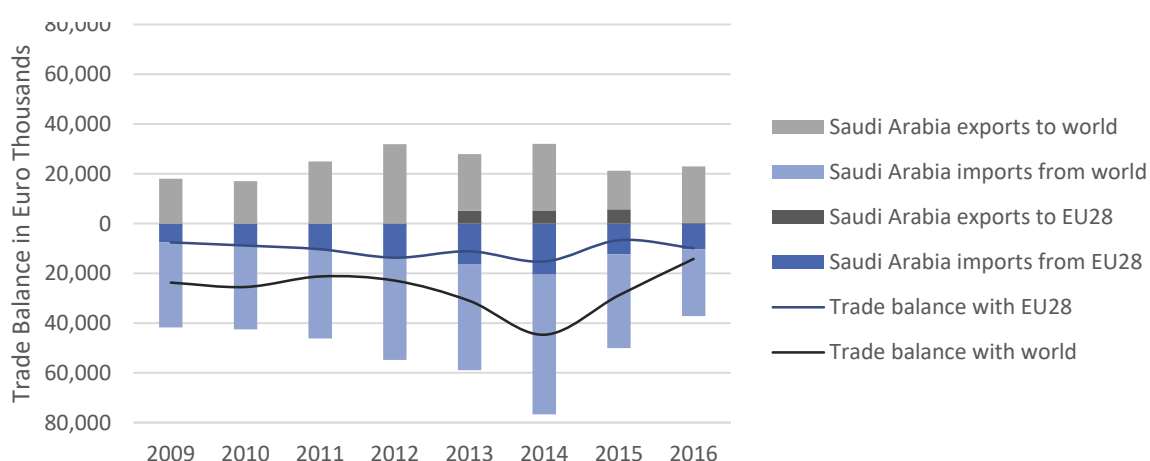
¹⁵⁵ Nuru Adgaba et al. Structure and Performance of the Retail Outlets of Honey in the Kingdom of Saudi Arabia. Available at http://rp.ksu.edu.sa/sites/rp.ksu.edu.sa/files/res-files/Annex.7_%20Retail%20outlets%20of%20honey%20.pdf.

There is also a thriving domestic honey production industry, based mainly in the rural Asir region in the southwest of the country, most particularly the provinces of Asir, Baha and Jazan. Honeys from these domestic producers form almost one-quarter of the market for honey in the Kingdom.

6.8.2.2 Import

Saudi Arabia is a net importer of honey, and the EU is a significant market of origin. However, honey imports peaked in 2014 and have fallen significantly since, with the value of imports from both the world and the EU to approximately half of the 2014 peak value; from 56.2 million EUR to 26.9 million EUR, and from 20.5 million EUR to 10.3 million EUR, respectively.¹⁵⁶ The downward trend reflects a more general fall in imports linked to declining oil revenues, but as the overall market for honey has not contracted, this also represents a significant shift in recent years towards domestically produced honey, which also benefits from perceived purity and healthiness.

Figure 61) Saudi Arabia's Trade Balance in Natural Honey by Partner



© International Trade Centre¹⁵⁷

Among EU member states, Germany and Spain consistently dominate the market for imports. To put the numbers in context, no other Member State since 2009 has managed to achieve more than half a million euros in honey trade to Saudi Arabia (with the single exception of Poland in 2015).¹⁵⁸

Table 14) Honey Imports from EU by Partner Country

Year	EU28	Germany	Spain	Remainder
2009	7,573	6,427	780	367
2010	8,851	7,514	999	337
2011	10,335	8,938	988	409
2012	13,795	11,872	1,393	530
2013	16,290	13,284	1,883	1,122
2014	20,528	17,302	1,959	1,266

¹⁵⁶ ITC Trade Map, International Trade Centre, www.trademap.org.

¹⁵⁷ Ibid.

¹⁵⁸ Ibid.

2015	12,417	8,395	2,539	1,483
2016	10,278	6,404	1,706	2,168

© International Trade Centre¹⁵⁹

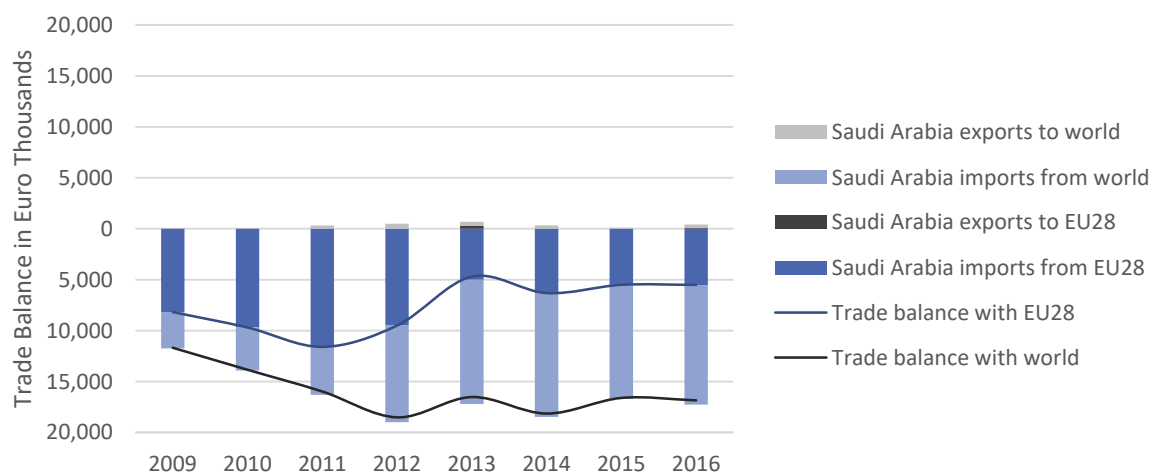
6.8.2.3 Export

Saudi Arabia exports next to no gums, resins or saps, with an annual export market running from tens of thousands of euros to the low hundreds of thousands. Saudi Arabia's trade deficit is therefore approximately the size of its import market, which has been in excess of 15 million EUR per annum since 2011. These imports are largely composed of frankincense, myrrh and opoponax from Somalia, Ethiopia, Sudan and other central African nations; gum arabic from sub-Saharan Africa, lac from India, Thailand and China; and pine resin products from the EU28, largely France and Spain. The European contribution in recent years has run to approximately 5 million EUR, down from a 2011 high of 11.6 million EUR as indicated in the table below. This loss of market is due to the replacement of natural turpentine products with their synthetic equivalents, which are increasingly produced within the Kingdom itself.¹⁶⁰

6.8.3 Main Competitors

EU honey producers face wide-ranging competition in the Saudi market from both small-scale artisanal and large-scale industrial producers. The largest consolidated industrial producer of honey products in Saudi Arabia is the Sunbalah Group, which markets a line of more than 250 products through 4 production facilities in Saudi Arabia.¹⁶¹

Figure 62) Saudi Arabia's Trade Balance in Natural Gums and Resins by Partner



© International Trade Centre¹⁶²

¹⁵⁹ ITC Trade Map, International Trade Centre, www.trademap.org.

¹⁶⁰ Ibid.

¹⁶¹ Sunbalah Group. Message from the Chairman. Available at <http://www.sunbalahgroup.com/aboutus/chairman-message.html>.

¹⁶² ITC Trade Map, International Trade Centre, www.trademap.org



Honey is a relatively unique category of product on offer in the Saudi market in that most consumers are suspicious of and eschew cheaper products at the lower market segments. Quality of honey and perceived authenticity, naturalness of products are important factors in consumer decision-making, compelling higher spending in more expensive product segments. In this sense, there is growing interest in and competition from small independent producers, who both lead in terms of individual product innovations and are often considered as more trustworthy and knowledgeable about products with homeopathic or other health-related qualities.

Independent domestic production is increasingly mature thanks to public research support, consumer preferences and the efforts of organisations such as the Beekeepers Cooperative Association. As a result, it is suggested that European producers wishing to enter the market emphasise their local connections and high-quality, as well as any designations possessed such as organic, TSG or GI status.

6.8.4 Product Import Requirements

In addition to general product entry requirements, importation of honey products into Saudi Arabia requires the following documents:

- Registration of Importers of Agricultural Goods
- Permit to Import Animals and Animal Products
- Veterinary Release Certificate for Animals and Animal Products
- Veterinary Health Certificate for Animal Products
- Radiation Certificate¹⁶³

It is recommended to anticipate further consumer or import concerns and proactively demonstrate that your product meets all religious and quality certification requirements, including SASO, ISO 22000 and Halal certification.

Note that labelling requirements in Saudi Arabia are quite specific, and that GIs must be pre-registered in the Kingdom. Organic foods must be approved by the Department for Organic Agriculture, although this is certainly possible and at present the majority of organic foods in the Kingdom are imports.¹⁶⁴

6.8.5 Distribution

Honey producers wishing to import to Saudi Arabia have a number of options. Distribution should be undertaken either via an importer; through a private label or via a direct agreement with a supermarket chain; Carrefour, Lulu, Tamimi, Danube, Panda and Othaim are major players known to engage in direct importation.¹⁶⁵ Many private labels on offer in Saudi Arabia incorporate imported honey blends in their products, whereas certain EU brands may already be well-

¹⁶³ European Commission Market Access Database. Procedures and Formalities: Saudi Arabia 0409 Natural Honey. Available at <http://madb.europa.eu/madb/datasetPreviewIFpubli.htm?countries=SA&hscod=0409>.

¹⁶⁴ European Commission. Protection of Geographical Indications in 160 Countries Around the World. Available at http://trade.ec.europa.eu/doclib/docs/2007/june/tradoc_135089.pdf.

¹⁶⁵ USDA FAS. GAIN Saudi Arabia Exporter Guide. November 2014. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Riyadh_Saudi%20Arabia_11-23-2014.pdf.



positioned to compete independently on quality, nutritional and ethical production merits.

Honey festivals are increasingly held in Saudi Arabia, and offer a chance to meet and network with specialist honey importers, to gauge market trends and to promote imported honeys. The most well-established festival in the Kingdom is the Al-Baha International Honey Festival, which will celebrate its 10th year in 2017. The festival is held in the city of Al-Baha in June, July or August, and typically involves 50 exhibitors and over 30,000 participants over two weeks. The event is co-organised by the Baha Beekeepers Cooperative Society, the University of Al-Baha, and the Ministry of Agriculture. The success of the Al-Baha festival has inspired other regions, and the inaugural Jazan Honey Festival was held in December 2014.

Table 15) Al-Baha International Honey Festival

Year	Festival	Date
2016	9th	26 July
2015	8th	04 August
2014	7th	06 August
2013	6th	18 June
2012	5th	02 July
2011	4th	18 July
2010	3rd	25 July

Author's Compilation

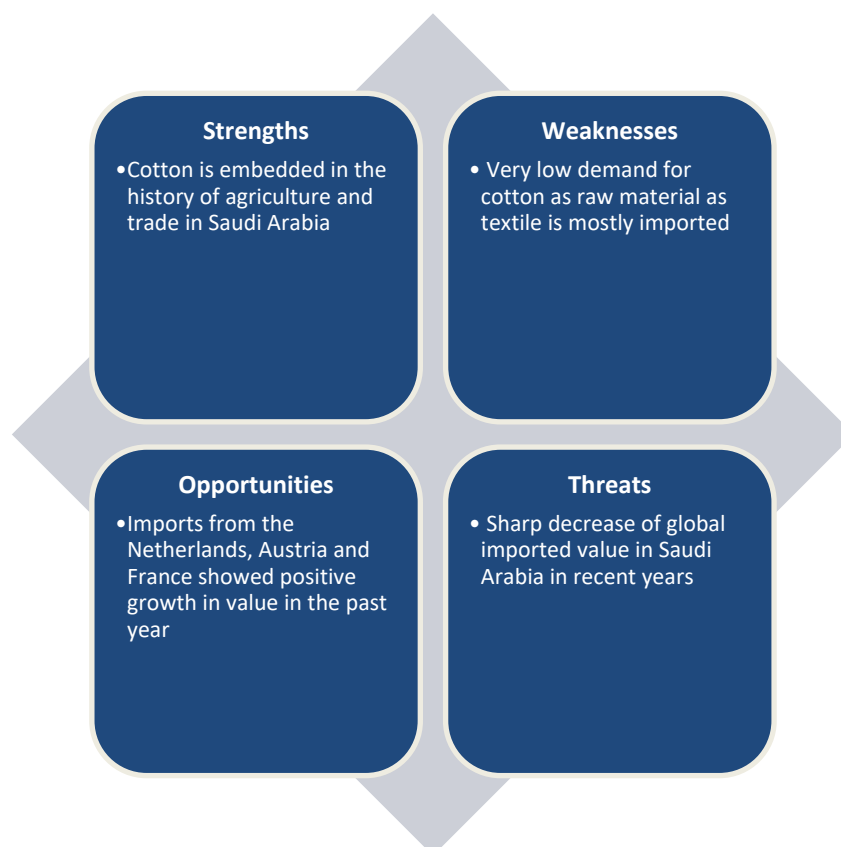
6.8.6 Summary

While the market is likely to rebalance towards domestic producers over the coming years, honey is still perceived as a healthy and even medicinal foodstuff in Saudi Arabia. This creates a unique demand that is both less price-sensitive - indeed in some cases even seeking out higher price items for perceived effectiveness - and growing under increasing government pressure and public awareness of the importance of healthy dietary habits and natural ingredients. As the Saudi government increasingly targets products with high-added sugar content, honey products are likely to expand their presence as a preferred natural sweet treat.

Honey is engrained in Saudi culinary tradition and frequently uses for both homeopathic remedies as well as being consumed with teas and as a natural sweetener for other foods and beverages. Strong domestic production - both artisanal and industrial- scale - caters to this significant demand, however as consumption grows there is inevitably the need for greater imported supplies.

Imported products from the EU have the potential to compete at 2 segments. The first involves aligning with domestic producers and supplying honeys and other products as ingredients for locally manufacturing F&B products. At a higher-value segment of the market, EU producers can also market their finished products independently, emphasising quality of production, product purity, innovation, nutrition and ethical production. Thanks to traditions around the product, Saudi consumers already have a proven willingness to pay for high-quality honey.

6.9 Market Snapshot: Cotton Plants



6.9.1 Consumption

Although demand for textile in Saudi Arabia has grown in recent years, most of it is imported rather than produced locally. Therefore, demand for raw cotton in the kingdom is minimal.

6.9.2 Offer

6.9.2.1 Domestic offer

Historically, the Arab Peninsula used to have a central role in as a textile production in the Middle East given its location on important trade routes. In the arid climate of the Peninsula, cotton was probably grown in association with irrigated date palm gardens where a wide array of other crops was grown, as is shown by the analysis of charred seeds and wood from Saudi Arabia and Bahrain. In the fourteenth century cotton was grown in Mediterranean countries and shipped from there to mills in the Netherlands in Western Europe for spinning and weaving. Nowadays, however, Saudi Arabia is largely dependent on imports for agriculture produce. The areas in the country which are suitable for agriculture are used for growing fruits and vegetables as well as producing dairy products, eggs, fish and poultry.¹⁶⁶

6.9.2.2 Import

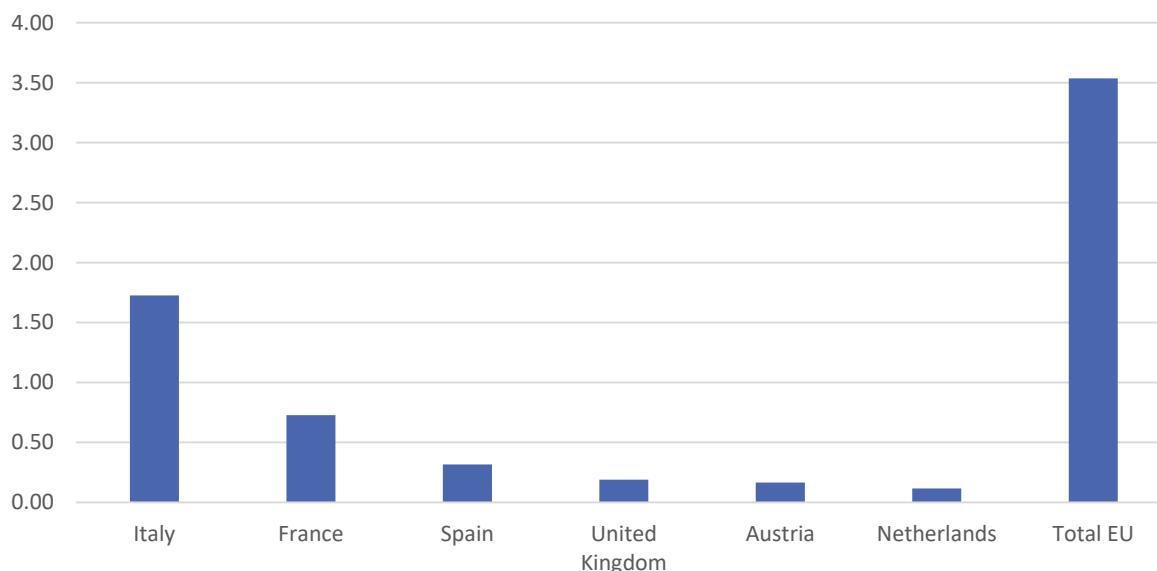
The value of cotton imports from the EU to SA was in 2016 about 3.9 million USD (3.5 million EUR). This constitutes about 9 percent of SA's imports that year in terms of value. The leading EU countries which imported the plant to SA are Italy

¹⁶⁶ "Agriculture & Water in Saudi Arabia" January 2016 available at: https://www.saudiembassy.net/about/country-information/agriculture_water



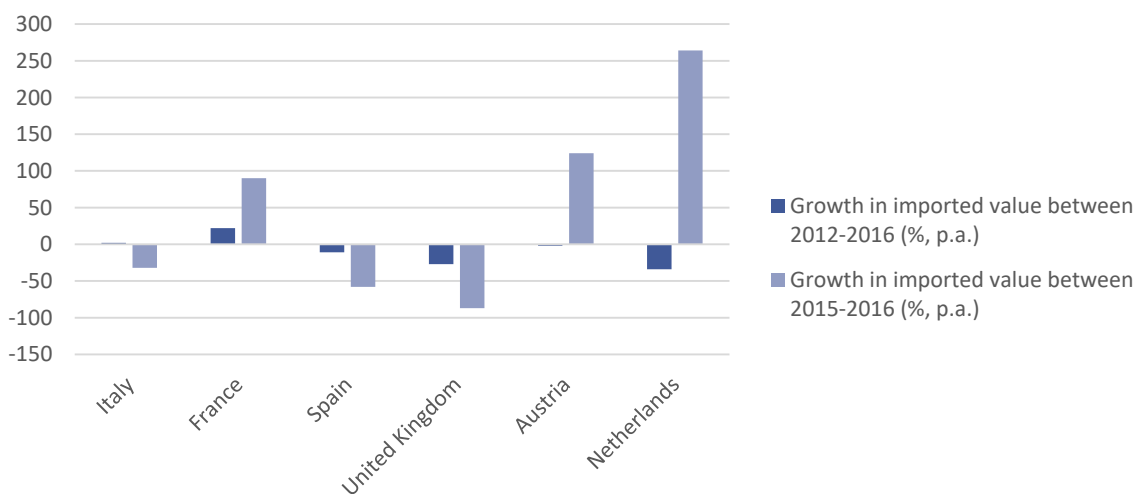
and France accounting for around 4 and 2 per cent respectively. Smaller EU exporters of cotton to SA are Spain, the UK, Austria and the Netherlands. While for France, Austria and the Netherlands these figures represent an increase from the previous year, for the others (Italy, Spain and the UK) value from exports of cotton to SA decreased between 2015 and 2016.¹⁶⁷

Figure 63) SA's imports of cotton¹⁶⁸ from the EU in 2016 (value in million EUR)



© International Trade Centre¹⁶⁹

Figure 64) Growth rate of cotton imports from the EU to SA (% per annum)



© International Trade Centre¹⁷⁰

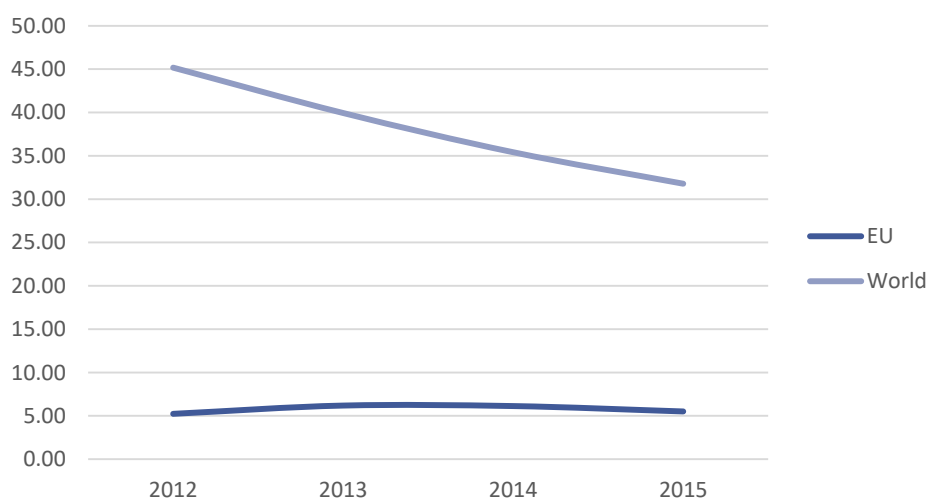
¹⁶⁷ ITC Trade Map, International Trade Center, available at www.trademap.org.

¹⁶⁸ The import and export data is based on data under HS chapter 52 ("Cotton")

¹⁶⁹ ITC Trade Map, International Trade Center, available at www.trademap.org.

¹⁷⁰ Ibid.

Figure 65) SA's imports of cotton 2012-2015 (value in million EUR)

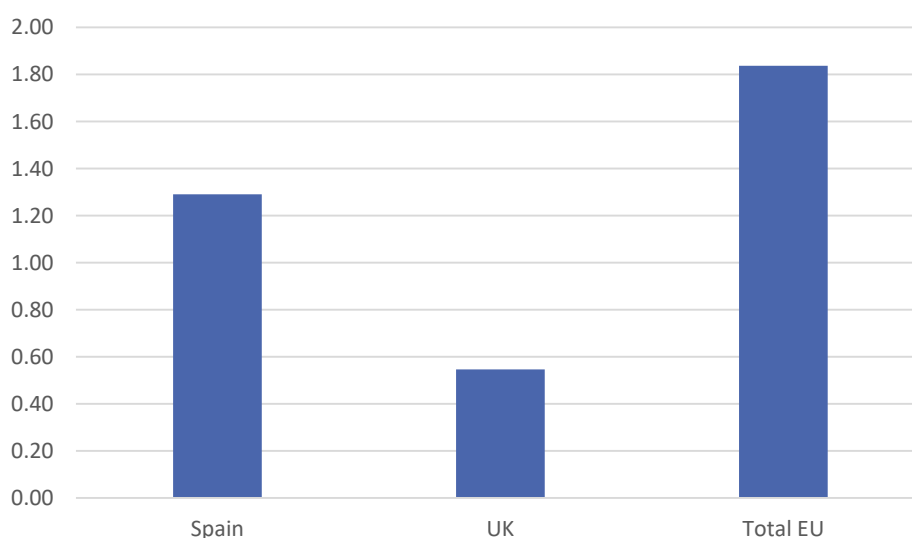


© International Trade Centre¹⁷¹

6.9.2.1 Export

In 2016, SA has exported cotton with the total value of about 7.5 million USD (6.7 million EUR). Exports to the EU accounted for a value of about 2 million USD (1.8 million EUR), constituting 27 percent of SA's exports of the product that year. Main EU countries importing cotton from SA are Spain and the UK. While Spain accounted for a larger share of SA's total exported value in 2016 (19 per cent) than did the UK (8 per cent), the latter recorded a 111 percent increase in its imported value under this category from the previous year.¹⁷²

Figure 66) SA's Exports of cotton to the EU in 2016 (value in million EUR)



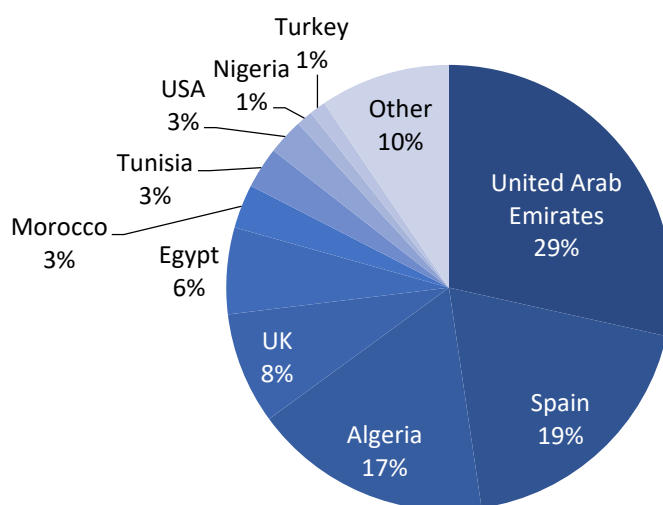
© International Trade Centre¹⁷³

¹⁷¹ ITC Trade Map, International Trade Center, available at www.trademap.org.

¹⁷² Ibid.

¹⁷³ Ibid.

Figure 67) Top importers of cotton from SA (share in SA's exports 2016)



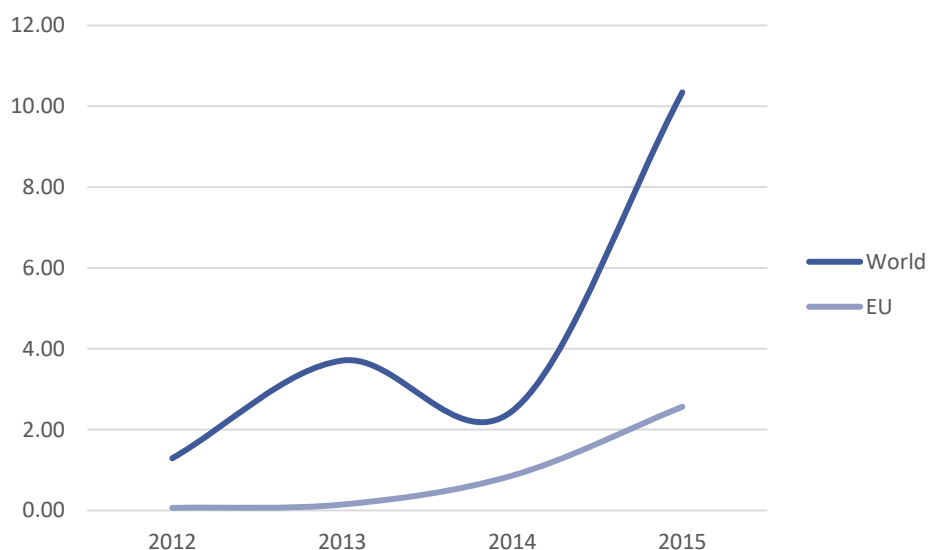
© International Trade Centre¹⁷⁴

Between 2012 and 2014 the value of cotton exports from SA remained quite low, whereas it then sharply increased from a total of around 2.5 million EUR in 2014 to more than 10 million EUR in 2015. A significant growth was evident also in the Kingdom's exports to the EU, which grew in value from about 0.8 million EUR in 2014 to about 2.5 million EUR in 2015. This was mainly due to an increase in exports to Spain and the UK. Yet, cotton is insignificant in EU overall agri-food imports from Saudi Arabia. In the EU statistics on Agri-Food trade with the kingdom between 2012 and 2016, cotton imports and exports are marked as zero.¹⁷⁵

¹⁷⁴ ITC Trade Map, International Trade Center, available at www.trademap.org.

¹⁷⁵ "Agri-Food Trade Statistical Factsheet: European Union - Saudi Arabia", February 2017 available at: https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/statistics/outside-eu/countries/agrifood-saudi-arabia_en.pdf

Figure 68) SA's exports of cotton 2012-2015 (value in million EUR)

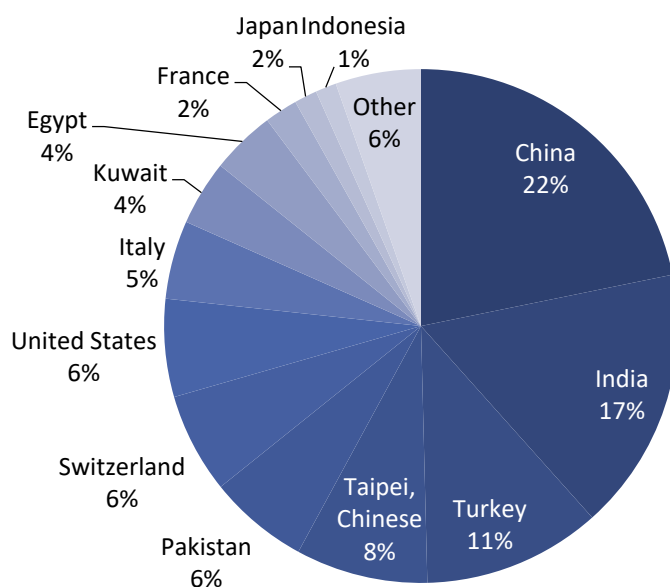


© United Nations COMTRADE

6.9.3 Main Competitors

Main competing exporters of cotton to SA are China, India and Turkey. SA's overall imports from the world have significantly decreased in value between 2012 and 2015. The value of imports from the EU over the same period, although relatively small, remained largely stable and even slightly increased.

Figure 69) Top exporters of cotton to SA in 2016 (% of imports)



© International Trade Centre¹⁷⁶

¹⁷⁶ ITC Trade Map, International Trade Center, available at www.trademap.org.

6.9.4 Specific Import Requirements

Specific import requirements apply in the case of cotton seeds or grains. All imported seeds and grains into Saudi Arabia must carry, in addition to the general shipping documents, the following authenticated certificates:

- **Certificate of Inspection:** The certificate must be issued by a company specializing in seed inspection
- **Phytosanitary Certificate:** This certificate is needed to assure that the seeds or grains to be imported into the country are free from agricultural diseases. Such a certificate can be obtained from the Exporting country Department of Agriculture.
- **Seed Analysis Certificate:** This certificate is to prove the degree of purity of the seeds imported into Saudi Arabia. This certificate is also issued by the exporting country Department of Agriculture.
- **Certificate of Weight:** This certificate is issued by the exporting company and indicates the name and address of the Saudi importer, name of the shipping vessel, number of the bill of lading, number of seals and containers, and net and total weight of shipment.¹⁷⁷

6.9.5 Distribution

As is the case in other sectors, foreign companies exporting cotton to Saudi Arabia are encouraged to appoint a reputable local agent or distributor with experience in the sector.

6.9.6 Summary

The market for cotton plants in Saudi Arabia is very limited. Despite growing demand for textiles in the kingdom, the majority of products are imported rather than locally manufactured. With almost no demand from industry, the country's production as well as imports level is very low. Nonetheless, relatively sharp growth has been recorded in the value from exports of cotton in the last couple of years. These statistics, however, are not backed by other sources and it is hard to determine their significance.

¹⁷⁷ The Saudi Network. Saudi Arabian Import/Export Regulations. Available at: <http://www.the-saudi.net/business-center/regulation-import.htm>

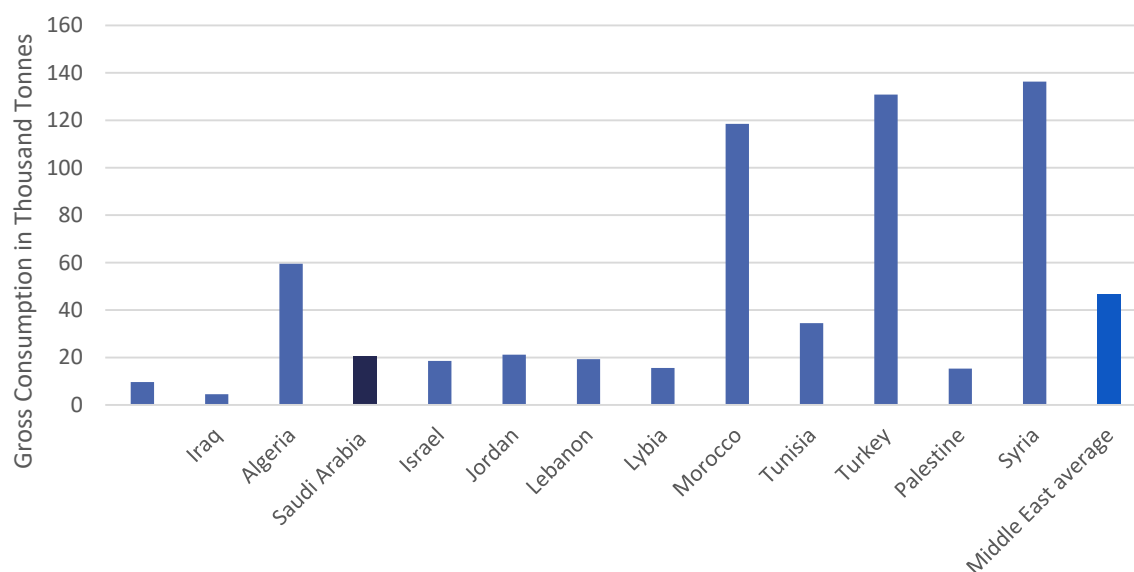
6.10 Market Snapshot: Olive Oil



6.10.1 Consumption

Olive oil consumption in Saudi Arabia has remained relatively stagnant at a relatively high rate. Despite this and growing consumer interest in Mediterranean products, overall olive oil consumption in Saudi Arabia remained well below the MENA average during the same reference period. This is in part naturally reflective of the fact that olive oil is cultivated in several Mediterranean MENA countries whereas it is not native to Saudi Arabia. Still, strong culinary exchange and influence flows within the region, as well as increasing awareness of the health and nutritional benefits of olive consumption, position the product well for future growth in the market.

Figure 70) Comparative Gross Olive Oil Consumption in MENA Region



International Olive Council

6.10.1.1 Consumer Profile and Trends

Growing awareness to health considerations among consumers has in recent years encouraged consumption of olive oil in Saudi Arabia, however Saudi consumers are not entirely accustomed to the taste of olive oil. In addition, in-store promotion helped drive sales in this category. For example, in 2010 International Foodstuffs introduced price cuts on their *Rahma* brand, which was reflected in 6 per cent increased sales in only the first half of that year.¹⁷⁸

6.10.2 Offer

6.10.2.1 Domestic offer

Saudi Arabia's production of olive oil remained at the level of about 3,000 tonnes per year over the period 2010 and 2015, and was predicted to remain at the same level into 2017.¹⁷⁹ In 2013, Saudi Arabia's olive cultivation provided for only 25 per cent of the local demand. In Jouf, a province on the border with Iraq and Jordan, there is a research centre specialising in olives, where experts from the FAO regularly visit to give courses and directions on olive cultivation and olive oil processing. Some of the olive oil is used in soap manufacturing. Fossils from the production of olive oil are used as fuel in Europe and Jordan. In October 2016 a delegation of representatives of the Saudi olive growing sector met with officials of the International Olive Council Executive Secretariat to discuss SA cooperation with the organisation.¹⁸⁰

¹⁷⁸ Paltrade. Market Study: Olive and Fats in Saudi Arabia. January 2014. Available at <https://www.paltrade.org/upload/others/paltrade-market-study.pdf>.

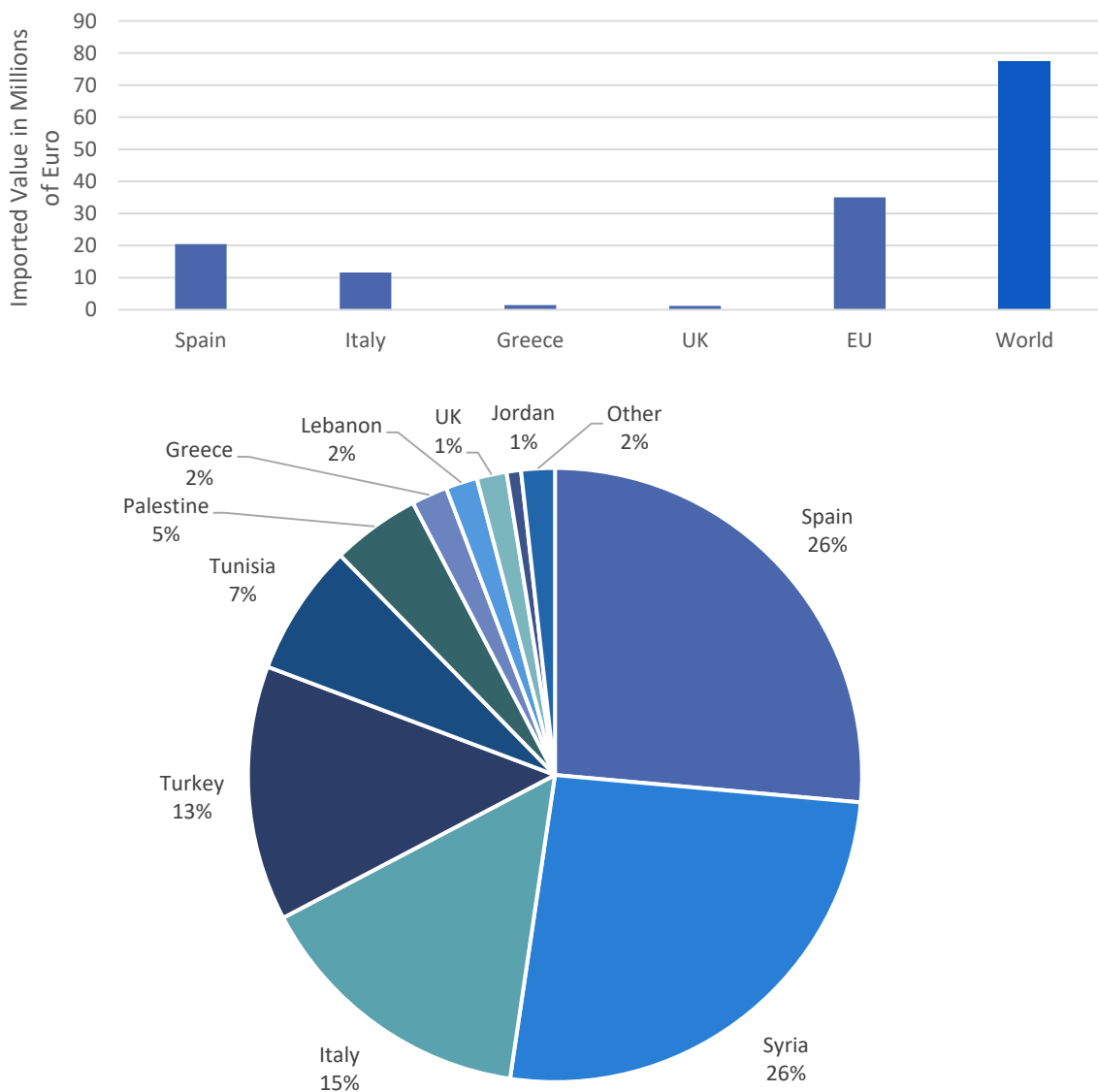
¹⁷⁹ Ibid.

¹⁸⁰ International Olive Council. Olive growing in Saudi Arabia. October 2016. Available at <http://www.internationaloliveoil.org/news/view/686-year-2016-news/773-olive-growing-in-saudi-arabia>.

6.10.2.2 Import

Saudi Arabia's global imports of olive oil in 2016 amounted to a value of 77.4 million EUR. The value of imports from the EU was 35 million EUR, about 45 per cent of Saudi Arabia's total imports under this category that year. Main EU exporters of olive oil to Saudi Arabia are Spain and Italy, which accounted for 26 and 15 per cent of the total imported value in 2016, respectively. Main competing countries exporting olive oil to the country are Syria (26 per cent), Turkey (13 per cent) and Tunisia (7per cent).¹⁸¹

Figure 71) Imported Value of Olive Oil in Saudi Arabia by Partner



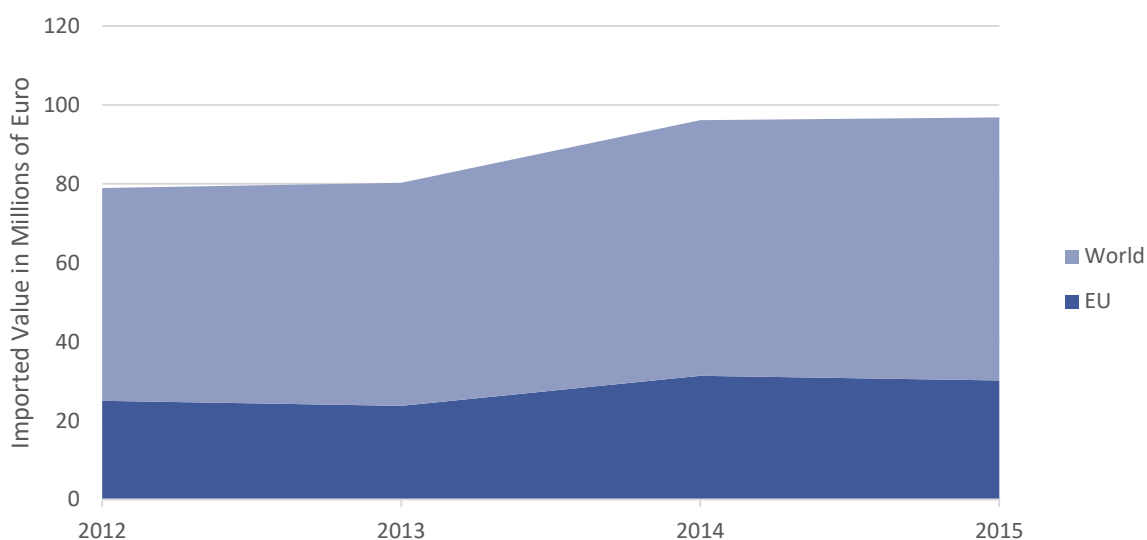
© International Trade Centre¹⁸²

¹⁸¹ ITC Trade Map, International Trade Centre, available at www.trademap.org.

¹⁸² Ibid.

Between 2012 and 2015 the total value of olive oil imported by Saudi Arabia grew from about 54 million EUR to 67 million EUR. The value of imports from the EU over the same period grew from about 28 to 34 million USD (25 to 35 million EUR).¹⁸³

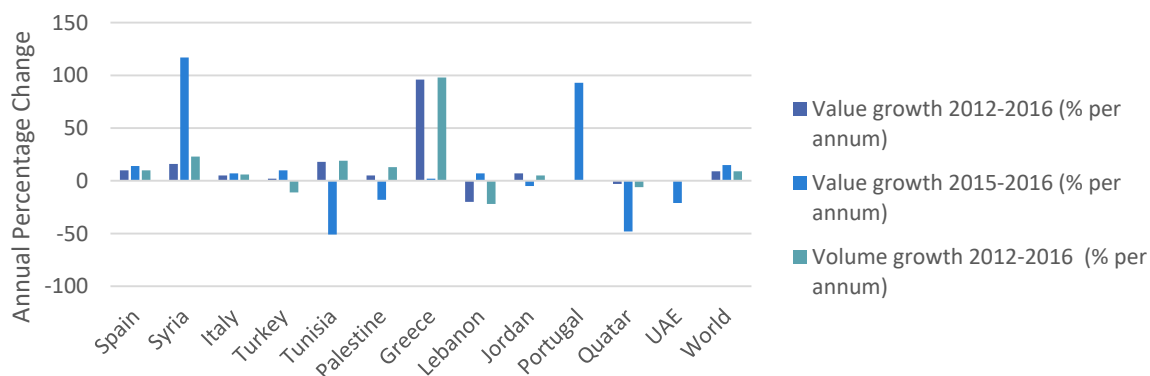
Figure 72) Imported Value Trend for Olive Oil in Saudi Arabia



© United Nations COMTRADE

Between 2015 and 2016, Saudi Arabia's total imported value growth was 15 per cent. This constitutes a high growth rate relatively to the 9 per cent average per annum value growth in the period 2012-2016. In volume terms, the growth rate over the period 2012-2016 was about the same as in value terms (apart from certain cases such as Turkey and Palestine). The Syrian Arab Republic appeared as an important rising competing exporter of olive oil to SA in 2016. Between 2015 and 2016 the value of its exports to SA under this category grew by 117 per cent. By comparison, the growth in value of imports from Spain that year was 14 per cent and from Italy 7 per cent.¹⁸⁴

Figure 73) Value and Volume Growth Rates of Olive Oil Imports by Saudi Arabia



© International Trade Centre¹⁸⁵

¹⁸³ ITC Trade Map, International Trade Centre, available at www.trademap.org.

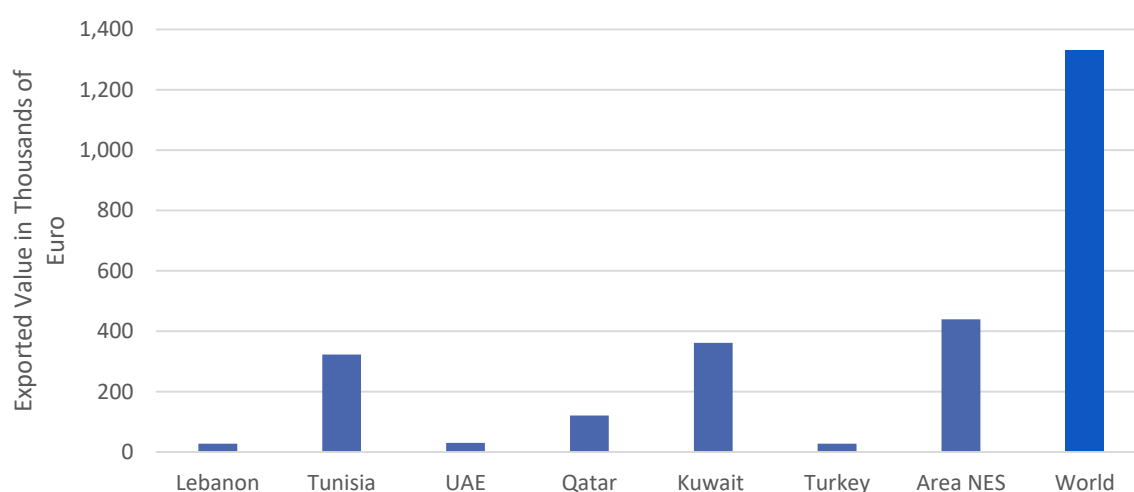
¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

6.10.2.3 Export

No exported value of olive oil from Saudi Arabia to the EU was recorded between 2012 and 2016. Saudi Arabia's exports under this category are very low in general. In 2016, the total value of olive oil exports from Saudi Arabia was about 1.3 million EUR. The main export destinations of Saudi olive oil are Kuwait, Tunisia and Qatar, followed by the United Arab Emirates, Lebanon and Turkey. Between 2012 and 2015 the value of exported olive oil from Saudi Arabia experienced sharp changes – it grew sharply between 2012 and 2013, but then dropped sharply between 2013 and 2014 and grew again between 2014 and 2015.¹⁸⁶

Figure 74) Exported Value of Olive Oil Products from Saudi Arabia



© International Trade Centre¹⁸⁷

6.10.3 Main Competitors

One of the leading olive oil manufacturer in Saudi Arabia is Al Jouf. The company's olive orchard in Jouf is arguably the largest organic olive orchard in the world.¹⁸⁸ It includes 20 million olive trees grown under irrigation, using the abundant subterranean water reserves, creating a plantation density of 1,500 trees per hectare. The olive harvest is entirely mechanised.¹⁸⁹ Al Jouf has exported in the past part of its production to Spain, Switzerland, the United Arab Emirates, Bahrain and Kuwait. The main importing companies in Europe have been the Spanish Borges Pont and the Swiss Finastate. It produces about 1,100 tonnes per year of organic olive oil. The company has one of the largest presses in the region with a production capacity of 240 tonnes per day, and plans to secure additional presses. Likewise, it has a storing capacity of up to 500 tonnes and a productive bottling line with the capacity of packing 3 thousand tonnes of olive oil per hour. The company is marketing its products locally as well as abroad. Marketing activities include, in addition to publicity campaigns, participation in festivals and specialised exhibitions. The company argues that while the growing production

¹⁸⁶ ITC Trade Map, International Trade Centre, available at www.trademap.org.

¹⁸⁷ Ibid.

¹⁸⁸ Al Jouf. Announces Jouf Agriculture Development Company Preliminary Financial Results for the Period Ending December 2016. January 2017. Available at http://www.aljouf.com.sa/en_news_details.aspx?id=4218.

¹⁸⁹ "Olive growing in Saudi Arabia" October 2016 available at: <http://www.internationaloliveoil.org/news/view/686-year-2016-news/773-olive-growing-in-saudi-arabia>.

and marketing has resulted in reduces prices, exports of parts of the products helped restoring average prices.¹⁹⁰

According to a recently published report by Aljazira Capital, Al Jouf has compensated its losses from declining wheat cultivation by expanding its olive oil and green fodder cultivation. The company's revenues from olive oil grew by 38 per cent between 2015 and 2016, to reach 103.6 million SAR (about 24 million EUR), making Al Jouf the largest olive oil producer in the MENA region.¹⁹¹ The share of olive oil in the company's sales in 2016 was 27.3 per cent, compared to 20.4 per cent in the previous year. The gross margin from olive oil and green fodder increased to 35.9 per cent from 33.2 per cent in 2015. This was supported by a 5 per cent decrease in costs of producing the goods sold by the company that year. Operational expenses have increased by 11.9 per cent over the same period. This may be attributed to hikes in fuel's cost affecting, for instance, transport and distribution costs. However, the increased margins from olive oil and green fodder overweighed this increase in operating expenses, reflected in the company's overall increase in revenues by 3.1 percent between the financial years 2015 and 2016. This trend is expected to continue into the near term. The share of olive oil in Al Jouf's sales is expected to reach 35 per cent by 2019. Likewise, the company's exports of olive oil to Spain and Switzerland, which have declined in recent years, are expected to be renewed.¹⁹²

A relatively new player in the local olive oil market is Saudi Vegetable Oil & Ghee Co (SAVOLA) with its Afia olive oil. SAVOLA's positioning targets more price-sensitive consumers, as well as production of olive oil for commercial and industrial use. Many offerings on the SAVOLA product line included blended olive oil imports purchased in bulk at lower prices to increase the end-consumer price competitiveness.

6.10.3.1 Specific Import Requirements

No specific requirements apply to imports of olive oil products into Saudi Arabia. It is nonetheless suggested to provide any additional quality and origin certificates and supporting documents during the market entry stage to pre-empt potential delays. These will also serve to improve the perception of your product if reflected in the product packaging and marketing.

6.10.4 Distribution

The market for olive oil products in Saudi Arabia is increasingly split into 2 segments, with the first segment involving industrial-scale production catering primarily to the food service industry, as well as price-conscious consumers, and the second segment increasingly targeting private off-trade consumption. Whereas the latter category is characterised by higher product value per unit, the overall trend in Saudi Arabia is more likely to drive growth in the wider mass-market segment. Olive oil distribution to food processing and food service outlets is in-line with Saudis' increasing preference for fast, convenience-oriented foods.

¹⁹⁰ Al Jouf. Processed Product: Olive Oil. July 2017. Available at http://www.aljouf.com.sa/en_products_details.aspx?id=30.

¹⁹¹ Al Jazira Capital. Saudi Food & Beverage Industry. July 2017. Available at http://www.aljaziracapital.com.sa/report_file/ess/SEC-443.pdf.

¹⁹² Ibid.

Olive oil is used almost exclusively as an ingredient in other preparations, so is otherwise less-suited to off-trade sales as consumers devote less time to cooking at home. An exception to this trend is higher-income consumers who either employ personal cooking services or are otherwise in a position to cook more frequently, and have a strong preference for healthy and high quality products.

The majority of off-trade olive oil sales in Saudi Arabia are through independent grocers and bakalas, which cater to a growing consumer preference for convenience and accessibility. However, olive oil is also a bulk sale item which is increasingly distributed through Saudi Arabia's expanding network of supermarket and hypermarket retailers. Understanding your end-consumer segment and discussing this target demographic with a knowledgeable partner will help you connect and market your product most directly.

6.10.4.1 Challenges to EU products

As discussed above, local transport costs have recently increased due to increases in the price of fuel. As for other food and beverages products, the olive oil market might be affected by the government's food security programme, which could potentially constitute a challenge to EU exporters since it includes land purchases and support for local producers increasing competition. Yet, the program may also entail an opportunity to attract Saudi investments in the agriculture sector in Europe, as the Saudi government has expressed in the food security program its intention to invest in countries that have agricultural potential but lack the money to acquire the necessary tools and machinery such as irrigation pumps, tractors and harvesters, fertilisers, etc. Likewise, the program covers investments in farm-to-market roads and refrigerated warehouses, which would facilitate distribution.¹⁹³

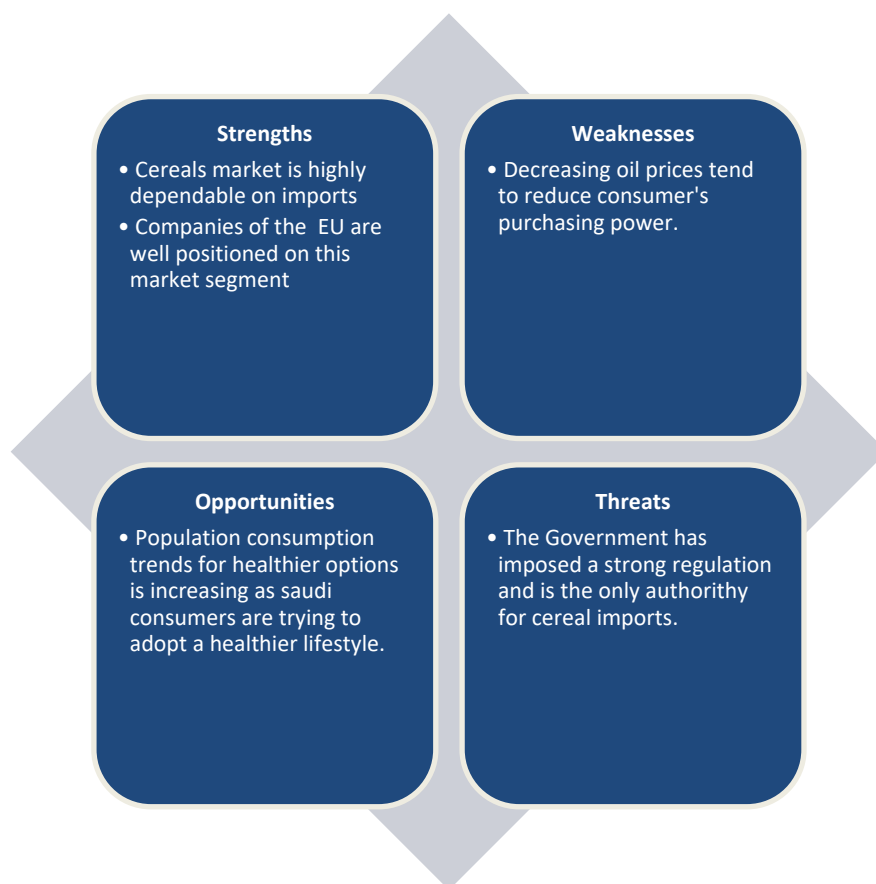
6.10.5 Summary

Although consumption of olive oil in Saudi Arabia has been relatively low in recent years, growing awareness of health considerations and increased presence of the product in stores and shopping malls are expected to drive a growing increase in demand. Local production is still not self-sufficient.

In general, Saudi Arabia's exports of olive oil are very low, while its imports have increased in recent years and reached a value of 77.4 million EUR in 2016 as indicated above in the market snapshot. About 45 per cent of Saudi Arabia's current imports of olive oil are from the EU. Leading exporting countries that compete with the EU for market share are Syria, Turkey and to a smaller extent Tunisia. Exports from Syria are especially important to watch in terms of potential increased competition, as these grew by 117 per cent between 2015 and 2016. The Saudi government food security plan might increase competition from local suppliers, but may also constitute an opportunity to attract Saudi investments in agriculture in Europe. Another challenge EU exporters should be aware of is the increased price of fuel, which is reflected in higher distribution costs.

¹⁹³ MEPC. Saudi Arabia's Quest for Food Security. 2011. Available at <http://www.mepc.org/saudi-arabias-quest-food-security>.

6.11 Market Snapshot: Processed Cereals



6.11.1 Consumption

The regular Saudi diet is based on the traditional diet, which consists of fava beans, wheat, rice, yoghurt, dates and chicken. Saudi population has been going through a rapid urbanization process in the last four decades, from being Bedouin nomad tribes to settling in the cities. Westernization and urbanization has made the traditionally very active population change to a more sedentary lifestyle. Wheat is an essential grain in the Saudi Arabian diet; most of cereal grains consumption in the Kingdom is based on wheat and wheat-based dishes and it is mainly consumed in the form of pita bread and other type of European breads.¹⁹⁴

Decreasing oil prices have affected Saudi Arabia's economic performance since the drop of oil prices in 2015, affecting Saudi consumers' purchasing power and preferences. As a consequence, higher inflation rates (3.5 per cent in 2016)¹⁹⁵ have made Saudi consumers increasingly price sensitive.

¹⁹⁴ "Nutrition and Food Consumption Patterns in the Kingdom of Saudi Arabia" Asian Network for Scientific Information, 2014 available at http://fac.ksu.edu.sa/sites/default/files/nutrition_food_consumption_patterns_in_the_kingdom_of_saudi_arabia.pdf

¹⁹⁵ Inflation, consumer prices (annual %) Saudi Arabia. The World Bank available at <http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG>

Wheat and Wheat Flour

Saudi wheat consumption in 2015-2016, reached 3.375 million Metric Tons.¹⁹⁶ Consumption is especially higher in the Mecca Al-Mukarama region, which accounted for 34 per cent of consumption due to the large influx of pilgrims and visitants that visit the region. The average per capita consumption of wheat in Saudi Arabia is currently estimated at 97.3 kg annually.¹⁹⁷ Traditionally, bread is part of the three meals in Saudi Arabia.

Wheat flour is mostly used to produce Pita (flat bread), samoli (local hamburger buns), as well as French baguettes and pizza. Health awareness has boosted demand for whole wheat flour, which is considered to have more benefits than white wheat flour.

Barley and hot cereals.

Barley local production is strictly for human consumption. Barley consumption for 2015/2016 was estimated at 10,225 Thousand Metric Tons. Imports of barley were 10,400 Thousand Metric Tons.¹⁹⁸ More than 80 per cent of imported barley in Saudi Arabia is consumed by livestock in its raw form without further processing.¹⁹⁹ The Saudi government has stopped producing barley locally, for this purpose of conserving scarce water.

Hot cereals are consumed mainly when breaking fast and replenish energy during Ramadan. Saudi Arabians consume slow digestive dishes during this season, including Shorba, a soup made out of oats.

Figure 75) Competitive Selection of Pasta Products on Offer in Saudi Arabia



¹⁹⁶ Inflation, consumer prices (annual %) Saudi Arabia. The World Bank available at <http://data.worldbank.org/indicator/FP.CPI.TOTL.ZG>

¹⁹⁷ Wheat projections: Consumption, food use, per capita. OECD-FAO Agricultural Outlook 2015 available at <http://www.oecd-ilibrary.org/docserver/download/512015021e1t018.pdf?expires=1499152067&id=id&accname=quest&checksum=3F680D7F59898DBDDA3C0EA747BFE81D>

¹⁹⁸ "Grain: World Markets and Trade" Foreign Agricultural Service 2017 available at: <https://apps.fas.usda.gov/psdonline/circulars/grain.pdf>

¹⁹⁹ "Saudi Arabia Grain and Feed Annual 2017" USDA Foreign Agricultural service available at <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual%20Riyadh%20Saudi%20Arabia%204-2-2017.pdf>

Breakfast Cereals

Breakfast cereals sales are forecasted to grow at a CAGR of 10.2 per cent. Breakfast cereals have not traditionally been a part of the typical Saudi Arabian family diet. However, modernization and women entering into the labour force have made this category an alternative for consumers' breakfast.²⁰⁰

Breakfast cereals consumption in Saudi Arabia is relatively low. Cereal companies have been working to develop a taste for cereals within the population. In the case of Saudi Arabia, per capita cereal consumption is significantly lower than in neighbouring countries such as the UAE - in part due to varying demographic compositions and expatriate populations. Cereals are perceived to be children's breakfast, and are mainly purchased by Saudi families for the younger members. Despite the decline in birth rates, the rise in working women and growing availability of products is likely to boost the demand for baby food and children's breakfast cereals.²⁰¹

6.11.1.1 Challenges for EU Products

SAGO is the only authorized institution to buy or distribute wheat flour in Saudi Arabia. Bakeries, industrial users and supermarkets must register and obtain their flour requirements from SAGO's flour mills located in their cities. There are more than 525 appointed distributors, with about 100 that have more than one outlet. They serve a total of 11,606 establishments, of which 6,500 are licensed bakeries.²⁰²

Wheat flour is highly subsidized by the government. Flour mill organizations sell flour to bakeries at the same fixed rates and according to the daily rations for each organization. Prices of wheat flour have not changed for over 30 years, wholesaling 1 kg of consumer packed wheat flour between 0.27 USD (0.24 EUR) and 0.33 USD (0.29 EUR) per kg.²⁰³

6.11.2 Offer

6.11.2.1 Domestic offer

Wheat and Wheat Flour

Wheat processing and flour production have been highly regulated since the 1970s by the Saudi government, on its aim of achieving wheat production self-sufficiency based on subsidizing crops²⁰⁴. Saudi Arabia implemented the 2008 Government

²⁰⁰ "Bakery Products in Saudi Arabia" Agriculture and Agri-food Canada April 20167 available at <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6881-eng.pdf>

²⁰¹ "Market overview: Saudi Arabia" Agriculture and Agri-Food for Canada 2017 available at http://publications.gc.ca/collections/collection_2017/aac-aaaf/A74-3-2017-75-eng.pdf

²⁰² "Saudi Arabia Grain and Feed Annual 2017" USDA Foreign Agricultural service available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual/Riyadh_Saudi%20Arabia_4-2-2017.pdf

²⁰³ Source: Food and Agriculture Organisation of the United Nations, 2017, GIEWS, Country Brief - Saudi Arabia, <http://www.fao.org/giews/countrybrief/country.jsp?code=SAU>, Reproduced with permission.

²⁰⁴ "Saudi Boosts Food Security as it shuts down Wheat Industry" Farrelly & Mitchell Food and Agri-Business specialists November 2014 available at

decree to completely terminate wheat cultivation by 2016 by gradually reducing wheat production quotas for registered farmers. Between 2015 and 2016, the Saudi government completely terminated its wheat cultivation by reducing wheat production quotas and purchase programme for registered farmers.²⁰⁵ After 40 years, the policy was eliminated in 2016, after which the government started privatizing mills in order to increase competitiveness in the market.

Currently, the Saudi Arabia Grain Organization (SAGO) is the exclusive wheat flour producer and importer of food grade wheat in Saudi Arabia. The organization imports mainly hard wheat directly through public tenders open to registered international exporters. It does not buy through grain brokers.²⁰⁶

Barley and hot cereals.

The Saudi government has stopped producing barley locally, for this purpose of conserving scarce water.

Quaker Saudi Arabia proposes product integration into local recipes, such as Quaker oats with lamb or lentil soup. As well as a special section for using these products on religious festivities, such as Ramadan and Eid Mubarak. These products are positioned as a healthy alternative for all meals. The Quaker soup is mostly served at Saudi homes during Ramadan, where it is broadly used.

Breakfast Cereals

International companies dominate 62 per cent of the cereals market. These companies are working on developing the taste for cereals within the population, as cereals are not a traditional part of the Saudi Arabians breakfast. Kellogg's cereals are distributed in Saudi Arabia by Binzagr Company, and accounts for 25.9 per cent of the total market in 2015. Cereal Partners Worldwide (CPW), a joint venture which combines the expertise of Nestlé and General Mills accounts for 10.7 of the market in the same year.²⁰⁷

6.11.2.2 Import

SAGO purchases wheat from a wide range of origins: including the EU, North America, South America and Australia. There are 24 international wheat exporters that are approved and registered with SAGO to participate in its periodic wheat import tenders.

<https://farrellymitchell.com/wp-content/uploads/2014/11/Insights-November-2014-2.pdf>

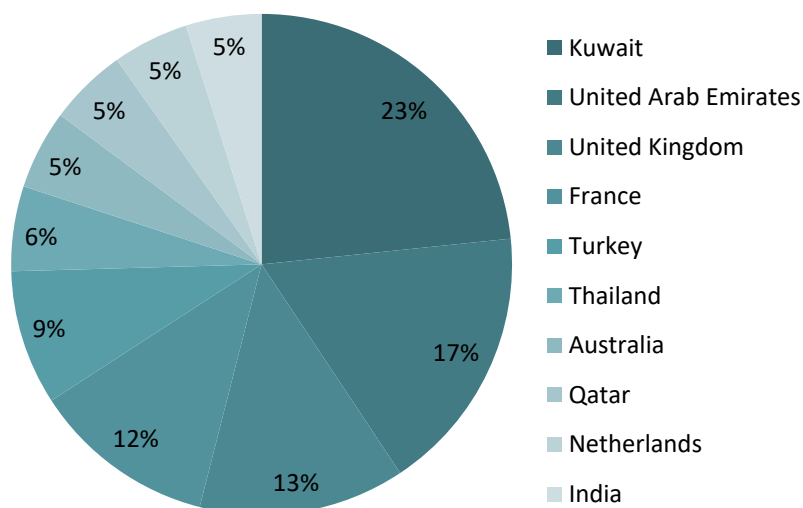
²⁰⁵ Source: Food and Agriculture Organisation of the United Nations, 2017, GIEWS, Country Brief - Saudi Arabia, <http://www.fao.org/giews/countrybrief/country.jsp?code=SAU>, Reproduced with permission.

²⁰⁶ "Saudi Arabia Grain and Feed Annual 2017" USDA Foreign Agricultural service available at [https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual Riyadh Saudi%20Arabia 4-2-2017.pdf](https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual%20Riyadh%20Saudi%20Arabia%204-2-2017.pdf)

²⁰⁷ "Bakery Products in Saudi Arabia" Agriculture and Agri-food Canada April 2016 available at <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6881-eng.pdf>

Cereal import requirements in the 2017/18 year forecast at 20.4 million tonnes, about 7 percent above the previous year and 3 million tonnes above the five year average.²⁰⁸

Figure 76) Total imported value of processed cereal products to Saudi Arabia 2016



© International Trade Centre²⁰⁹

6.11.2.1 Export

Saudi Arabia is a wheat net importer. However, an estimated 10,000 MT of wheat equivalent of wheat products such as macaroni, pasta, biscuits and some bread are exported annually to the GCC and other nearby countries.²¹⁰

6.11.3 Specific Import Requirements

Wheat and flour are considered restricted goods by the Saudi Customs. Imports of wheat and flour except through the Grain Silos and Flour Mills organization. Export of wheat requires approval by the Grain Silos and Flour Mills Organization.²¹¹

Cereals and substances used as animal feed such as barley, are subject to examination by the agricultural and veterinary quarantine at the Ministry of Agriculture and Water.²¹²

²⁰⁸ "Source: Food and Agriculture Organisation of the United Nations, 2017, GIEWS, Country Brief - Saudi Arabia, <http://www.fao.org/giews/countrybrief/country.jsp?code=SAU>, Reproduced with permission.

²⁰⁹ ITC Trade Map, International Trade Centre, www.trademap.org.

²¹⁰ "Saudi Arabia Grain and Feed Annual 2017" USDA Foreign Agricultural service available at <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual%20Riyadh%20Saudi%20Arabia%204-2-2017.pdf>

²¹¹ "Customs Procedures" Ministry of Finance Saudi Custom available at <https://www.customs.gov.sa/sites/sc/en/CustomsGuideNew/RestrictedGoods/Pages/Pages/LandingPage.aspx>

²¹² Ibid.



6.11.4 Summary

Wheat is an essential grain in the Saudi Arabian diet; most of cereal grains consumption in the Kingdom is based on wheat and wheat-based dishes and it is mainly consumed in the form of pita bread and other type of European breads. Barley local production is strictly for human consumption, whereas imported barley in Saudi Arabia is consumed by livestock in its raw form without further processing. Wheat processing and imports as well as flour production is strictly controlled by the Saudi government through the Saudi Arabia Grain organization (SAGO).

6.12 Market Snapshot: Processed Fruits and Vegetables



6.12.1 Consumption

Saudi Arabia's market for processed fruits and vegetables is growing steadily. Saudi Arabia has the largest population base in the region, and the highest food consumption per capita in the GCC. A key determinant of the growth in the processed fruits and vegetables sector is the shift towards healthy and fresh products that are free of preservatives. While this trend has negatively impacted growth of certain products where there are fresh alternatives, it also presents an opportunity for manufacturers to offer new product lines that satisfy local consumer preferences for healthy foods.

Frozen fruits and vegetables are an important area in this sector as new product lines and innovations allow producers to offer healthier, albeit processed options. Additional trends that present opportunities for European producers of processed fruits and vegetables include the growing proportion of working couples, and the high dependence in Saudi Arabia on imports to satisfy local demand. Given the favourable demographic and consumption trends, European processed fruit and vegetable producers will find plenty of business opportunities in Saudi Arabia.

The packaged food sector as a whole has experienced significant value growth in recent years. While growth in the specific category of processed fruits and vegetables has been slightly below that for the overall category, the segment nonetheless remains well-positioned to meet growing demand for healthy and

convenient F&B options. Saudi consumers are increasingly demanding healthier and fresh products. The Saudi government is orchestrating health and wellness campaigns designed to combat obesity and related problems, which is also bolstering demand for healthy products. Producers and processed fruits and vegetables are introducing new products that appeal to health-conscious consumers, offsetting the decline in traditional product segments. The industry is forecasted to continue growing steadily. At the same time, processed fruits and vegetables will continue to compete with traditional F&B offerings as well as growing availability of fresh fruits and vegetables.²¹³

6.12.1.1 Consumer Profile and Trends

The consumer trend towards healthier food products is contributing to increased consumption of certain categories of fresh and processed fruits and vegetables in Saudi Arabia. Innovation will continue to be instrumental to the growth and success of the processed fruit and vegetables sector, as there is a growing preference for product development in the region. New product lines utilise improvements in packaging and other technologies, allowing consumers to enjoy the full flavour and nutritional value of fruits and vegetables, with extended product lifecycles including longer supply and distribution chains. More generally, the packaged food industry has created a range of new products that have fruits and vegetables as a major component in them. An increasing number of fruit- and vegetable- based products are being launched in Saudi Arabia, including in food categories such as bakery goods, dairy, sauces and seasonings, juice drinks, and snack categories (notably fruit snacks).

Another consumer trend pushing demand in 2012-2017 is the increasing number of young women in employment. The number of women employed in Saudi Arabia has increased by 48 per cent from 2010-2015, according to the country's Central Department of Statistics and Information.²¹⁴ A higher proportion of working couples presents a strong market opportunity to European producers of processed fruits and vegetables. Sales of canned and frozen processed vegetables will increase as these products provide an easy solution for faster home-prepared meals. Producers that are able to provide healthy and convenient meal options that reduce cooking times in the kitchen will be well-positioned in the market. European producers have ample experience with this market segment, as they have been introducing product lines for this demographic in Europe and around the world for some time.

At the same time, the increasing health-consciousness of parents and large demographic of children and adolescents presents growing opportunities for processed fruit and vegetable products positioned as nutritional alternatives to meals and snacks.

Frozen Fruits and Vegetables

Previously described consumer trends towards healthier food offerings led to increasing demand for frozen processed fruits and vegetables. Consumers in Saudi Arabia (especially young professionals) are also purchasing frozen processed fruits

²¹³ "Packaged Food Sales in Saudi Arabia". July 2015. Available at <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6639-eng.pdf>.

²¹⁴ Saudi Arabia General Authority for Statistics. Labour Force Survey. June 2017. Available at <http://www.data.gov.sa/en/dataset/labor-force-survey>.

and vegetables as components included in ready-to-serve meal solutions. Consumers are seeking simplified meal-preparation, with ingredients that require minimal preparation and clean-up.

Major retailers have also extended their private label brands into the Frozen Food category and are gradually taking over large part of the frozen food shelf. Major regional retailers such have house brands in the frozen meal solutions space. Local and European manufacturers are tailoring products to this market, incorporating frozen fruits and vegetables in meal solutions.²¹⁵

Canned Fruits and Vegetables

Due to the increased interest in Saudi Arabia in healthier foods that contain full flavour and nutritional value, sales growth for canned fruits and vegetables has been comparatively weak.²¹⁶ This mirrors a global trend in the canned fruits and vegetables processing industry. Consumers in Saudi Arabia are opting for alternative products, such as frozen food and fresh produce at retail stores. Furthermore, rising disposable income levels have also contributed to slow sales growth, as consumers are turning to premium products. These have primarily driven sales of imported processed fruit and vegetable products, which are sought for quality. However, there is also significant price competition from domestic processors who import fruit and vegetable ingredients and produce for domestic and regional consumption at lower prices.

Because of their longevity, ease of preparation and nutritional value, growth of canned fruits and vegetables are expected to grow in the near-term to meet shifting lifestyles and priorities.

6.12.1.2 Cultural sensitivities

Care must be taken to ensure that food packaging or presentation will not be interpreted by Saudi authorities as contravening religious and moral standards in the country. For example, food packaging may be rejected for reason that they contain health claims and trade logos that may imply religious connotation, such as the "Cross" or the "Stars of David."²¹⁷

Saudi consumers may not have a high degree of familiarity with certain imported products derived from fruits and vegetables. Lack of cultural exposure and awareness may affect the likelihood of a consumer to try new processed fruit and vegetable products. Increasing awareness of nutrition, backed by Ministry of Health campaigns, should offset the potential for lack of awareness of specific processed fruit and vegetable products. Public health campaigns positively impact the image of brands and products in the processed fruit and vegetables sector that are perceived as healthy. Producers in this category would be wise to tailor their branding and marketing efforts to appeal to this trend.

²¹⁵ Arab Business Review. Processed Frozen Food in the Gulf. Available at <http://www.arabbusinessreview.com/en/article/processed-frozen-food-gulf>.

²¹⁶ USDA FAS. Saudi Arabia Retail Foods. December 2014. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_12-14-2014.pdf.

²¹⁷ Ibid.

6.12.1.3 Challenges for EU Products

The greatest challenge for EU producers of processed fruit and vegetables in Saudi Arabia is the general trend towards healthier and fresher food with local consumers. Producers that do not cater to this audience will encounter a challenging market environment in Saudi Arabia.

Another challenge for EU producers are local government policies and regulations aimed at supporting domestic producers and manufacturers. Imported products are taxed more and therefore are generally higher in price than local competitors. The Saudi government also encourages domestic production and assists local manufacturers by providing interest-free loans and subsidies on capital equipment. Combined, these policies made it harder for EU companies to compete with their local counterparts. The total cumulative investment in the Kingdom's food processing industry reached about \$12.3 billion (10.8€ billion) by the end of 2012 compared to about \$4 billion (3.5€ billion) in 2002.²¹⁸

Consumption patterns in Saudi Arabia are sensitive to macroeconomic shocks, such fluctuations in oil and food prices. The government of Saudi Arabia recognizes the risks associated with overdependence on oil for its economic well-being. That being said, for the foreseeable future changes in the price of oil will directly impact the disposable income levels of local consumers. A sharp decline in the price of oil will especially affect processed fruit and vegetables products that target high-end consumers. Canned fruits and vegetables will be less impacted by these changes, as they are typically viewed as "defensive" products that consumers continue to buy in an economic downturn. Furthermore, Saudi Arabia's heavy reliance on food imports exposes it to fluctuations in international food prices, causing one-time big-spending consumers to seek value-for-money products and discounts.

6.12.2 Offer

Saudi Arabia has a high dependency on imported food, which accounts for about 80 per cent of food consumed overall.²¹⁹ Saudi Arabia is a net importer of processed fruit and vegetables, importing 527.9 million USD (387.1 million EUR) of processed vegetables and 194.5 million USD (142.25 million EUR) of processed fruits in 2014.²²⁰ Several EU countries are amongst the top exporters of processed fruits and vegetables to Saudi Arabia. This is especially true for processed vegetables, where the Netherlands, Belgium and Spain each account for over 10 per cent of the export value to Saudi Arabia.²²¹ In the fast-growing frozen vegetables category, Belgium ranks number one with over 22,987 tonnes exported to Saudi Arabia in 2016. The Netherlands and France rank third and fourth, and were virtually non-existent players in this market as recently as 2015.²²² In particular, France went from exporting 97 tonnes of frozen vegetables

²¹⁸ USDA FAS. Saudi Arabia Retail Foods. December 2014. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_12-14-2014.pdf.

²¹⁹ USDA FAS. Saudi Arabia Exporter Guide. October 2015. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf.

²²⁰ USDA FAS. Saudi Arabia Grain and Feed Annual. March 2016. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Riyadh_Saudi%20Arabia_3-14-2016.pdf.

²²¹ Ibid.

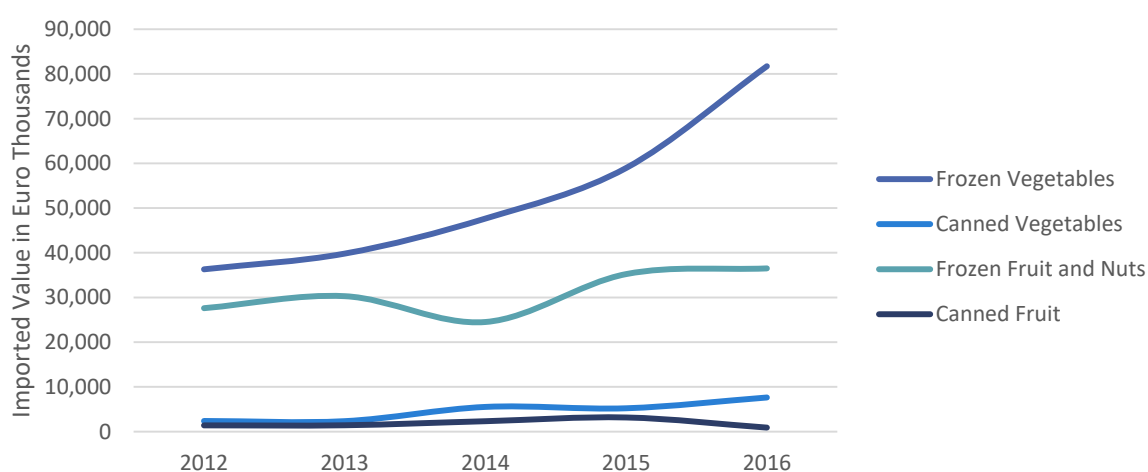
²²² ITC Trade Map, International Trade Centre, available at www.trademap.org.

to Saudi Arabia in 2015; in 2016, the figure was 7,446 tonnes. These market developments present a promising outlook for EU producers, who build on positive experience once established in the market.

6.12.2.1 Import

Saudi Arabia is a large net importer of processed fruits and vegetables, and the EU makes a significant contribution. As the chart below indicates, frozen vegetables have been the most dynamic market opportunity for exporters to Saudi Arabia. From 2012-2016, the value of frozen vegetables imports has more than doubled from nearly 40 million EUR to over 80 million EUR. Much of this gain has been captured by EU producers: imports from the EU have risen by over 500 per cent from 2012-2016.

Figure 77) Imports of Processed Fruits and Vegetables



© International Trade Centre²²³

The table below indicates the top 7 countries in the EU that Saudi Arabia frozen vegetables from. As is evidenced, imports from Belgium, the Netherlands and France have been exceptionally strong. Imports of processed fruit and vegetables are forecast to increase in-line with the sales growth in as Saudi Arabia does not have the capacity to satisfy its own needs through domestic production.

Table 16) Leading EU Markets Exporting Processed Fruits and Vegetables to Saudi Arabia

Country	Import Value in 2012 (€ Thousands)	Import Value in 2016 (€ Thousands)
EU-28 aggregate	7,904	41,212
Belgium	2,704	17,068
Netherlands	1,054	12,435
France	186	6,047
Spain	1,414	2,639
Poland	2,156	2,054
Germany	0	436
Italy	22	395

© International Trade Centre²²⁴

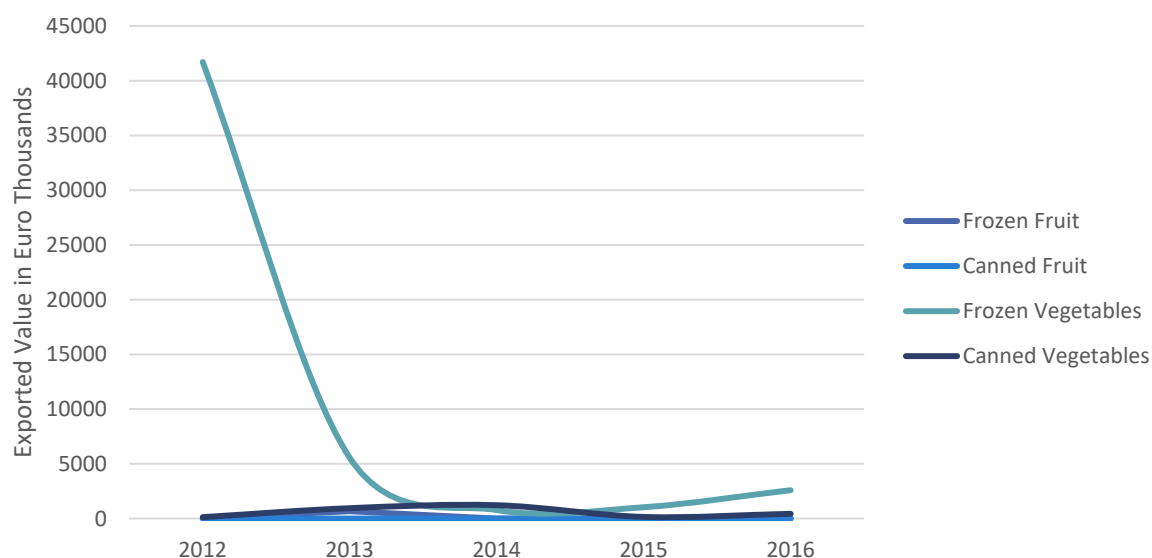
²²³ ITC Trade Map, International Trade Centre, www.trademap.org.

²²⁴ Ibid.

6.12.2.2 Export

Exports of processed fruit and vegetables from Saudi Arabia are virtually non-existent. Domestic production in Saudi Arabia is catered to the local market. Any surplus in supply is exported to neighbouring countries with similar consumer profiles. As such, the EU is not an export destination for any processed fruit and vegetables produced in Saudi Arabia.

Figure 78) World Exports of Processed Fruit and Vegetables to Saudi Arabia



© International Trade Centre²²⁵

6.12.3 Main Competitors

The competitive landscape in Saudi Arabia for processed fruit and vegetables comprises of both local and international companies. Gulf Food Industries leads the category with an offering of more than 80 products across a large segment of the processed fruits and vegetables sector.²²⁶ Its leading brand, California Garden has a commanding market share in the canned fruits and vegetables space, where it holds a 35 per cent value share.²²⁷

There are several other popular local brands. Luna (National Food Industries Co Ltd) produces canned green peas and beans that are available at most grocery stores and hypermarkets. Sunbulah (Sunbulah Food & Fine Pastries Mfg Co Ltd) focuses on frozen foods, including a range of vegetables, fruits, and potatoes. Goody (Basamh Trading Co) is also in the canned fruit and vegetables space, with strong sales in canned corn and fruit cocktail.²²⁸

²²⁵ ITC Trade Map, International Trade Centre, www.trademap.org.

²²⁶ Gulf Food Industries. California Garden. 2011. Available at http://www.gficg.com/gfi/our_brands/california_garden/.

²²⁷ AMEFT. Fruit and Vegetables in Saudi Arabia. Available at www.download.ameft.com/Fruit_and_veg_KSA.pdf.

²²⁸ Agriculture and Agri-food Canada. Market Overview - Saudi Arabia. March 2017. Available at <http://www.agr.gc.ca/eng/industry-markets-and-trade/foreign-market-information-by-region/middle-east-and-africa/market-intelligence/market-overview-saudi-arabia/?id=1490121465390>.

6.12.3.1 Challenges for EU Products

Strong competition exists within the national market as various local players in the processed fruit and vegetables category are taking significant market share. Saudi companies are subsidised by the government, and onerous import procedures can disadvantage EU producers.

A further challenge relates to the supply chain, with large costs associated with distribution. It can be challenging to secure a reliable independent provider of scale in order to lower transportation, distribution and storage costs. Local competitors are often better positioned to manage these complicated logistical issues.


Finally, the volatility in local demand due to macroeconomic factors, such as fluctuations in oil prices and inflation, can cause uncertainty for EU exporters looking for a stable destination for their goods.

6.12.4 Specific Import Requirements

The SFDA is the sole Saudi government entity that sets and enforces food products regulations and standards as well as it is the main agency that conducts inspection of imported food products to ascertain that they meet established Saudi and/or GSO regulations and standards.²²⁹ The majority of Saudi food regulations and standards are based on CODEX Alimentarius regulations and to an extent to EU and American Food and Drug Administration (FDA) regulations. These are usually modified in order to apply local religious, cultural and environmental conditions of Saudi Arabia. All processed fruits and vegetables are inherently halal and no further action is required on this point.²³⁰

A health certificate is required by the SFDA for all processed foodstuffs exported to Saudi Arabia for the purpose of food safety. The intent of the health certificate is to demonstrate that exported products were processed or manufactured under conditions that comply

Figure 79) SFDA Health Certificate

 <p style="text-align: center;">TÜRKİYE CUMHURİYETİ GIDA, TARIM VE HAYVANCILIK BAKANLIĞI GIDA VE KONTROL GENEL MÜDÜRLÜĞÜ SAĞLIK SERTİFİKASI REPUBLIC OF TURKEY MINISTRY OF FOOD, AGRICULTURE AND LIVESTOCK GENERAL DIRECTORATE OF FOOD AND CONTROL HEALTH CERTIFICATE</p>			Ek-3
1. Üretici Firma Adı ve Adresi: Name and Address of the Producer:		2. Sağlık Sertifikası No : Health Certificate No :	
4. Kayıt/Onay Tarihi ve No: Approval/Registration Date and No:		3. İhracatçı Firma Adı ve Adresi: Name and Address of the Exporter:	
5. Gideceği Ülke ve Yer : Place and Country of Destination :		6. Alıcının Adı ve Adresi : Name and Address of Consignee:	
7. Ürün Adı: Name of the Product:		8. Parti no: Lot No:	9. Son Tüketim Tarihi : Expiration Date:
10. Birim Net Ağırlığı: (kg-İt/adet) Unit Net Weight: (kg-It/number)	11. Dış Ambalaj Adedi: Outer Packaging Quantity:	12. Net Miktar : (kg-İt) Net Weight : (kg-It)	
13. Nakil Aracı : The Means of Transport:		14. Depolama ve Nakil Sıcaklığı (°C) : Storage and Transport Temperature:	
15. Çıkış Gümrüğü : Customs Office for Departure :		16. Ürünün İthal Edildiği Ülke (İthal Ürünler İçin): Country of the Imported Product (for imported products):	
<p>İhracatçı firma tarafından ihraç edilmek istenen ürünü üreten/ithal eden firma, aşağı teknik ve hijyenik gerekliliklere ve mevzuata uygunluk açısından Bakanlığımız kontrol görevlileri tarafından düzenli olarak denetlenmekte, üretilen ürünlerden gerektiğinde numune alınarak Bakanlığımız veya Bakanlığımızca yetkilendirilen laboratuvarlarda analiz edilmektedir. The producer/importer company of the product, which is intended to be exported by the exporter company, has been undergoing regular inspections of the Food Inspectors of Ministry of Food, Agriculture and Livestock in terms of minimum technical and hygienic requirements and related legislation and when necessary samples are taken from the products and analyzed by Authorized State Laboratories or Authorized Private Food Control Laboratories.</p>			
<p>Bu sertifika tarihinde İl/ilçe Müdürlüğünce düzenlenmiş ve tarihine kadar geçerlidir. This certificate is issued by Provincial/District Directorate, on this certificate is valid until</p>			
<p>..... tarih ve referans no'lu firma beyanı tarafımızca onaylanmaktadır. We hereby confirm the company statement dating with reference no:</p>			
<p>..... İl/ilçe Gıda, Tarım ve Hayvancılık Müdürlüğü Kontrol Görevlisi İmza Mühür Provincial/District Directorate of Food, Agriculture and Livestock Signature of Food Inspector Stamp</p> <p>İmza Sahibinin Adı Soyadı ve Unvanı Name and Title of the Signatory</p>			

²²⁹ USDA FAS. Saudi Arabia Exporter Guide. October 2015. Available at https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf.

²³⁰ Ibid.

with sanitary and health laws of the exporting country and are fit for human consumption.²³¹

Labelling requirements in Saudi Arabia are quite specific, and GIs must be pre-registered in the KSA. Pre-packaged food product labels should be in Arabic or include an Arabic language translation of the label. Organic foods must be approved by the Department for Organic Agriculture, although this is certainly possible and at present the majority of organic foods in the Kingdom are imports. It is worth noting that organic fruits and vegetables are experiencing strong gains in Saudi Arabia's market as part of the overall trend towards healthier lifestyles by local consumers.

It is important to refrain from over exaggerating the health benefits of packaged products in Saudi Arabia. A regulation drafted in 2011 by the SFDA banning "misleading health benefits claims" on labels of pre-packaged food products has been more strictly enforced in recent years, as evidenced from a case in 2015 where US breakfast cereals were refused customs clearance for stating their products "may help to reduce cholesterol."²³² The SFDA found these claims to be unverifiable and misleading.

6.12.5 Distribution

Opportunities for the distribution of processed fruits and vegetables are in some respects more diverse than those for fresh produce. Specific distribution avenues however depend on the type of product and processing. For example, distribution of frozen fruits and vegetables is more sensitive than for canned or other products on offer. Still, a wider number of establishments are prepared to include process fruits and vegetables in their inventory, and are finding greater reason to do so with increasing demand and higher unit values for product.

The frozen fruits and vegetables category has benefitted greatly from the growing number of supermarkets and hypermarkets, as they have better freezing units. That being said, traditional grocery retailers are also installing more advanced infrastructure such as freezing units in their stores to compete with their modern counterparts, and are often better positioned to cater to convenience-oriented consumer habits.²³³

The main supermarket chains are: Carrefour, Tamimi, Alhaggi, Forsan Foods, Hyper Panda, Geant, Othaim, Astra Arab Supply and Trading. Most supermarkets have a direct purchasing capacity, and are capable of carrying out significant imports of processed fruits and vegetables. The bulk of them are concentrated in Riyadh, Jeddah, Makkah, Medina, Dammam, Taif and Al-Khobar.²³⁴

²³¹ USDA FAS. Saudi Arabia Exporter Guide. December 2013. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Exporter%20Guide_Riyadh_Saudi%20Arabia_12-9-2013.pdf.

²³² USDA FAS. Saudi Arabia Exporter Guide. October 2015. Available at https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf.

²³³ USDA FAS. Saudi Arabia Retail Foods. September 2015. Available at https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_9-17-2015.pdf.

²³⁴ Ibid.



EU exporters looking to have their products on the store shelves at supermarkets should consider partnering with a solid domestic importer who knows how the Saudi retail food sector operates. The importer should have a professional sales team and strong distribution network, allowing them to form agreements on behalf of the EU exporter with retailers to carry their products.

Regional shows and food exhibitions are another important channel for exporters to meet and network for local retailers. The Gulfood is the most important trade event for Saudi agribusiness. Other regional food shows that attract a significant number of Saudi food buyers include Anuga in Cologne, Germany and SIAL in Paris.

6.12.6 Summary

There are reasonably strong growth prospects for the processed fruits and vegetables category in Saudi Arabia. This is especially true for products that are able to capitalise on the trend amongst consumers towards healthier foods. For this reason, sales of frozen vegetables have been strong, while canned fruit and vegetable offerings have performed comparatively weak. Nonetheless, other factors such as the growth of women in the workforce, rising disposable incomes, a high dependence on food imports, and higher religious tourism will continue to boost the processed fruit and vegetable category as a whole.

EU producers face strong competition from local manufacturers that understand the market landscape, and have strong support from the national government in terms of interest-free loans and subsidies on equipment purchases. But despite this growing competition, Saudi Arabia's demand remains high and a high percentage of sales will continue to be derived from imports.

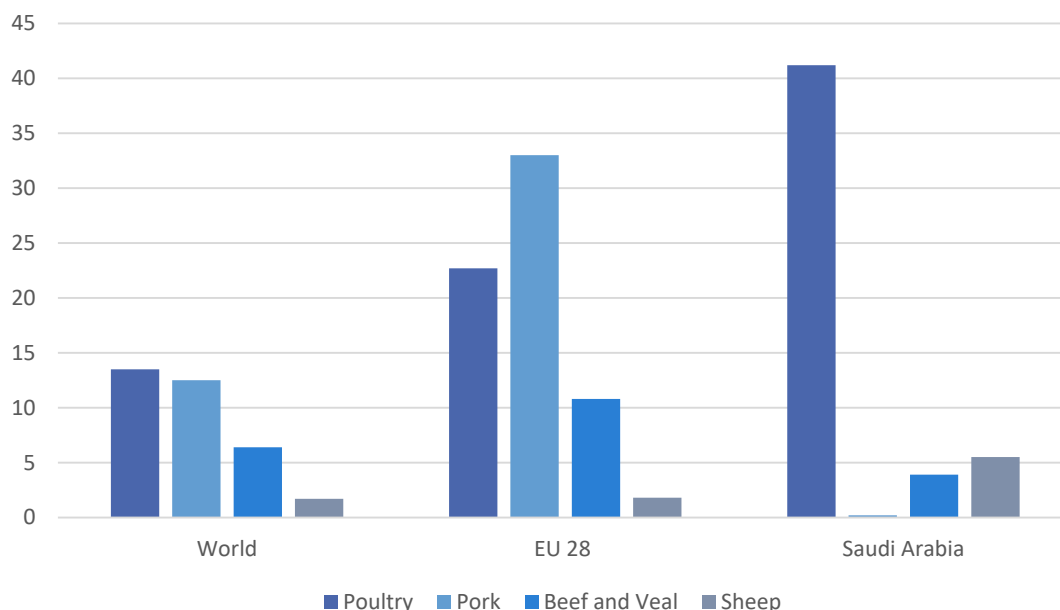
6.13 Market Snapshot: Processed Meats



6.13.1 Consumption

Consumption of processed meat is considerably large in Saudi Arabia. The preferred meat of choice is chicken, as strongly indicated by trends of meat consumption over the past years. Traditionally, lamb, goat and camel meat had been commonplace in the diets of Saudis, but over the years chicken consumption has gradually and consistently increased among Saudis and the GCC. Given that pork is considered haram, “sinful”, Muslims do not consume it, and its consumption is close to non-existent in the region. A small amount of pork consumption is reported by OECD in the graph below, which can be attributed to foreigners living in the state.

Figure 80: Processed Meat Consumption by Type, 2015 (Kilograms/Capita)



Organisation for Economic Co-operation and Development

As indicated in the table above, the overall per capita consumption of meat in 2015 in Saudi Arabia was reported to 50.8 kilograms. This amount is larger than the global average, at 31.1 kilograms per capita in 2015, but falling behind Europeans who on average consumed 68 kilograms per capita in 2015.

Chicken consumption in Saudi Arabia is remarkably larger in comparison to global and European levels. In fact, most of the meat consumed in Saudi Arabia can be attributed to the *gallus domesticus*. In 2015, it was by far the most popular meat, establishing itself at 41.2 Kg/per capita. This almost doubles the amount of chicken consumed by Europeans, and more than triples the global average of chicken consumption in 2015.²³⁵

6.13.1.1 Consumer Profile and Trends

The Saudi consumer is a price sensitive buyer, open minded towards new options and is starting to show interest in nutritious alternatives. The Saudi shopper can also be considered a demanding consumer when it comes to variety and new options.

Shopping in bulk is a common trend, particularly with frozen processed meats, as discount options are offered and a long shelf life is guaranteed. Buying in bulk is also a preference, given the large households. The average household size reported in the 2010 Census in Saudi Arabia is of 6.4 and following a population growth as fertility rates increase and mortality rates decrease, the household size

²³⁵ "Agricultural output - Meat consumption - OECD Data" 2016 available at: <https://data.oecd.org/agroutput/meat-consumption.htm>.

is expected to increase its size in the coming years.²³⁶ By contrast, the average household size in the European Union in 2015 is reported to be 2.3 members.²³⁷

Processed meat is considered convenient, as it usually provides meat for a meal that is ready to eat, pre-cooked or pre-pared. This is particularly apparent with meat products such as sausages, and non- pork bacon, salami and other types of cured meats. Processed frozen meat is also extremely popular, particularly those of the breaded and ready to fry range. There is a great variety available for consumer of frozen processed poultry.

Chicken burgers and chicken nuggets are reported to be the most popular food items, which contribute to 36 per cent and 17 per cent of value sales respectively in 2016.²³⁸ These are particularly popular as lunchbox items for children and families.

Processed meat products have evolved from plain sausages, nuggets and fillets to more gourmet-style products to cater for the growing demand. Some popular processed chicken options are more elaborate, such as Chicken Kiev, or also cater for the local taste for Middle Eastern flavours and Saudi favourites such as Chicken Shawarma and Shish Taouk.

On the other hand, a great number of consumers do not consider nutrition of products but instead are price-sensitive, and enjoy consuming “fast food” types of processed meats, whether it is at home or in restaurants. The popularity of chicken has resulted partially as it is the most accessible to all households, by far the price has been the most stable over the course of the last 30 years, as apparent in the graph below, and the price of chicken has increased by 68 per cent as indicated in the figure below. By contrast, the price of Lamb has tripled (147 per cent increase) and that of beef doubled (100.6 per cent increase) as indicated in the figure below.²³⁹

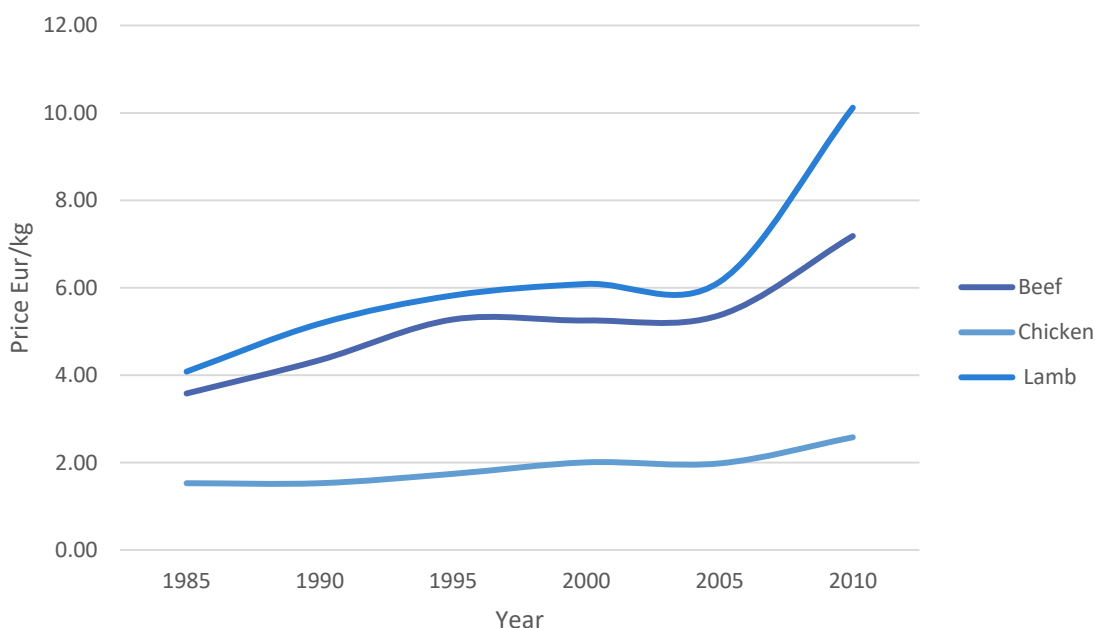
²³⁶ “Population distribution and household conditions in Saudi Arabia: reflections from the 2010 Census” September 2014 available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4174546/>

²³⁷ “Household composition statistics” 2016 available at: http://ec.europa.eu/eurostat/statistics-explained/index.php/Household_composition_statistics.

²³⁸ “Saudi Arabia: Poultry and Products Annual” 2016 available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Poultry%20and%20Products%20Annual_Riyadh_Saudi%20Arabia_8-31-2016.pdf.

²³⁹ OECD. Saudi Arabia Agricultural Outlook. October 2017. Available at https://stats.oecd.org/Index.aspx?DataSetCode=HIGH_AGLINK_2016.

Figure 81) Price of Meat in Saudi Arabia (EUR per kg)



Organisation for Economic Co-operation and Development

The outlook for processed food options is currently positive, as a strong demand exists for these. However, given the growing obesity problem and the sparking interest in healthier processed food options a shift is expected in the coming years to cater to this nutrition and health needs.

6.13.2 Offer

6.13.2.1 Domestic offer

A small number of meat processing facilities are active in Saudi Arabia. However, domestic meat production is disfavoured under local planning priorities due to its relatively high water intensity. Saudi producers are not able to meet the high demands of a growing population, and as a result there is a net deficit in production relative to consumption.

6.13.2.1 Import

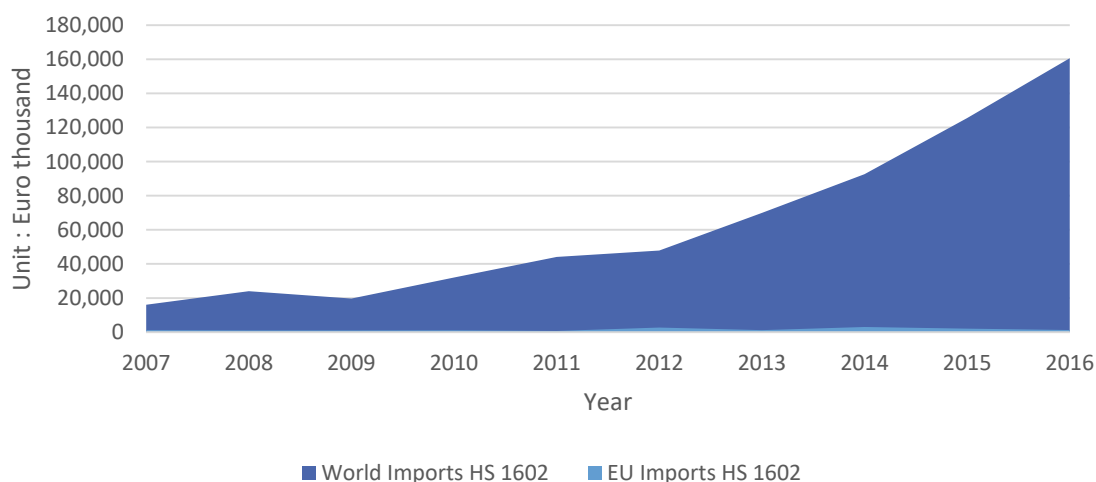
Processed meat, excluding sausages, position Saudi Arabia in a strong position as one of the largest importers worldwide. Imports of processed meat have increased dramatically over the course of the last 10 years. On a global scale, Saudi Arabia is ranked as the 15th largest importer of processed meat, accounting to 1.2 per cent of all global imports in 2016.²⁴⁰ Among these imports, most originate from non-EU countries. European exports only account to a very small proportion, almost insignificant, that has been stagnant over the years. From the European countries, France and the Netherlands are the main exporters of processed meat to Saudi Arabia. This is partially due to strict restrictions, and popularity and competitive prices of meat from non-European origins, such as Brazil and India.

²⁴⁰"List of importers for the selected product Product: 1602 Prepared or preserved meat, offal or blood" 2017 available at: ITC Trade Map, International Trade Centre, www.trademap.org.



High demand of this product creates an opportunity, however only a number of European Countries, and certain meats from each country from pre-determined approved establishments are able to export to Saudi Arabia. More information on the regulations is available on the SFDA website. Halal requirements also suppose an important restriction to exporting to Saudi Arabia.

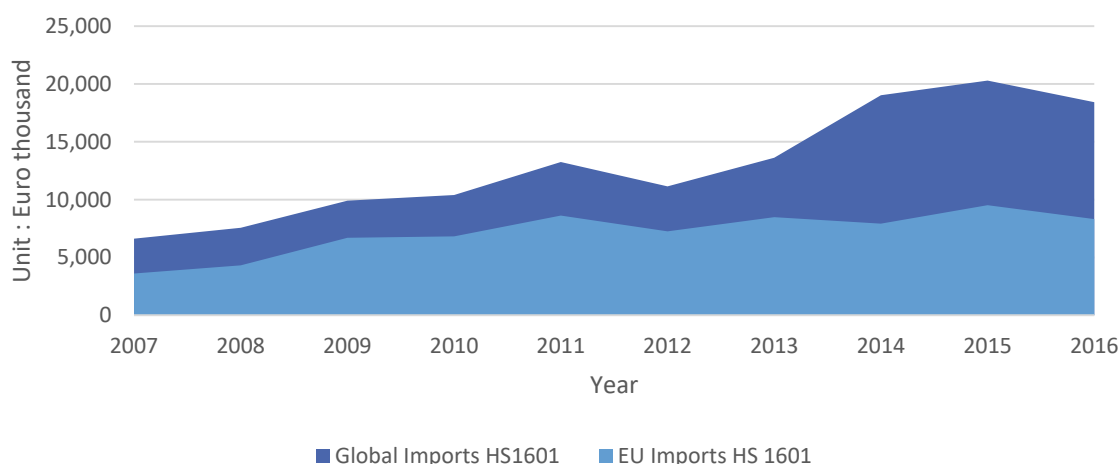
Figure 82) Saudi imports of Product: 1602 Prepared or preserved meat, offal or blood



© International Trade Centre²⁴¹

Although the comparative import value of sausages is lower than for other processed meat products, European products perform vastly better in this category as indicated in the graph above. France leads the Global and European exports of sausage meat products. Approximately 45 per cent of sausages imported to Saudi Arabia in 2016 originated from France. Other European countries exported this product to Saudi Arabia over the past years were Denmark and the Netherlands, though these exports have stopped since 2014 and 2009

Figure 83) Saudi imports of Product: 1601 Sausages and similar products, of meat, offal or blood



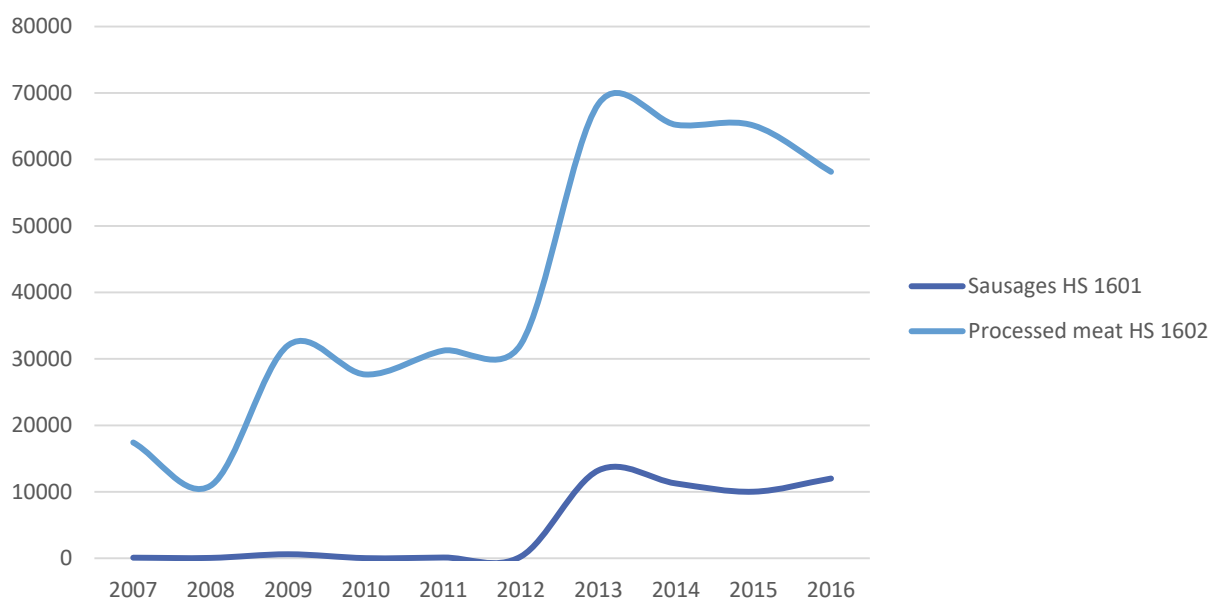
© International Trade Centre²⁴²

²⁴¹ ITC Trade Map, International Trade Centre, www.trademap.org.

²⁴² Ibid.

6.13.2.2 Export

Figure 84: Saudi Arabia's exports of processed meat products 2007-2016 (value in EUR thousands)



© International Trade Centre²⁴³

6.13.3 Main Competitors

Figure 86: Main exporters of sausages to SA, 2016 (% of imported value)

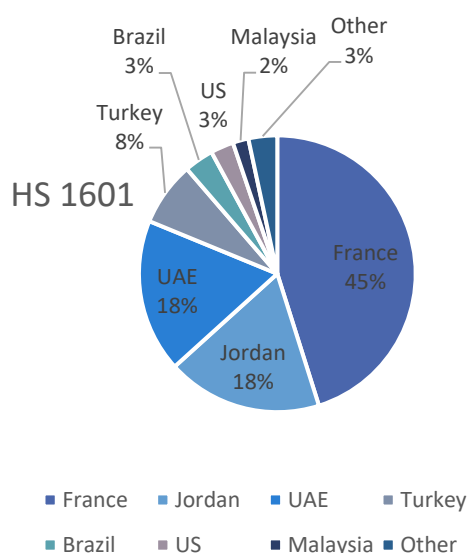
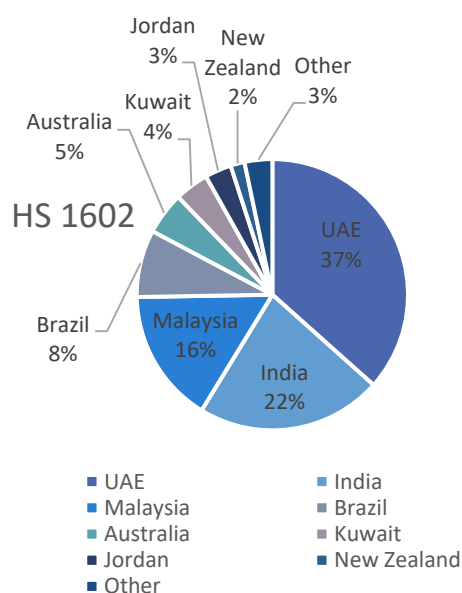


Figure 85: Main exporters of processed meat to SA, 2016 (% of imported value)



© International Trade Centre²⁴⁴

²⁴³ ITC Trade Map, International Trade Centre, www.trademap.org.

²⁴⁴ Ibid.



The market for processed meat is led by the United Arab Emirates, followed by India, Malaysia and Brazil. Imports of Indian processed meat have increased dramatically in 2016, as no imported values were recorded since 2010. This can be attributed to the regulations that restricted meat imports as indicated in the figures above.

The competitive landscape of the processed meat industries in the top exporting countries allows them to meet the high demand and price sensitivity of the Saudi Arabian consumers. As mentioned previously, Saudi Arabia consumes one of the highest rates of chicken globally, but at the same time the value of chicken is much lower than other meats available. The meat and meat manufacturing costs, along with all the export costs involved for European markets make the competition fierce.

Processed sausages from France are considered a gourmet meal, and therefore this food category performs better with consumers with a larger disposable income. By comparison, many consumers that buy processed meat products such as nuggets or burgers, are attracted by low prices and tasty options, regardless of the quality of the meat offered. Health concerns have been raised by the quality of the meat in some methods of meat processing, such as mechanically separated meat.

6.13.3.1 Challenges for EU products

Islamic law in Saudi Arabia's strictly regulates meat, as all of the imports into the country must follow Halal regulations, in addition to meeting the established SPS requirements. Measures and processes, such as stunning and automated mechanical slaughter, do not accommodate for Halal procedures, making these methods of slaughter unsuitable for the region.

Furthermore, Saudi Arabia has strict regulations regarding meat origins and which countries are permitted to import to Saudi Arabia. Furthermore, within each country permitted there are certain approved meat establishments by the SFDA available [here](#).

6.13.4 Specific Import Requirements

The majority of Saudi food regulations and standards are based on CODEX Alimentarius regulations and to a certain extent on EU and U.S. FDA regulations. These are usually modified in order to apply local religious, cultural and environmental conditions of Saudi Arabia.

All processed meat imports must have an Islamic Slaughter Certification. The exporter must obtain a Certificate of Islamic (Halal) Slaughter from a member of an Islamic Centre or organisation that has been approved by the World Muslim league.²⁴⁵

Meat products that have been labelled Halal have to provide this certificate or a written statement where the exporter affirms that this certificate will be available before the product reaches Saudi Arabia.

²⁴⁵"Export Requirements for Saudi Arabia" March 2017 available at: <https://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/exporting-products/export-library-requirements-by-country/saudi-arabia>.

The SFDA requires these certificates with all meat and meat products consignments. Importers are advised to contact the SFDA and the Department of Halal Meat at the Muslim World League; to recognize the approved centres for issuance of Halal slaughtering meat.²⁴⁶

The GCC is aiming to standardise the legislations across all GCC countries, including Saudi Arabia. The GCC issued a Guide for Control on Imported Foods, which has been implemented by SFDA on experimental basis for unspecified period starting June 1, 2015.

Saudi Arabia is set to integrate these standards to imports on a gradual basis. More details on the regulations are available on the websites of the SFDA; Saudi Standards, Metrology and Quality Organisation (SASO); and the GCC Standardization Organization (GSO).

Some of the following certificates shall be made available:

- Certificate of origin (Copy)
- Halal Certificate (original)
- Certificate of slaughtering for meat and poultry (original)
- Any other documents or certificates required by the SFDA

In addition to the general requirements listed above, there may be special requirements by the SFDA.

6.13.5 Distribution

Saudi food processing sector has been developing at a rapid pace over the last years, with aid of governmental subsidies as well as great demographic and socioeconomic changes. Fresh meat products are being imported and processed by local Saudi companies.

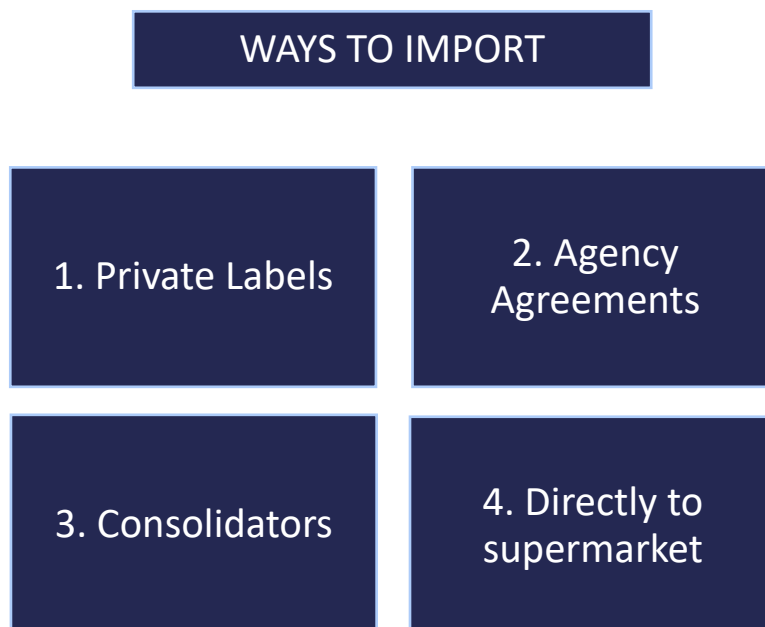
The number of Saudi food processing facilities has increased between 2002 and 2012 from 460 and 732. Several international corporations have also established processing facilities in the country. Overall, Saudi manufacturers depend on imported meat to cater for the growing demand, and the lack of local supply. This meat is often processed or further processed locally.²⁴⁷ Therefore, the level of processed meat imported in the country is inferior to that of fresh meat.

In order to succeed a in the processed meat category, a wide and diverse product range and strong presence across the different distribution channels are key. Successful companies sell across different channels, from small convenience stores (bakalas) to large supermarket stores such as Othaim or Lulu. An effective

²⁴⁶ "Islamic centers approved for issuing Halal certificate worldwide" available at: www.sfda.gov.sa/en/food/about/administration/mangement_food/Pages/EDOIFC-IslamicCenter.aspx

²⁴⁷ "Food Processing Ingredients" December 2015 available at: <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20Processing%20Ingredients%20Riyadh%20Saudi%20Arabia%2011-22-2015.pdf>.

communication strategy is also of major importance, from broadcast media to social media in order to reach a wide audience.²⁴⁸



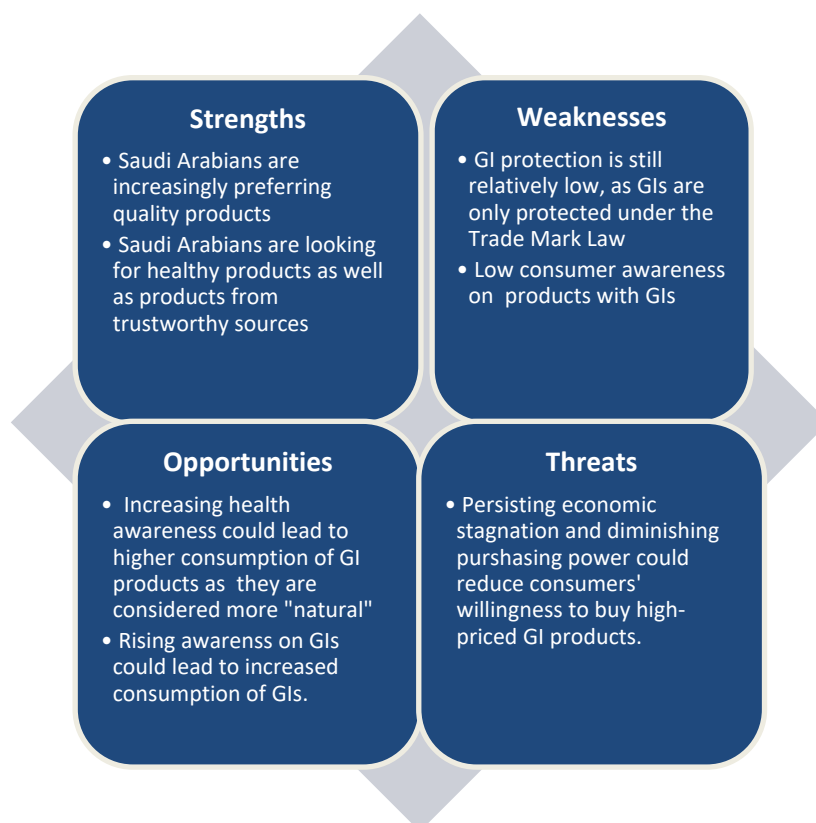
6.13.6 Summary

The Saudi Arabian market may offer opportunities to exporters of processed meat given the high demand for products under this category in the country and the dependence on imports to meet this demand. Poultry products are especially popular. Growing health considerations might negatively affect processed meat consumption. Yet, due to the convenience of prepared meals and the relatively low price overall demand is expected to remain high. Despite an increase in local production in recent years, domestic offer is limited and most of the local demand is met through imports.

Nonetheless, the EU share in exports to the kingdom is very limited, mainly due to low unit price and competition from exporters of processed meat in the region such as the UAE and India, as well as global leaders in exports under this category such as Brazil. An exception is the sub-category of sausages in which the EU, and particularly France, holds a considerable share of the imported value. An additional challenge faced by EU exporters are the strict Halal regulations, as well as restrictions on which products can be imported and from which countries.

²⁴⁸ "Saudi Arabia Retail Foods" 2014 available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_12-14-2014.pdf

6.14 Market Snapshot: Products with Geographical Indication



6.14.1 Consumption

Even though European products with GI status are being sold in Saudi Arabian market, products with geographical indications are not yet very well known in Saudi Arabia as well as in other Gulf States and thus the consumers are also not very well educated about the value and benefits of the products with geographical indications.²⁴⁹ The consumers might not immediately recognize the European PDO/PGI or TSG labels and might not automatically associate these labels with premium quality. It could therefore be quite difficult to market products with GI status in Saudi Arabia by only relying on the marketing power of the PDO/PGI label.

At the same time, Geographical Indications are slowly becoming more relevant in Saudi Arabia, as there are organizations, focused on promoting the value of GIs in Saudi Arabia as well as in the wider Gulf area. For example, in a bid to harness the significant value of geographical indications to the economies of the 22 member states of the Arab League, an Arab Society for Geographical Indications (ASGI) has been proposed. The ASGI has great ambitions as it plans to establish a comprehensive database that includes all geographical indications in each country in the Arab world in order to protect and promote Arab heritage and local products as well as encouraging Arab countries to develop GI laws and regulations, and joining international treaties related to geographical indications and updating

²⁴⁹ "New Arab Group Aims At Protecting Local Products With Geographical Origins" available at: <https://www.ip-watch.org/2008/10/27/new-arab-group-aims-at-protecting-local-products-with-geographical-origins/>

and modernising the existing geographical indications laws in the Arab countries to be in harmony with the international standards.²⁵⁰

The ASGI will also focus on educating the people in Saudi Arabia as well as in other Arab countries about the importance and the added value of geographical indications as according to the researchers on intellectual property in Arab countries claim that “as the GI is a relatively new topic in the Arab world, ASGI must promote knowledge dissemination through the organisation of conferences, workshops and seminars to promote awareness among all institutions interested in GI.”²⁵¹

As the consumers will become more aware of the high quality of the products with GI status, they will be more willing to buy these European premium products. Currently, there are a few emerging consumer trends in Saudi Arabia, indicating that Saudi Arabia has a strong consumer base for the European products with GI status. Thus there are many opportunities for European companies producing products with GI status.

6.14.1.1 Consumer trends and profiles

Saudi Arabian consumers are becoming increasingly health conscious. Rising health problems among Saudi Arabia’s consumers has resulted in an increase in demand for healthier products like whole wheat, quinoa and other organic products. The prevalence of diabetes among the adult population in Saudi Arabia is around one-quarter, which causes concern for the consumers and the government alike. There is thus growing desire amongst Saudi consumers dine healthier as many adults are increasingly becoming health and fitness-conscious.

At the same time, western media is increasingly influencing Saudi Arabian consumers, especially younger generations, through television, the internet and social media. In addition to media influence, the Saudi government increased healthcare spending by 13 billion USD (11.5 billion EUR) in 2010. These factors have been instrumental in expanding health awareness amongst Saudi consumers who are demonstrating a growing preference for healthy and quality packaged food. Manufacturers have already responded to this demand by increasing the availability and variety of healthier options of food products.²⁵² To further demonstrate this emerging consumer view, manufactures are now making an effort to emphasize the health benefits on their package labels.²⁵³

As European PDO/PGI and TSG products are well-known for their traditional production methods they can thus be perceived as healthier than their non PDO/PGI counterparts.

²⁵⁰ “New Arab Group Aims At Protecting Local Products With Geographical Origins” available at: <https://www.ip-watch.org/2008/10/27/new-arab-group-aims-at-protecting-local-products-with-geographical-origins/>

²⁵¹ Ibid

²⁵² “Packaged Food Sales in Saudi Arabia” Agriculture and Agri-Food Canada 2012 available at: http://publications.gc.ca/collections/collection_2012/agr/A74-1-74-2012-eng.pdf

²⁵³ “Packaged Food Sales in Saudi Arabia” Agriculture and Agri-Food Canada 2015 available at: <http://www.agr.gc.ca/resources/prod/Internet-Internet/MISB-DGSIM/ATS-SEA/PDF/6639-eng.pdf>

There is another consumer trend that can be beneficial for the European producers PDO/PGI and TSG labeled products. Namely, Saudi Arabian consumers are increasingly becoming to value the quality of the products and they are very eager to try out new products.

Saudi Arabia is thus a growing market for high value food products and consumers have also affinity for trying new food products, offering greater opportunities for European products with PDO/PGI status. Underpinned by consumer's eagerness to try out new products, Saudi retailers are also constantly searching for new products, and often request support from suppliers for promotion and advertising. Advertising is considered a necessity to win Saudi consumers. Competitive pricing, weekly promotional offers, advertising support from vendors and the ability of retailers to offer a wide selection of products at competitive prices are key promotional strategies followed by retailers.²⁵⁴

At the same time, however, amid ongoing economic uncertainty that has been dominating the Saudi market for some time now since the decline of oil prices, Saudi consumers continue to practice austerity measures, spending less during the second quarter of 2016 than the year before. Also, people from the middle and upper middle class are rationalizing their spending and focus more on saving.²⁵⁵ This could mean that Saudi consumers can turn away from pricier PDO/PGI products to their regular and cheaper counterparts.

The experts are saying that higher price-consciousness is likely to persist. In 2015 Saudi Arabia's government had curbed public spending and these curbs had cut overtime payments and other bonuses to employees in the public sector, where most Saudi citizens work. Until wages recover, Saudi consumers will most likely refrain from spending excessively on premium products.

6.14.1.2 Cultural sensitivities

When European companies are planning to export their products with GI status to Saudi Arabia, there are a few cultural sensitivities to take into account.

For religious reasons, Saudi Arabia bans imports of alcoholic beverages, live swine, pork, and foodstuff ingredients or additives that contain pork products, including pork fat, and gelatine. Other banned products include meat of asses, mules, hinnies (fresh chilled, or frozen), frog legs, poppy seeds, hemp seeds, opium and hops and swine leather.²⁵⁶ Thus, European PDO/PGI labelled products falling into these categories could not be exported into Saudi Arabia.

Furthermore, it should be noted that the Saudi Food and Drug authority (SFDA) also bans imports of pre-packaged food products containing alcoholic connotations such as "cocoa liqueur" as an ingredient. Thus, any European PDO/PGI products containing ingredients with alcoholic connotations will be banned in Saudi Arabia.

²⁵⁴ "Saudi Arabia Exporter Guide" 2015 available at: https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf

²⁵⁵ "Saudi Consumers Are Not Splurging This Season & That's A Problem" 2016 available at: <http://www.incarabia.com/money/saudi-consumers-are-not-splurging-this-season-thats-a-problem/>

²⁵⁶ "Saudi Arabia Exporter Guide" 2015 available at: https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf

6.14.1.3 Challenges for EU products Expert Testimonials

Because the concept of Geographical Indications is not widely known in Saudi Arabia, European producers of PDO/PGI products cannot only rely on the marketing power of the GI label, when exporting their products to Saudi Arabia.

Furthermore, consumers may not automatically associate products with GI labels as premium quality products, especially when some traditional producers of GI products from some developing countries, where GI status monitoring is not very strict, could use cheap ingredients to produce their products.²⁵⁷

Finally, because of the falling oil prices, the purchasing power of Saudi Arabians is decreasing and thus Saudi Arabian consumers could be weary of buying highly priced European premium PDO/PGI labelled products.

6.14.2 Offer

Most of the GI products available on the Saudi Arabia's market are imported from other countries, including European Union countries but also from India or Vietnam. Saudi Arabia itself does not offer many genuine products that have geographical indications status, because geographical indications are still not very common in Saudi Arabia. In Saudi Arabia, it is also not common for the local companies to apply for a collective or certification trade mark, thus it is hard to find local products with geographical indications status.

6.14.2.1 Domestic offer

As Saudi Arabia does not have a registry of geographical indications, it does not have genuine domestic products with geographical indications available. Since Arab businesses do not fully recognise the significant value of geographical indications to the national economy they are also not so keen to apply for a collective trade mark.²⁵⁸

However, there are some products with de facto geographical indication status, since they are treated in the market as products of superior quality because of their place of origin. One of the examples are the dates from the Qassim province – the Sukary Al Qassim as well as Nabtat Ali Al-Qassim and Assela Al Qassim. Al-Qassim region hosts more than six million palm trees, making it one of the Middle East largest producers of dates, producing an annual amount of over 200 thousand tons of various types of luxury dates, which gives the region a high economic value by exporting large amounts of dates nationally and internationally, especially in the GCC region.²⁵⁹

The Qassim region produces about 25 per cent of Saudi Arabia's production of dates, with Saudi Arabia being the second biggest date producer in the world.²⁶⁰ Dates from the Qassim region are recognized for their superior quality. Sukary

²⁵⁷ "New Arab Group Aims At Protecting Local Products With Geographical Origins" available at: <https://www.ip-watch.org/2008/10/27/new-arab-group-aims-at-protecting-local-products-with-geographical-origins/>

²⁵⁸ Ibid.

²⁵⁹ "City Portraits" 2014 available at: <http://www.worldcitysummit.com.sg/sites/default/files/City-Portraits-Brochure-FULL-updated16jun.pdf>

²⁶⁰ "25 per cent of Kingdom dates produced in Qassim" 2013 available at: <http://www.aptc.qu.edu.sa/en/news/Pages/datepalmconference.aspx>



dates, for example, are highly demanded by customers due to their exquisite taste and freshness.

6.14.2.2 Import

Saudi Arabia imports many products with geographical indication status, including products from the European Union Member states. Cheese holds the largest share of imports into Saudi Arabia amongst the products with GI status. Mediterranean exports are popular in the Saudi market. Saudi Arabia also imports Feta PDO Cheese and PDO/PGI olive oil from Greece, Italian Cheeses like Grana Podano and Parmigiano Reggiano are also imported to Saudi Arabia.

6.14.2.3 Export

Saudi Arabia does not export products with GI labels because it currently has no system for registering products with GI status.

6.14.2.4 Focus on PDO, PGI, TSG, Organic Label

Saudi Arabia is currently still in the process of drafting special laws and regulations governing geographical indications. Currently, geographical indications are governed by the Trademark Law of Saudi Arabia.

Table 17) National Legal Framework for the Protection of GIs in Saudi Arabia

National Legal Framework for the Protection of GIs in Saudi Arabia	
Relevant Regulatory Framework	Regulatory Framework Trademark Law No. M/21, 7 August 2002.
Type of Protection	Trademark regime (no ex officio protection is available; protection is provided only at the request of an interested party).
Scope of Legislation	Applicable to goods (agricultural and/or industrial) and/or services. Trademarks for alcoholic beverages, as well as retail and wholesale service, are excluded.
Source	The English version of the Law is available on the WIPO website: http://www.wipo.int/clea/en/text_pdf.jsp?lang=EN&id=3595
Summary of the Operational Provisions	<p>It appears that geographical indications (GIs) may be registered as trademarks in Saudi Arabia provided that they meet definitions established by the Law. However, geographical names cannot be registered as trademarks 'if their use is liable to create confusion as to the source of the products or services or their origin or liable to monopolise notice of origin or name the source without rightful justification'.</p> <p>In accordance with Article 38 of the Law, the Minister of Commerce may permit the registration of a mark which is owned jointly by natural or legal persons who are undertaking the control of specific products or services or inspection thereof as regards their origin, ingredients, method of manufacture or performance, or descriptions or any of the characteristics thereof.</p> <p>However, the Law provides that geographical names if their use causes misconceptions as to the source of the products or services or origin thereof, or if their use would entail a monopoly of the source or the name of the origin without any justification, may not be registered (Article 2.6 of the Law).</p>




	<p>Once a trademark application is filed (the authority responsible for the registration is the competent department of the Ministry of Commerce, called "the Trademarks Register"), it is examined as to its availability, registrability and coverage. If the Registrar objects in writing to certain aspects of the mark in the course of examination, such as the scope of goods or services or asks for modification of the mark, a grace period of 3 months is given to the applicant to comply with the Registrar's request. Once the application is formally rejected (Article 13 of the Law), a complaint against the rejection can be filed before the Minister of Commerce, within 60 days from the date of notification of the rejection. The Minister's decision may be appealed before the Board of Grievances (First Instance Court) (Article 8 of the Law). The trademark or service mark applications accepted for registration are published in the Official Gazette of Saudi Arabia (Ummulqura) (Article 15 of the Law).</p> <p>Publication is an invitation to any interested party to oppose the registration of trademarks conflicting with their interests. There is a three-month period open for filing opposition by any interested party. An opposition to the registration of a trademark or service mark should be filed within the term of the opposition period, i.e., 90 days from the date of publication of the notice in the Official Gazette. The case should be filed before the Board of Grievances (First Instance Court) (Article 15 of the Law).</p> <p>Level of protection: It is considered to be an offence to forge or to imitate registered trademarks in any way that misleads the public, or uses a trademark owned by someone else on his products or services or offers or presents for sale or sells (Article 43 of the Law).</p>
<p>Specific Provisions (issue of Generics, Reciprocity)</p>	<p>None</p>

OriGIn²⁶¹

²⁶¹ "Technical-legal study on geographical designations for olive oil and table olives" 2010 OriGIn available at <http://www.internationaloliveoil.org/documents/viewfile/4703-technical-legal-study-on-gis>.

The new Gulf Cooperation Council Trademark Law and its Implementing Regulations were formally adopted in Saudi Arabia with effect from 29 September 2016. The GCC Trademark law further strengthens the protection of Geographical Indications in Saudi Arabia, as geographical indications are recognized in the GCC Trademark Law.



Article 17: The owner of a registered trademark may prevent others, who do not take approval therefrom, from using a similar or identical trademark, including any **geographical indicator**, in the context of trade, to distinguish products or services that are identical, similar or correlated for which the mark has been registered, in such a way that confuses the consumers, and such confusion may occur in case of using the same mark or a similar one to distinguish goods or services that are similar to the ones for which the mark is registered.

GCC Trade Mark Law on WIPO

There is, however, no protection for geographical indications in Saudi Arabia even under the Trade Mark law for wines and spirits because alcoholic beverages are prohibited from being produced, sold, consumed, imported or exported in Saudi Arabia, pursuant to the Islamic Law. Even though, not explicitly stated in the law, the same applies for the F&B products including pork meat asses, mules, hinnies, frog legs, poppy seeds, hemp seeds, opium and hops and swine leather.

Other GI products could be imported to Saudi Arabia in accordance with the importing regulations of Saudi Arabia. European products with GI status (especially cheese and olive oil, as well as some fruits and vegetables) could be found in the biggest supermarkets in Saudi Arabia like Carrefour and Hyper Panda.

Organic label

European products protected with GI status can also apply for the organic production label if they qualify with the organic production standards.

In February 2008 - Adopted Standardization Organization for the Cooperation Council for the Arab States of the Gulf (GSO)'s guide to organic food production, processing and marketing and labeling: GSO CAC/GL 32:2008 Production, Processing, Labelling and Marketing of Organically Produced Foods.

These standards promote the production, manufacture and trade of organic food and the formulation of definitions, rules and regulations related to organic activity. These standards also aim to protect people working in the areas of organic farming and consumers from fraud, and to support and provide the supply of organic products and their inputs leading to stronger organic agricultural sector in the Kingdom. The Organic Law includes apiculture, aquaculture and seaweed.

Using the term organic in trademarks, brand names, pictorial matter or symbols relating to and placed on any packaging, document, notice, label, etc. accompanying or referring to a product which is non-organic or has not been certified is prohibited.

According to Saudi Arabian laws and regulations certifiers operating in the country must have a representative residing in Saudi Arabia, and must register with the Ministry of Environment, Water and Agriculture.



6.14.2.5 Mapping of main competitors with market share

For European products with GI status, the main competitors on the market are products with no GI status. These could be local products, similar to the European products with GI status or other European products that are similar but do not have GI status. Since European products are already perceived as healthy and as having high quality then Saudi Arabian consumers are likely to prefer the lower priced European products with no GI status to the pricier European premium products awarded with GI status.

European products with GI status are also competing against the products from the United States, because products from the United States are also perceived to have high quality and since Saudi consumers are seeking value for money, they tend to choose the cheaper products originating from the United States. The products from United States and from Europe are often perceived to be of equal quality.²⁶² In this case consumer's price sensitivity could become decisive. As the United States is the second largest import source for Saudi Arabia, there is abundance of American products on the market.

6.14.2.6 Challenges for EU Products

As Saudi Arabian consumers are not very familiar with European Union quality schemes and PDO/PGI and TSG labels, they might not necessarily associate these products with premium quality and the value of traditional production techniques. Additionally, as European and United States products without GI status are generally considered healthier and of higher quality than products from other regions, consumers may not pay attention to the PDO/PGI and the TSG labels.

6.14.2.7 Specific Customs and SPS requirements

European products with GI status have the same customs and SPS requirements as their non-GI counterparts. European producers of GI products should keep in mind that all products need to be registered with the customs, as in January 2014, Saudi Arabia implemented mandatory requirements of preregistration and electronic customs clearance for all imported food and feed products. The preregistration of imported food products is the responsibility of the local importers or agents. Each importer or agent is required to open an electronic account (E-Account) and set up individual user name and password at SFDA's Executive Department for Imported Food Control (EDIFC) E-Services [here](#). Once the E-Account is created, importers can upload their food products information including harmonized code (HS Code), bar code, item code, and listed ingredients in English and Arabic, picture of each product as well as copy of the product label. The food products label must contain all information required by the Gulf Standard Organization regulation number GSO 9/2013 "Labelling of Pre-packaged Food Stuffs".²⁶³

It should be also noted that, shipments of food products must be accompanied by a commercial invoice, health certificate, and other selected documents. The Saudi Customs Authority requires that commercial invoices to be issued on CIF basis

²⁶² "Retail Foods in Saudi Arabia" 2015 available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_9-17-2015.pdf

²⁶³ "Saudi Arabia Exporter Guide" 2015 available at: https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf

(cost, insurance and freight). If products are sold on FOB (free on board) basis, the Saudi importers will have to pay for freight and insurance costs and submit the invoices to the Saudi Customs along with commercial invoices when the consignment arrives at the Saudi port of entry.²⁶⁴

The European producers of meat products with GI status should be aware that per the standard, a Halal Certificate and a Certificate of Islamic Slaughter must be issued for all meat and poultry products entering the Kingdom of Saudi Arabia and other GCC countries. This certificate is issued by Islamic institutions recognized by the Saudi Embassies or Consulates.

6.14.3 Distribution

European products with GI status are already sold in many supermarkets of the biggest cities in Saudi Arabia. Products with GI status are also probably best sold in the big supermarkets and hypermarkets as these are the preferred retail outlets for the younger and more health-conscious consumers who prefer to buy high-quality products.

6.14.3.1 Structure of the Distribution

The Saudi food retail units are divided into three main categories: hypermarkets, supermarkets and bakalas (traditional convenience stores). The number of hypermarkets is relatively small, around 220 units, but account for about 22 per cent of the total retail food sales. Hypermarkets entered the Saudi retail market in 2004 and have become very popular, as trips to the mall are considered a family outing and a form of entertainment that substitutes for going to movie theatres or nightclubs since many hypermarkets have play grounds for children. The supermarkets, a total of 680 outlets, accounted for about 23 percent of food sales at retail food outlets in 2013. Currently, the bakalas are still the dominant retail outlets in terms of both number and food retail value. In 2013, the total number of bakalas was estimated at about 39,540 units, and accounted for about 55 per cent of food sold in retail outlets.²⁶⁵

Supermarkets and hypermarkets that face fierce competition in Saudi Arabia, continue to attract large numbers of consumers and thus grow in popularity. Hypermarkets accounted for about 22 per cent or about 8.8 billion USD (7.7 billion EUR) of the total retail food product sales in Saudi Arabia in 2013 and similarly supermarkets accounting for over 25 per cent or about 9.2 billion USD (8.1 billion EUR) of all food products sold by retailers in 2013.²⁶⁶ As people will go to the supermarkets and hypermarkets for imported food products and for premium quality products, then European products with GI status could be best sold in these retail outlets. Since supermarkets are heavily competing with each other for the market share then they are interested in widening their product base and would be more willing to accept new European premium products with PDO/PGI and TSG label.

The key to establishing a successful and growing business in Saudi Arabia for European producers of products with GI status is for the supplier to get connected

²⁶⁴ Ibid

²⁶⁵ "Saudi Arabia Retail Foods" 2014 available at:
https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_12-14-2014.pdf

²⁶⁶ Ibid

with a reputable Saudi food product importer. The European exporter should look for partner with a knowledgeable and reliable domestic importer who knows how the Saudi retail food sector operates. The prospective importer should have a professional sales team and strong distribution network Kingdom-wide or at least in the major Saudi cities, particularly in Riyadh, Jeddah, Makkah, Medina, Dammam, Taif and Al-Khobar, where the bulk of the hypermarkets and supermarkets is concentrated.²⁶⁷

Another way would be to look for the supermarkets who import directly for foreign suppliers. The French hypermarket chain, Carrefour, a Dubai based Lulu as well as many locally-based supermarket chains, such as Othaim, Panda, Tamimi, and Danube import part of their food products needs directly from suppliers. Tamimi and Danube, the two most upscale Saudi supermarkets, import several containers of foreign food products each month for sale at their outlets, lending support to a wide range of brands without a binding agency agreement.²⁶⁸

Market experts also advise that commitment to the market and the business partner are imperative for long term success. They furthermore, recommend to exhibit at regional shows; indicating it is vital that prospective European and other international retail food products exporters consider exhibiting at regional food shows, particularly the Gulfood Show, which is held in Dubai annually. According to the experts Gulfood is the most important trade event for Saudi agribusiness, where more than 4,500 Saudi companies attend the show each year.²⁶⁹

6.14.3.2 Mapping ON and OFF Sector

European producers of products with GI status could also sell their products to the hotels and restaurants. The hotel, restaurant and institutional (HRI) food service sector in Saudi Arabia has been rapidly growing in the past decade. Major changes in the Saudis' work and life styles as well as in their consumption patterns have led to increased frequency of Saudis eating outside their homes and doing more in-country travel. The annual revenue derived from consumer food services, restaurants and cafés, was estimated at 15 billion USD (13.2 billion EUR) in 2012, and forecast to reach 18 billion USD (15.3 billion EUR) by 2016. The Saudi Commission for Tourism and Antiquities estimates that total revenues generated from sales of food, beverages and food service at restaurants and cafés have increased by 87 percent since 2006. The value of food purchased HRI to produce meals in 2012 was estimated at of 5 billion USD (4.4 billion EUR).²⁷⁰

²⁶⁷ "Saudi Arabia Retail Foods" 2014 available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_12-14-2014.pdf

²⁶⁸ "Saudi Arabia Exporter Guide" 2015 available at: https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf

²⁶⁹ "Saudi Arabia Country Profile" 2017 available at: <https://www.foodexport.org/get-started/country-market-profiles/middle-east/saudi-arabia-country-profile>

²⁷⁰ "Saudi Arabia Exporter Guide" 2015 available at: https://www.susta.org/downloads/files/REPORTSgains/Exporter%20Guide_Riyadh_Saudi%20Arabia_10-1-2015.pdf



The food service sector is likely to become more lucrative as the institutional food service sector in Saudi Arabia is expected to have a strong growth in the next five years.²⁷¹

European producers wanting to sell to the HoReCa sector are advised to work importers or distributors, as major Saudi importers operate well established Kingdom-wide distribution networks and sell directly to hotels, restaurants, cafes, institutional customers, and wholesalers. Some Saudi companies that specialize in supplying the HoReCa sector import a wide range of food products for mass distribution by employing the use of consolidators in the exporting country. Often, these consolidators are sole regional agents of major international manufacturers or brand owners covering the entire Middle East and African regions. The consolidators assist Saudi food importers by sourcing products from international manufacturers and wholesalers as well as provide services such as placing stickers on labels.²⁷²

6.14.3.3 Challenges for EU products

Major retailers in Saudi Arabia charge high mark-ups, listing and other fees.²⁷³ This significantly increases the cost of launching new products in the Saudi market. It can be especially difficult for the European products with GI status that already have a higher retail price than their non-GI counterparts.

It is also common that some food retailers require to get reimbursed for expired products they sell in their outlets.²⁷⁴ This could be a challenge for the European producers of PDO/PGI and TSG labelled good in case the product launch is not as successful as expected.

6.14.4 Summary

Even though European products with GI status are being sold in Saudi Arabian market, products with geographical indications are not yet very well known in Saudi Arabia because the country does not yet have specific laws and regulations in place to protect products with geographical indications. Furthermore, Saudi consumers, who are not very familiar with the European Union Quality Schemes and the added value of PDO/PGI and TSG labelled products, tend to treat European products with GI status similarly to their non-GI counterparts.

At the same time, as Saudi consumers are becoming increasingly health-conscious and value the quality of the products over the price of the products, there are promising business opportunities for the European producers of products with GI status, when these products are marketed as premium quality and healthy products.

In regard to the distribution of products with GI status, these products are also probably best sold in the big supermarkets and hypermarkets as these are the

²⁷¹ "Food Service - Hotel Restaurant Institutional" GAIN Report 2016 available at: http://www.thaihalalfoods.com/upload/articles/Saudi_6-30-2016.pdf

²⁷² Ibid.

²⁷³ "Saudi Arabia Retail Foods" 2014 available at: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Riyadh_Saudi%20Arabia_12-14-2014.pdf

²⁷⁴ Ibid



preferred retail outlets for the younger and more health-conscious consumers who prefer to buy high-quality products.

European producers of products with GI status, should also keep in mind that even though Saudi Arabia has not yet implemented specific laws and regulations on GI products, these product names are still protected as collective trademarks under the current Saudi Arabian Trademark Law and under the Trademark Law of the Gulf Cooperation Council.



7. Communication

The past few decades of intense modernisation of the economy and technology in Saudi Arabia has led to the prevalence of telecommunications across the whole of the country. Saudis are now avid consumers of technology and the large majority of the population is connected online through both formal and social media.

Table 18) Saudi Arabia Telecommunications Profile

Fixed-telephone subscriptions per 100 inhabitants	12
Mobile-cellular subscriptions per 100 inhabitants	157.6
Fixed (wired)-broadband subscriptions per 100 inhabitants	23.4
Mobile-broadband subscriptions per 100 inhabitants	78.5
Households with a computer (%)	69
Households with internet access at home (%)	94.6
Individuals using the internet (%)	73.8

International Telecommunication Union

The use of social media in Saudi Arabia is widespread and companies operating within the country are making the most of social media to send their messages and advertise to the public. Out of a sample of F&B businesses in Saudi Arabia, 75% reported using social media as a means to communicate with the public and advertise their products. The reputation of companies and their products are also gauged from the opinions expressed by the public on platforms such as YouTube, Facebook, Twitter and Instagram.²⁷⁵

Heavy government presence in traditional public communications channels, such as through the Broadcasting Service of the Kingdom of Saudi Arabia (BSKSA) inclines many Saudis towards increased use of social media. At the same time, the young demographic of the Saudi population lends itself to higher volumes of social media traffic than in most comparable markets. This also affects the composition of the social media usage market in Saudi Arabia where, for example, users are much more likely to engaged through Twitter than in other comparable markets. Twitter is the 2nd largest social media outlet in Saudi Arabia, and the 5th most visited website in the country. The average Saudi user tweets 5 times a day.²⁷⁶

Table 19) Saudi Arabia Web Usage Statistics

The total online population actively engaged with social media and other web-based communication tools is more than 18 million. Saudi users are highly connected, spending an average of 5 hours online via computer and 3 hours through mobile phone usage. Saudi Arabia regularly ranks above specific category social media and web-usage when accounting for population.

Penetration of Leading Social Networks in Saudi Arabia

²⁷⁵ Ball State University. Designing a Social Media Plan for Food Business in Saudi Arabia. May 2017. Available at http://cardinalscholar.bsu.edu/bitstream/handle/123456789/198173/faraja_2014-2_body.pdf?sequence=1.

²⁷⁶ Osama Ali. Saudi's, UAE's Social Media Statistics & Facts. March 2016. Available at <https://www.linkedin.com/pulse/saudis-uaes-social-media-statistics-facts-osama-ali>.

- Facebook: 21%
- Twitter: 19%
- Instagram: 13%
- YouTube: 10%
- Google+: 15%
- LinkedIn: 10%
- WhatsApp: 22%

Top Social Media Platforms by most used Social Media Channel

- Facebook: 80%, 8.5 million users
- Twitter: 53%, 5.5 million users
- Instagram: 43%
- YouTube: 40%, more than 15 million users
- WhatsApp: 91%
- LinkedIn: 20%, 1.4 million users

Saudi Social Networks by Preferred and Daily Usage

- Facebook, 24% | 81%
- WhatsApp, 42% | 97%
- Twitter, 12% | 24%
- Instagram, 8% | 81%
- YouTube, 6% | 70%
- Google+, 1% | 56%
- LinkedIn, 1% | 4%

Market Segment Population

- 64% of social media users in Saudi Arabia are male, compared with 36% who are female
- The largest cohort of social media users in Saudi Arabia is the 26-35 category, followed by 19-25 and 36-45
- 6 out of 10 social media users in Saudi Arabia are married
- 9 out of 10 social media users in Saudi Arabia are citizens, with slightly more than 10% being non-nationals
- One-third of social media usage in Saudi Arabia is in Makkah, with slightly more than 11% in Madinah and Riyadh each. Following Makkah, Jeddah is the second largest social media market in Saudi Arabia accounting for a quarter of usage. Saudi Arabia's eastern provinces account for 8.5%, with all others account for 12%
- Social media usage is fairly evenly distributed by income category.
- The large majority of information accessed by web in Saudi Arabia is in Arabic, followed by approximately 8% in English, 1% in French and 1% in other languages.

Osama Ali

7.1 Advertising in Saudi Arabia

Saudi Arabia is a major advertising market and the largest in the Gulf Region, where it accounts for more than 40 per cent of advertising expenditures.²⁷⁷ There are a variety of avenues through which products may be advertised in Saudi

²⁷⁷ Julie Hesbois. Advertising in Saudi Arabia. 2009. Available at http://defidocs36.tice.ac-orleans-tours.fr/eva/sites/cpaml36/IMG/pdf/Memoire_final.pdf.



Arabia. It is possible to be in touch with highly experienced advertising agencies in Jeddah and Riyadh that can prepare a full advertising campaign whether in print media, radio, or television. Already resident in Saudi Arabia are Porter Novelli, Akeel Saatchi and Saatchi, Hill and Knowlton Strategies, Asda'a Burson-Marsteller, and TERAACS Saudi Arabia.²⁷⁸

Advertising in print media is the most significant area of expenditure, accounting for nearly two-thirds, followed by magazines representing a further one-fifth. Television advertising only accounts for around 15 per cent of overall expenditure. This distribution is however likely to shift in coming years as innovation in social media marketing continues.²⁷⁹

7.2 F&B Media in Saudi Arabia

F&B media culture has developed in Saudi Arabia due to the proliferation of TVs, mobiles and the use of the internet. However, given the large profile of the Saudi government in television programming and services, there has been relatively little scope for cooking channels and related media to develop through this medium. Television programming targeting F&B consumers is more likely to emphasise domestic and traditional cuisine. The most popular F&B media is found on YouTube, Facebook and Instagram. Most of it will be found in the Arabic language. In addition, there are sites such as Qaym (www.qaym.com) used for restaurant reviews, which are also in Arabic and well-attuned to the local market.

Software services such as Social Bakers can help you assess the most influential social media avenues for you to advertise your product, including with distinction by type of product or audience and medium (Facebook, Twitter, Youtube, etc.). You can consider this service [here](#).

An extremely popular **Instagram** page in Saudi Arabia with over 4.9 million followers is **15smeals** which can be accessed [here](#).

A personal **Instagram** page called **Ward Tmim** is owned by a Saudi cook who prepares Saudi and other dishes. She has over 365,000 followers and her profile can be accessed [here](#).

A personal YouTube account that has over 40,000 and presents various Saudi dishes is **Saudi Food Eman**. Her channel can be accessed [here](#).

In addition to domestic bloggers and influencers, Saudi Arabia also figures prominently in a pan-Arab market for F&B and lifestyle outlets. Blogs and social media typically involve active user engage, in the form of seeking out and direct exchanges, and therefore attract a highly interest-driven and innovation-motivated audience.

Table 20) Leading F&B Blogs and Influencers in MENA

Name	Website	Audience		
		Facebook	Twitter	Instagram
Mideats	www.mideats.com	2,300		

²⁷⁸ "Saudi Arabia – Trade Promotion an Advertising" November 2016 available at: <https://www.export.gov/article?id=Saudi-Arabia-Trade-Promotion-and-Advertising>

²⁷⁹ Julie Hesbois. Advertising in Saudi Arabia. 2009. Available at http://defidocs36.tice.ac-orleans-tours.fr/eva/sites/cpaml36/IMG/pdf/Memoire_final.pdf.

Anissa	www.anissas.com	1,100	4,500	7,700
Maureen Abood	www.maureenabood.com		1,300	740
Ya Salam Cooking	www.yasalamcooking.com			1,600
Matters of the Belly	www.tasteofbeirut.com	3,000	60	1,800
Chef in Disguise	www.chefindisguise.com	17,600	940	300
Buttered Up Blog	www.buttered-up.com	1,100	1,700	430
Tableya	www.tableya.com	1,200		
Antonio Tahhan	www.antoniotahhan.com	2,100	690	
Wandering Spice	www.wanderingspice.com	1,800	1,000	1,200
Noor Alghannam	@KitchenNoor			904,000

Sans Retouches: Arabian Fashion and Lifestyle

7.3 Presenting a Product in Saudi Arabia

In order to understand how it would be best to approach the Saudi F&B market in terms of advertising F&B products, it is necessary to assess the individuals that comprise this market, their trends and their consumption. This way the presentation of a given product may be developed in such a way as to appeal to the Saudi consumer.

The first point that must always be taken into account before endeavouring to advertise a product is the cultural sensitivities that exist within Saudi Arabia. As mentioned before, advertising of alcohol and intoxicants (including cigarettes) are banned. Images of women or men showing parts of the body is not permitted. Sexual connotations in advertising is to be avoided. These are the main faux pas that must be avoided at all costs.

The next layer of Saudi culture that must be taken into account is the modern trends that persist in the country. The exponential economic growth and trade links with countries across the world has led to the modernisation of the F&B culture in Saudi Arabia. This is especially true when it comes to fast food, which has become an increasingly serious issue in the Kingdom. The modernisation of the economy, the increasing pace of life in Saudi society, and the general pull of Western culture and fast-paced consumption of products has led to the widespread popularity of fast food. There is also a lack of general understanding of the harmful effects of fast food in the country. This has been the cause of prevalent obesity, especially among children, adolescents and young adults. There has also been an alarming increase in chronic non-communicable diseases such as diabetes, heart diseases and cancer.

Saudi citizens and academics are picking up on the prevalence of fast food intake and the harmful effects of fast food consumption. Academics are now advocating for nutrition intervention measures, especially for the young population, much of which suffers from eating disorders.²⁸⁰

Saudi citizens are thus becoming more and more health conscious and are realising the lack of healthy and organic F&B options that exist in the country. EU companies seeking to export their F&B products to Saudi Arabia would be advised

²⁸⁰ "Trends of fast food consumption among adolescent and young adult Saudi girls living in Riyadh" March 2015 available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4366480/>

to capitalise on the demand for healthy and organic products when advertising their goods to the Saudi market.

Saudi consumers are also attracted by deals and seek them when making purchases in supermarkets, cafes and restaurants. Products advertised and sold as deals can bring in more demand.

As mentioned above, Saudis, and especially the young generation, are avid Internet and social media users. EU F&B companies are advised to make use of social media campaigns to advertise their products above all to the young generation and health-conscious consumers, especially mothers.

Labelling of products must conform to the following principles:

- Labelling of products is required in both Arabic and English. Labelling only in English is permitted for marketing test purposes only on a case-by-case basis.
- Labelling on products must include the following information in both Arabic and English:
 - Product name
 - Country of origin
 - Producer's name and address
 - Production date
 - Expiry/use by dates
- All imported products and documents must show use metric units of measurement
- Imports of GM food must be accompanied by a certificate issued from the competent authority of the exporting country, confirming that the GM food in question is allowed to be consumed in the country of origin. Labelling of GM food follows a positive labelling approach, i.e. all ingredients must be indicated in the labels. Under the Council of Ministers Cable No. 7/5/2911 (dated 16/1/1425H - 7 March 2004), genetically modified dates, seeds, seedlings, and ornamental plants are banned from importation to Saudi Arabia
- Meat products imported into Saudi Arabia must have a Certificate of Islamic (Halal) Slaughter and must bear a Halal label. The certificate and Halal label may be obtained from a member of an Islamic organisation that is approved by the World Muslim League. The regulations regarding imported meat in Saudi Arabia are stringent and the authenticity of the *halal* nature of the meat is scrutinised.²⁸¹

Depending on your specific product and marketing strategy, you may need to adapt your labelling motifs and designs to connect with Saudi consumers. Saudi consumers might be less familiar with the concept of certain EU products, therefore labelling which is conservative in the EU may need to be presented more aggressively in Saudi Arabia to attract new consumers.

Green is a popular colour featuring in Saudi Arabian product designs and labels, and is also a symbolic colour of Islam and considered important because of its representation of nature. Black and red are also significant colours in Saudi

²⁸¹ Sud de France. Saudi Arabia: Selling. June 2017. Available at <http://www.suddefrance-developpement.com/en/country-profiles/saudi-arabia/selling.html>.

culture. It is not uncommon for products to feature these motifs, particularly those associated with more traditional consumption and production. At the same time, there is an important line to be drawn between business and religion.

Many successfully marketed products in Saudi Arabia feature simple design motifs, with plain background colours and a realistic depiction of the product. Saudi packaging preferences are often simpler than those common in European and other markets. Several restrictions apply in practice on how certain concepts can be depicted in marketing and advertisement. To the extent that people are featured in a label or advertisement, they must be modestly presented to cover virtually all skin and the eyes should not be visible. Likewise, care and prior consultation must be undertaken for marketing materials that include depiction of animals, magical or supernatural creatures as these can be poorly received - many animals have clear connotations in Saudi culture. Depiction of eggs, fish and chicken is very unusual as these are not considered respected professions in Saudi Arabia.²⁸²

The Saudi market can be highly sensitive to both endogenous and exogenous factors. Marketing and product presentation needs to be highly sensitive of the different cultural environment in order to succeed, including by pre-empting and or mitigating the effect of issues that could be construed as reflecting on the country of origin. This includes for the example the case of Scandinavian producers, whose strong performance in the Saudi market was undermined by scandals involving the publication of cartoons depicting Muhammad in Denmark in 2005.

7.3.1 Target Audience

Despite the advantageous pre-existing trade relationship and proximity between the EU and Saudi Arabia, the majority of F&B exports from the former to the latter are competitive on quality, not price. EU F&B products are sought by consumers in Saudi Arabia who are quality-oriented and seek authenticity and originality in their consumption habits. Most EU F&B products are recognised for their safe and responsible production, and are popular with middle- and upper- income consumers.

At the same time, as imported EU F&B products - especially premium-segment products - are popular with middle- and upper- income consumers, they must contend with frictions between Saudi conservatism and interest in foreign and innovative products. Some EU F&B products are better suited for integration with traditional cuisine through exports of high quality ingredients, whereas others are better matched with direct consumption by a demographic that is predominantly young, high income, urban, professional and convenience-oriented.

There is considerable regional variation in terms of consumer types and market segments. Some cities contain significant tertiary industries with large foreign workforce populations. Others are restricted and do not allow entry of non-Muslims. Understanding specific markets and consumer segments at a regional and localised level in Saudi Arabia will help you achieve the best balance between traditional and cosmopolitan F&B interests.

²⁸² Julie Hesbois. Advertising in Saudi Arabia. 2009. Available at http://defidocs36.tice.ac-orleans-tours.fr/eva/sites/cpaml36/IMG/pdf/Memoire_final.pdf.

The Support Services Directory included with this Handbook can help you establish contact with knowledgeable experts established in the market to better understand how to reach the audience best-suited for your product.

7.3.2 Communications Campaigns in Saudi Arabia

Like F&B product imports, the Saudi marketing, advertisement and communications environment is complex and subject to a range of restrictions which distinguish from EU and other markets. Nonetheless, communications and advertising can be important in helping your product and brand build momentum, particularly at an early entry stage. Foreign investors are highly active in conducting product campaigns in Saudi Arabia. Given that the timespan from initial entry to maturity of a product in the market can be up to 5 years, public communications and engagement are an integral part of maintaining forward momentum.²⁸³

Among the leading advertising and communication campaigns translating into brand recognition in Saudi Arabia, 2 are representative of the F&B sector. The first is Almarai, a dairy producer which rapidly increased its brand perception and recognition around 2015. This success was derived from a multifaceted strategy including the launch of new dairy packaging, launching a concept store at the Permanent Exposition Centre for National Products, a highly successful YouTube campaign with advertisements surpassing 9 million viewers at the same time as coordinated social media accounts also broke records and timing key releases to coincide with important holidays such as Ramadan. The Almarai campaign successfully leveraged increasing interest in health and wellness while also appealing to traditional values such as the centrality of Islam in Saudi life²⁸⁴ Almarai spent more than 858.1 million SAR (200.5 million EUR) on marketing expenses through Saudi Arabia during the course of 2015.²⁸⁵

Another example of a high-performing F&B firm in terms of brand recognition is Al-Baik, which is a domestic chain of fast-food restaurants in Saudi Arabia. Al-Baik's primarily market is breaded chicken and seafood products, and has a well-established presence with 73 locations throughout Saudi Arabia. In addition to regular ongoing communications campaigns through social media and traditional avenues, Al-Baik has further increased its visibility and positive perception through its involvement with recent corporate social responsibility visibility initiatives. These include emphasis on responsible supply chains, as well as more tangible initiatives such as anti-littering clean-up and awareness campaigns in Jeddah and other urban areas. Creating a brand association with corporate social responsibility appeals to a consumer base that increasingly seeks sustainable options for consumption and production.

Other high performers in terms of brand recognition tend not to be from the F&B sector, but instead represent consumer electronics and popular software- and web- services brands. Apart from leading F&B brands such as Almarai and Al-Baik, foreign F&B producers are nonetheless active in implementing promotional

²⁸³ Athena International. Saudi Arabia: The Food Exporter's Hidden Gem. Available at <http://athenaintl.com/articles/saudi-arabia-the-food-exporters-hidden-gem-2/>.

²⁸⁴ YouGov BrandIndex. Saudi Arabia Top Buzz Rankings. 2015. Available at <http://www.brandindex.com/ranking/saudi-arabia/2015-annual/top-buzz-rankings>.

²⁸⁵ Almarai. Annual Report 2015. Available at <http://annualreport-en.almarai.com/wp-content/themes/Almarai/pdf/Almarai-EN2015.pdf>.

campaigns in the Saudi Market. One example is the US Rice Association campaign that took place between October and November 2016. This campaign targeted Jeddah, Saudi Arabia's 2nd largest city, where it reached an audience equal to more than 80 per cent of the local population. The campaign consisted of public advertisements - billboards and display screens - positioned along principal thoroughfares and intersections which were supplemented by smaller interior displays in shopping centres, all conveying the promotional message to opt for rice products originating in the United States. A major promotional theme from this campaign was targeted to emphasise the availability of US-origin rice, quality and ease of preparation. The campaign slogan was "US Rice: Easy cooking to make your life easier!"²⁸⁶

7.3.3 Promoting your Product

Whereas long-term sustainability of EU F&B products in the Saudi market is most likely to leverage higher quality and responsible production systems, the short-term outlook for first-time entrants will be competitive and likely require an aggressive strategy. In some ways, reaching Saudi consumers can be conceived of as an extension of doing business with a partner, where the commercial relationship is built on trust and repeated reliability.

One strategy to establish a first point of contact is to conduct promotional activities in the market. These include tastings, suited for products which are novel in the market and for which consumers may be at first sceptical. If a product is relatively unknown but likely to be suited for Saudi culinary preferences, or is of clearly superior quality to other products on offer, organising a tasting with a local distributor who understands your objectives and targeted consumer segment may help accelerate the growth of your product in the market.

Another promotional activity that is commonplace in Saudi Arabia is the arrangement of several units of a product in one reduced price, akin to "Buy one get one free" promotions. These tend to be better suited to processed F&B products, as this is a sector which is especially subject to price competition from domestic producers as well as imports from Asia and other partners.

An early stage but increasingly prevalent promotional strategy which makes use of specific advantages unique to EU F&B exports is the concept of affiliating product purchases with the opportunity to win a trip to Europe on a lottery basis. These promotional campaigns range from highly targeted, such as offering a visit to the production facilities and environs, to more generic packages entailing expenses-paid travel to single or various locations in the EU. This strategy is highly viable when targeting the youth consumer segment in Saudi Arabia, who are increasingly cosmopolitan and interested in foreign destinations. It also links well with concurrent social media activities, generating a lot of communications traffic and unique user engagements.

Given the importance of local relationships and knowledge, a first step in positioning and promoting your product in the Saudi market should be to attend a trade fair with the opportunity to connect with import partners, distributors and

²⁸⁶ USA Rice. Ad Campaign Underway in Saudi Arabia: making Life in the Kitchen Easier. October 2016. Available at <https://www.usarice.com/blogs/usa-rice-daily/2016/10/26/ad-campaign-underway-in-saudi-arabia-making-life-in-the-kitchen-easier>.



even affluent individual consumers. These exhibitions will help you understanding the latest developments in Saudi Arabia's fast-paced, innovation-driven F&B and communications environment.

8. DOs and DON'Ts

Understanding fundamental differences between Saudi and European business and cultural environments is an important prerequisite to successful market entry. To avoid cultural misunderstandings, miscommunications and other instances that would jeopardise the development of business relationships in the market, it is advisable to take into account the following recommended *DOs and DON'Ts*.

8.1 DO

- ✓ Address your Saudi counterpart with the appropriate title befitting their seniority and qualifications, such as Doctor, Shaikh (chief) or Ustadh (professor) followed by his or her first name;
- ✓ Recognise the seniority of a prospective business, import, distribution and marketing partner in Saudi Arabia and build dialogue with a corresponding member of your own hierarchy;
- ✓ Dress appropriately and abide by the local standards of modesty. For men, conservative business suits are recommended. Women are expected to wear the 'shayla' (headscarf) in most public environments;
- ✓ Maintain strong eye contact with Saudi Arabians and expect a closer distance in both business and social conversations;
- ✓ Remember business cards are important in business culture and it is recommended that you have your card printed double-sided in both English and Arabic;
- ✓ Greet new associates with a handshake, offering your hand to the most senior person present first. However bear in mind it is uncommon for unrelated men and women to have physical contact;
- ✓ Be prepared to discuss your religion and family when building a long-term business partnership with a Saudi counterpart.

8.2 DON'T

- ✗ Expect business to be conducted quickly, a significant amount of time is devoted to getting to know each other before business discussions start;
- ✗ Give gifts containing alcohol or pork related products;
- ✗ Appear loud or overly animated in public. It is important you retain humility and behave conservative;
- ✗ Ask an interlocutor about their wife and daughters, rather it is considered more polite to inquire about one's family and children;
- ✗ Send a junior representative to meetings with potential partners in Saudi Arabia;
- ✗ Refuse a tea or refreshment if offered. However, when in the presence of interlocutors who are fasting, it is recommended not to engage in eating or drinking;
- ✗ Use your left hand for any public functions, including eating, drinking, shaking hands and passing objects to another person;
- ✗ Say anything critical of the royal family, Islam or a person's family. Equally, avoid criticism of controversial areas of Saudi policy as well as expressing a forceful position on regional relations, both within the GCC and with counterparts including Iran and others.

8.3 Quick Facts

The People

The vast majority of Saudi Arabians associate themselves strongly with Islam, particularly Sunni Islam. It is a traditional, religious country where family is the main basis of social and business structure. It is because of this belief that business is often only conducted once a high level of trust and friendship has been established.

The population of the Kingdom is expected to reach 40 million by 2025, although it is still a relatively young population the ageing process is starting to take place. The people of Saudi Arabia are starting to see an increase in their disposable income, as a result there is a change in lifestyles and attitudes towards the food and beverage market.

Meeting and Greeting

- Appointments are necessary and should be made several weeks to one month in advance.
- Men will greet each other with a hand shake. It is custom to hold the handshake for longer than expected in Western culture.
- Women may greet each other with a handshake or a kiss on the cheek. Women and men do not make any physical contact on meeting and simply greet one another through speech.
- You should arrive at meetings on time, although it is an expected custom that your associate will be late.
- Meetings are generally not private until after a relationship of trust has been developed. Business discussions are often interspersed with various elements of small talk and personal discussions.
- Business meetings start after prolonged discussions about health, family and interests. Indulge in conversation as this helps build the business relationship.
- It is not unusual for men to hug and kiss each other on the cheek when greeting, it is not considered an act of homosexuality but of close friendship.
- You should avoid meetings during the five daily prayer times.

Language

- Arabic is the official language in Saudi Arabia. However business English is widely spoken throughout.
- In Saudi Arabia there are differences between the dialects spoken in urban areas and those in rural areas as well as East, South and West.

Body Language

- Saudi communication is dictated by the need to save face, as such looking ungracious or causing offence is frowned upon. Stemming from this the communication style is indirect and relaxed.
- Saudis communicate and stand closer together than would be expected in western culture.

- It is considered rude to look at your watch during business and social meetings.

Corporate Culture

- Business cards are commonly exchanged in Saudi Arabia. If used, one side should be translated into Arabic.
- There is a large emphasis placed on relationships and connections therefore business can occur at a slower pace.
- Business hours are usually 8:00 am to 12 noon and 15:00 pm to 18:00pm with the 5-day working week running from Saturday to Wednesday.
- When arranging business meetings timings should be approximate sections of the working day rather than rigid hours.
- Communication is often indirect and courteous with importance placed on preserving dignity.
- During the holy month of Ramadan, Muslims are only permitted to work 6 hours a day.
- Often the most important person is a silent observer in the meeting with a lower rank employee asking the questions.

Banking Systems

- Major credit cards are accepted at most shops and restaurants throughout the country.
- Both local and international banks are available for foreigners. Banking facilities in the country are considered advanced.
- The Saudi Riyal is pegged against the dollar at 1 dollar = 3.75 Riyals.

Visa

- You must have a sponsor in Saudi Arabia before you apply for a visa. This is an individual or a company who will be responsible for your behaviour whilst in the country.
- If you are a female you must be met by your sponsor on arrival. You will not be allowed to leave the airport without your sponsor.
- You may have to gain permission from your sponsor before you leave the country.

Transport

- Public transport is not used as commonly as in Europe. The main method of transport is a private car or taxi.
- Since women cannot drive in the Kingdom, taxi travel is very common.
- Due to the climate, Saudi people rarely walk around cities.

Dining and Entertainment

- Be careful not to reject Saudis' efforts of hospitality as it may cause them embarrassment.
- Wash your hands before sitting down to eat. Many restaurants have wash basins for this purpose.
- Do not begin to eat or drink until the oldest or most senior man at the table has been served and started.
- Usually the individual who has arranged the meal is expected to pay the bill.
- If the meal is on the floor, sitting cross-legged or kneeling on one knee is most appropriate.
- Never use your left hand for eating or passing food as it is considered unclean.

Business Holidays

- 23rd September is Saudi Arabia National Day. This date remains the same every year.
- Eid al-Fitr and Eid al-Adha are the other 2 main holidays, they are usually in June and September respectively.

Dress

- For business meetings, women should ensure they dress conservatively and at the very least ensure their collarbones and knees are covered. A headscarf should always be carried.
- For business meetings, men should wear suits and ties.
- Colours should also be kept conservative.
- Foreigners should not wear any local dress to business meetings as it could be misconstrued as offensive.

Gifts

- In both business and social settings gifts are not only common, but important in establishing strong and reliable relationships. In business, mainly corporate gifts are considered, such as pens
- One may also win favour by giving a gift that is connected to the business the partners are involved in. This gift must nevertheless be of a high quality. In addition, remember to give the gift with your right hand, or, at least, with both hands.
- If you are invited to a Saudi's residence small gifts such as Dates, Cakes and sweets are appreciated.

Helpful Hints

- During Ramadan, although expatriates don't have to fast, they must not eat, drink, smoke or chew gum in public.
- Do not use your left hand to greet or give gifts. It is considered dirty.
- Do not point at people, keep your hand flat and gesture to them instead.

9. Synopsis

This section gives a concluding overview of the F&B market in Saudi Arabia through SWOT analysis and 4P Analysis. It also offers some tips and recommendations for European F&B producers about how to successfully export their products to Saudi Arabia.

SWOT Analysis	
<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Large Market Size with a population of 32.1 million habitants expected to reach 40 million by 2025. • Saudi Arabia is the largest importer of food and agricultural products of the Gulf Cooperation Council (GCC) relying on foreign imports for 80% of consumption needs. • Saudi Arabia has been a member of the WTO since 2005. • A high wealth society with increasing disposable income to satisfy changing lifestyles and diets. • Key member of the GCC due to Saudi Arabia containing 25% of the world's oil reserve. Helped make them the largest economy in the gulf. • Advantageous tax system for individuals. • It has a free trade agreement with the EFTA. • Growing diversification within the Saudi economy to reduce the reliance on Oil, 'Vision 2030'. • Large investments in Infrastructure with the construction of freeways, additional railways and airports expanded. • Close Proximity to other Arab nations. 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Saudi Arabian culture is considered traditional which is conflicting with western cultures. • The close link between Religion and culture can create obstacles. There are five mandatory prayer times. • Currently the economy is overly dependent on oil and the state of the economy is dictated by oil prices. • You need to identify a suitable sponsor/partner for entry into the Saudi Arabian market. • Bureaucracy can cause slow periods to establish legal entities or obtaining legal licenses. • Negative attitudes towards food containing or made from biotech products. • Currently the Saudi Riyal is pegged against the US dollar, creating an added dimension to macroeconomic uncertainty. • Due to the certain laws in the country, it may be harder for females to operate in the country. • Certain F&B subject to increased duty (Canned food, pasta, dairy and meat products). Other items are illegal e.g. alcohol.
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • Saudi Arabia is becoming a growing market for high value food products with a greater desire to try new foods. • Vision 2030 aiming to diversify the Saudi economy away from relying on oil. • High levels of investment into infrastructure and education will start to come into fruition. 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • The current political situation in the Middle East makes it a volatile market to do business in. This is demonstrated by the recent events with Qatar. • Although attempts to diversify away from oil are ongoing, it still relies heavily on oil and has been hit hard by declining oil prices.

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| <ul style="list-style-type: none">• The number of pilgrims (Over 7 millions) visiting Saudi Arabia is increasing each year creating demand for food services.• Becoming increasingly reliant on foreign supplies to satisfy their food consumption needs, currently 80% of food consumed is imported.• Low local competition in the area of food and beverage can make it an attractive area to do business.• There is a population of over 10 million expats in Saudi Arabia creating a demand for greater diversity of foreign foods.• While negotiations are ongoing, possible free trade agreement with the EU could be established in the future.• The food and beverage market is considered to be becoming more European. Hypermarkets are popular destinations for shopping.• Ready meals and take away foods are becoming more popular with the young Saudi population.• An affinity for quick packaged foods is being developed, sales set to increase by 39% in 2021. | <ul style="list-style-type: none">• Unemployment rates are highest among the youth which is causing a brain drain, many of the working population are seeking jobs elsewhere.• Price competitiveness of local products and imports from Arab and Asian markets could impact EU businesses exporting.• Laws in Saudi Arabia dictate a 2 date labelling system on food products which can create problems for EU importers.• It is important that any livestock or meat exported to the Kingdom is Halal certified.• Alcohol beverages and Pork products are prohibited in the country and therefore you cannot import them.• Saudi Arabia recently implemented additional excise tax on items they believe unhealthy e.g. tobacco and soft drinks.• The demand for locally produced goods in Saudi Arabia is beginning to increase. |
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KEY CRITERIA OF SUCCESS: The 4P Analysis	
<p>Product</p> <ul style="list-style-type: none"> • An increase in disposable income has led to changing diets in Saudi Arabia expected to boost demand for high quality F&B products. • Within Saudi culture there is a desire to experience new things. It is considered that unique or certain luxury products could appeal to this niche. • Although demand for organic foods is small it is growing. A key element to make the product successful is highlight the benefits of consuming organic products as most Saudi's are not educated in this area, but are increasingly receptive to making dietary adjustments based on nutrition, quality and ethical production. • EU products, carry the reputation of quality premium products this can create demand when encouraged in the marketing. • There is increased demand for convenience food by Saudi consumers. This will only increase as more women enter the work place. Due to this F&B products that are ready to go or easy cook chilled food can be successful. • Research has shown Saudi consumers have begun to shun canned foods in favour of frozen or fresh food items, as these are perceived to be healthy and of better quality. • Due to a competitive landscape, retailers will often prefer products that are innovative over ones which duplicate existing products. 	<p>Promotion</p> <ul style="list-style-type: none"> • Private labels are a common marketing tool used in Saudi Arabia – You can use labels containing Arabic or Western sounding names to appeal to different consumers. • The influence of social media on the young generation is increasing. This was highlighted by the increase demand for non-alcoholic beer due to their online exposure. • Weekly newspaper advertising is very common and mainly aimed at women who will play a greater role in F&B purchasing decisions. • Identifying a key sponsor who is knowledgeable about the Saudi F&B industry will help promote your product in the country. • Exhibiting at local regional shows can boost your prospects for exporting food to Saudi Arabia. The Gulfood Show held in Dubai is popular with many Saudi purchasers attending. • The SFDA strictly monitors health claims, so it is important any health benefits are substantially proven. • Saudi retailers often rely on suppliers for promotion and advertising. Using key strategies such as competitive pricing and weekly promotional offers to gain consumers. • Retailers have also found offering a wide range of products is a good promotional tool which will encourage people to visit the store.
<p>Placement</p> <ul style="list-style-type: none"> • The key markets where most consumers will be found are Makkah, Riyadh, Asir and Madinah. This is where the bulk of supermarkets and hypermarkets are. 	<p>Price</p> <ul style="list-style-type: none"> • Increasing numbers of Saudi's are looking for high quality foods and are willing to pay more for quality. • Saudi's will scrutinise labels to ensure they receive the best value for money on a product.

<ul style="list-style-type: none"> • The extreme climatic conditions make air conditioned hypermarkets very attractive to locals and they even see as a loose form of entertainment. Most of the population will use these facilities for the main bulk of F&B purchasing. • Saudi Arabia is seeing fast growth in the area of super and hyper markets. As the government encourages the closure of bakalas to help 'Saudi-isation'. • Bakalas still play an important part in the grocery network. They are local corners shops, mainly selling goods from regional wholesalers. Although prices are slightly higher they are used for convenience and because you can often buy on credit, paying at the end of the month. • Danube launched an online app to order groceries, this includes delivery to your home. The concept proved popular especially for women who experience limited mobility in the kingdom. • Major hypermarkets such as Carrefour, Hyper Panda, Danube and Lulu have succeeded in attracting a significant number of shoppers due to a wide range of product offerings and the value for money they provide through their deals. • To date, there are more than 60 hypermarkets dispersed in the three major cities of the Kingdom (Riyadh, Jeddah and Dammam) 	<ul style="list-style-type: none"> • Due to high numbers of supermarkets, competitive prices are a key area for promotion of a product. • The Saudi government often aims to keep the prices of staple food low. At the same time, the Saudi government is heavily promoting the development of a nascent food processing industry in Saudi Arabia, including through its tariff policy. This distorts the consumer price of certain imported processed F&B products. • Some of the most viable promotional strategies are price-based and designed to increase the perceived value of a purchase. These are often in the form of packaged bundles, where a consumer purchases multiple units of a products at a reduced bulk price. • EU F&B advantages are mixed depending on sector, with some sectors better attuned to premium-segment and upper-income consumers, whereas other product categories are more competitive and face important pressure from Asian, American and Oceanic exporters.
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9.1 Conclusion

Despite significant macroeconomic shocks in recent years related to fluctuations in the price of key export commodities, the Saudi market is expected to remain stable in its growth and importance for EU F&B exporters. EU agri-food producers are already well-established partners in helping Saudi Arabia meet its widening gap between domestic F&B production and consumption. This position will help market share growth and new entrants in the years to come as disposable incomes in Saudi Arabia increase and there is heightened demand for EU products synonymous with quality, nutrition and ethical production.



While the Saudi market is high growth potential, it also presents a series of unique and complex challenges. These vary in terms of magnitude depending on specific product category, but have an effect to some extent across all. Saudi Arabia is increasingly receptive and willing to integrate with international trade flows, however remains highly idiosyncratic in a number of ways. These span from business practices, cultural norms and public policies heavily-founded on the basis of Islam, all of which differ dramatically from market conditions in Europe. This means that effective preparation, prior planning and patience is essential to unlocking the value and potential of the Saudi market.

Successful market entry in Saudi Arabia not only reflects compliance with stringent import, food safety and religious regulations. It also entails a durable relationship with business partners and end-consumers based on trust, understanding of the local context and drivers and product reliability. Market entry in Saudi Arabia is not realistic without strong, reliable and co-interested mutual partners on the ground. A good partner will help you understand the business and regulatory environment for your product in Saudi Arabia, while also maintaining ever-important dialogue with Saudi authorities and keep you attuned to developments in the fast-paced, innovation-driven F&B market.

At the same time, successful market entry in Saudi Arabia is not only inherently rewarding but unlocks greater regional potential. Saudi Arabia is a founding member of the GCC and several other regional organisations, and a major logistics hub with some of the largest land and sea port infrastructure in the region. Its large population, central position as an economic and educational leader and religious significance in Islam help position Saudi Arabia as a gateway market to other countries in the MENA.

10. Support Services Directory

There are a variety of services available, both in Saudi Arabia and within the EU, for producers wishing to develop their business in the market.

These service providers include organisations based in Saudi Arabia and EU Member States. Further, numerous EU-wide organisations and service providers exist and aim to facilitate trade between the EU, Saudi Arabia and GCC.

The following section will give an overview of these organisations and further outline the main upcoming trade fairs in Saudi Arabia in the form of a calendar showing trade shows and other related events held in Saudi Arabia in 2017 and 2018.

EU Embassies in Saudi Arabia	Website	Contact details	Address
Austria	www.aussenministerium.at/riyadh	Phone: +966 11 480 12 17 Email: riyadh-ob@bmeia.gv.at	Al Idrisi, Safarat, Riyadh 11693
Belgium	http://saudiarabia.diplomatie.belgium.be	Phone: +966 11 488 28 88 Email: riyadh@diplobel.fed.be	Diplomatic quarter Main Road 2 Lot n° A2 11693 Riyadh
Bulgaria (no embassy in SA, refer to Kuwait)	www.mfa.bg/embassies/kuwait	Phone: +965 251 44 58 Email: embassy.kuwait@mfa.bg	Shamia 71 651; Kuwait, Jabriya, Area 11, Str.1 (H. 272) and Str.107
Cyprus	N/A	Email: nicpanayi@yahoo.com	Diplomatic Quarter, P.O. Box 94467 Riyadh 11693
Czech Republic	www.mzv.cz/riyadh	Phone: +966 11 450 3617-8 Email: riyadh@embassy.mzv.cz	Saad Bin Gharir Street, Al-Nuzha District 11693 Riyadh
Croatia (no embassy in SA, refer to Egypt)	N/A	Phone: +20 2 27355815 Email: croemb.cairo@mvep.hr	3, Abou El Feda St. Zamalek, Cairo
Denmark	http://saudiarabien.um.dk/en	Phone: +966 11 488 0101 Email: ruhamb@um.dk	Main Road One, Diplomatic Quarter P.O. Box 94398 Riyadh 11693
Estonia (no embassy in SA, represented by Austrian Embassy)	www.aussenministerium.at/riyadh	Phone: +966 11 480 12 17 Email: riyadh-ob@bmeia.gv.at	Al Idrisi, Safarat, Riyadh 11693
Finland	http://www.finland.org.sa	Phone: +966 114 881 515 Email: sanomat.ria@formin.fi	Diplomatic Quarter, P.O: Box 94363 Riyadh 11693
France	https://sa.ambafrance.org/	Phone: +966 11 43 44 100 Email: N/A	Amr Aldamri St, Al Safarat, Riyadh 11693

Germany	http://www.saudiarabien.diplo.de/Vertretung/saudiarabien/en/02-Die-Botschaft/Botschaft.html	Phone: +966 11 277 6969 Email: info@riad.diplo.de	Abdullah Alsahmi St, Safarat, Riyadh 11693
Greece	www.mfa.gr/saudi-arabia	Phone: +966 11 4801974-5 Email: gremb.ria@mfa.gr	8454 Abdullah Alsahmi St• Al Safarat, Riyadh 12523
Hungary	https://riiad.mfa.gov.hu/eng	Phone: +966 11 454 6707 Email: huemb@mofa.gov.sa	8285 Ahmad At-Tunisi, Al Wahah, Riyadh 12444
Ireland	https://www.dfa.ie/irish-embassy/saudi-arabia/	Phone: +96611 4882300 Email: N/A	Alhattan St, Safarat, Riyadh 11693
Italy	http://www.ambriad.esteri.it/ambasciata_riiad/en/	Phone: +966 11 488 1212 Email: segreteria.riiad@esteri.it	Safarat, Riyadh 11693
Latvia (no embassy in SA, represented by Germany)	http://www.saudiarabien.diplo.de/Vertretung/saudiarabien/en/02-Die-Botschaft/Botschaft.html	Phone: +966 11 277 6969 Email: info@riad.diplo.de	Abdullah Alsahmi St, Safarat, Riyadh 11693
Lithuania (no embassy in SA, refer to Egypt)	http://eg.mfa.lt	Phone: +202-2736-6461 Email: amb.eg@urm.lt	23 Muhammad Mazhar Str., 5th floor Zamalek Cairo
Luxembourg (no embassy in SA, represented by Netherlands)	http://www.dutch-embassy.com/saudi-arabia-riyadh.html	Phone: +966 1 4880011 Email: riy@minbuza.nl	Abdullah Hizaf Asehmi Street (Diplomatic Quarter) - 11693 Riyadh
Malta	https://foreignaffairs.gov.mt/en/Embassies/ME_Riyadh/Pages/ME_Riyadh.aspx	Phone: +966 11 463 2345 Email: N/A	7733 Al Abbas Ar Rashidi, Al Olaya, Riyadh 12244
Netherlands	http://www.dutch-embassy.com/saudi-arabia-riyadh.html	Phone: +966 1 4880011 Email: riy@minbuza.nl	Abdullah Hizaf Asehmi Street (Diplomatic Quarter) - 11693 Riyadh
Poland	http://riiad.msz.gov.pl/en/	Phone: +966 11 454 9274 Email: riyadh@msz.gov.pl	Abdullah Bin Jafar Street, Al Wourood Area 20 P.O. Box 94016, Riyadh 11693

Portugal	https://www.portaldascomunidades.mne.pt/pt/rede-consular/asia/arabia-saudita	Phone: +966-11-48-26964 Email: riade@mne.pt	56 Al Oruba Street, Al Wurud, Riyadh 12251
Romania	https://www.mae.ro/en/romanian-missions/3160	Phone: +966 11 263 0456 Email: riadh@mae.ro	King Fahd, 7442, Riyadh 12273
Slovakia (no embassy in SA, refer to Egypt)	https://www.mzv.sk/web/kahira-en	Phone: +20 2 33357544 Email: emb.cairo@mzv.sk	3, Adel Husein Rostom, P.O.BOX 450, 11794 Ramses Post Office Dokki, Cairo
Slovenia (no embassy in SA, refer to Egypt)	http://www.cairo.embassy.si/	Phone: +20 2 3749 8171 Email: sloembassy.cairo@gov.si	21 Soliman Abaza St. Mohandessin Cairo
Spain	http://www.exteriores.gob.es/Embajadas/RIAD/en/Pages/inicio.aspx	Phone: +966 11 488 06 06 Email: emb.riad.info@maec.es	Diplomatic Quarter P.O. Box 94347, Riyadh -11693
Sweden	http://www.swedenabroad.com/en-GB/Embassies/Riyadh/	Phone: +966 11 880 6700 Email: ambassaden.riyadh@gov.se	Tayma St, Safarat, Riyadh 11693
United Kingdom	https://www.gov.uk/world/organisations/british-embassy-riyadh	Phone: +966 (0) 11 4819 100 Email: consular.riyadh@fco.gov.uk	PO Box 94351 11693 Riyadh
EU- Saudi Trade Organisations	Website	Address	Contact details
Czech-Saudi Chamber of Commerce	http://www.czechsaudi.cz/en/	Vaclavske namesti 17 110 00 Prague 1	Phone: +420 222 930 597 Email: info@czechsaudi.cz
Polish-Saudi Chamber of Commerce	http://polsaudcoc.com/	Belwederska 44B/30, 00-549 Warsaw	Email: office@polsaudcoc.com
Arab-British Chamber of Commerce	https://www.abcc.org.uk/	43 Upper Grosvenor Street London, W1K 2NJ, UK	Phone: +44 20 7235 4363 Email: info@abcc.org.uk
Saudi British Joint Business Council	http://www.sbjbc.org/	23 Grafton Street, London W1S 4EY	Phone: +44(0) 20 7824 1933 Email: info@sbjbc.org

Austro-Arab Chamber of Commerce	http://www.aacc.at/	Lobkowitzplatz 1 / 15, 1015 Vienna	Phone: +43 (0)1 513 3965 Email: headoffice@aacc.at
Arab-Belgian-Luxembourg Chamber of Commerce	http://www.ablcc.org/	60, Rue Mignot Delstanche 1050 Brussels	Phone: +322 344 8204 Email: info@ablcc.org
Bulgarian-Saudi Business Council	http://www.bsbc.alpha-vision.net/	1058 Sofia, 9 Iskar Str	Phone: +359 2 9628122 Email: bsbc@abv.bg
Saudi-French Business Council	http://www.cafs.org.sa/en/	P.O.Box 16683 Riyadh 11474	Phone: +966 11 218 2222
The Trade Council in Saudi Arabia (Denmark)	http://saudiarabien.um.dk/en/the-trade-council/the-trade-council-in-saudi-arabia		Phone: +966 1 488 0101 Email: safkuc@um.dk
German-Saudi Arabian Liaison Office for Economic Affairs (GESALO)	http://saudiarabien.ahk.de/en/	Futuro Tower, 4th Floor, King Saud Road P.O. Box 61695 Riyadh 11575	Phone: +966-920005863 Email: info@ahk-arabia.com
Ireland Saudi Arabia Business Council	http://www.isabc.org/		Email: info@isabc.org
Holland Gulf Chamber of Commerce	http://www.hgcoc.com/	P.O. Box 10025 1001 EA Amsterdam	Phone: +31 (0)20 893 2568 info@hgcoc.com
Trade Events & Exhibitions	Website	Location	Date
Foodex Saudi	http://www.foodexsaudi.com/	Jeddah	12 - 15 November 2017
Saudi Agriculture	http://saudi-agriculture.com/	Riyadh International Convention and Exhibition Center	8 - 11 October 2017
International Coffee and Chocolate Exhibition	https://www.coffeechocho-expo.com/en/home	Riyadh	3 - 6 December 2017



11. Annex I: Registered GI Products

Currently Saudi Arabia is still in the process of drafting specific laws and regulations governing geographical indications and thus there exists no separate registry for geographical indications. However, European Union Geographical Indications could be registered as collective trade marks under Saudi Arabian Trade Mark Law, which states that:

*"The Minister of Commerce may permit the registration of a trademark owned jointly by natural or juristic persons who control specific products, services or inspection thereof with respect to their origin, ingredients, method of manufacture, performance, descriptions or any other characteristic, in accordance with the procedures and conditions provided for in the Implementing Regulations."*²⁸⁷

Currently, however, there are no European Union Geographical Indications registered as collective trade marks in Saudi Arabia.

²⁸⁷ "World Intellectual Property Rights Organization" available at: <http://www.wipo.int/edocs/lexdocs/laws/en/sa/sa003en.pdf>

12. Annex II: Professionals Contact Database

The food service, import and distribution industry in Saudi Arabia consists of a growing cadre of professionals as the industry expands. This annex is designed to help you navigate and network within the Saudi F&B community to target the best contacts for your product in the market. This resource is intended as an initial guide to potential partners and business associates currently in the Saudi market, but should not be considered non-exhaustive. Networking and outreach through this tool can help you connect with the best local partner for your product needs in Saudi Arabia.

Direct Import Distributors

Retailer	Market Position	Contact
SAVOLA Group	Approximately 10% market share with more than 400 outlets	info@savola.com +966 12 268 7755
Al-Othaim	Approximately 5% market share with more than 70 outlets	balbohiry@othaim.com +966 12 56 1000
Bin Dawood Group	Approximately 2% market share with more than 25 outlets	info@bindawood.com +966 12 658 0602
Aswad Group Saudi Marketing	Approximately 1% market share with more than 60 outlets	info@aswadgroup.com +966 13 826 7873
Tamimi	Approximately 1% market share with more than 30 outlets	info@tamimimarkets.com (Vendor contact form online)
Carrefour	Approximately 1% market share with more than 12 outlets	info@carrefourksa.com +966 92 00 00282
Danube	Approximately 1% market share with more than 12 outlets	danube@danube.com +966 12 658 0602
Lulu	Approximately 0.5% market share with more than 6 outlets	luluriyad@sa.lulumea.com +966 11 40 28877
Nesto	Approximately 0.5% market share with more than 6 outlets	(Vendor contact form online) +971 67 49 2488

Intermediaries and Wholesalers

Establishment	Primary Products	Location & Contact
Barakah International	Sugar	Jeddah +966 56 325 8816
S A Assafi Trading Company	Diverse	Riyadh +966 14 03 6699
Al-Wedyan National	Processed Fruits and Vegetables	Jeddah +966 26 380 723
Rabka International	Processed Meat, Dairy	Dammam +966 54 678 7196
An Al Amjad	Diverse	Jeddah +966 26 696 201
Yousf Ahmed Alamodi	Seafood, Cereals, Sugar, Olive Oil	Jeddah +966 50 433 6928
Mahmood Saeed Collective	Drinks	Jeddah +966 26 081 962
Mohammed Ali Al-Hamadi Trading	Fresh Meats, Processed Meats	Riyadh +966 14 454 301
Sahel AA Alkhodair	Specialty Products	Jeddah +966 22 56 6008
Smart Packaging Factory	Processed F&B	Jeddah +966 54 749 3812
Al-Shaela Commercial	Diverse	Jeddah +966 26 513 315
K&K Company	Seafood	Jeddah +966 54 091 9932
Al Bahhar	Drinks	Riyadh +966 14 773 270
La Vias Chocolates	Chocolates	Dammam +966 55 304 1496
Rabuah Al Hofuf	Drinks, Dairy, Olive Oil	Riyadh +966 14 15 5638
Naeem Foods Trading	Diverse	National +966 50 34 42216

National Food Industries	Diverse	Jeddah +966 54 113 5444
Farco Factory Sweets	Confectionary	Riyadh +966 12 651 0522
Paradise Frozen	Fresh Meats	Jeddah +966 55 648 7056
Nashar Trading and Meat Processing	Fresh Meats	Saudi Arabia +966 54 857 5646 764321
Al Toga	Fresh Meats	Dammam +966 38 34 1928
Saudi Masterbaker	Baked Goods	Jeddah +966 26 364 295
Industries Strategic Resources	Confectionary, Chocolates, Baked Goods	Riyadh +966 12 652 122
Delta Modern Food Factory	Baked Goods	Dammam +966 38 123 030
MMY Al-Dossary	Processed Cereals	Dammam +966 38 277 427
Jobar	Non-perishables	Riyadh +966 12 047 551

An expanded list of importers can be accessed [here](#).

Selected HoReCa

Establishment	Address	Phone Number
Hyatt Regency Makkah Jabal Omar	Al Seka Al Hadid, Ash Shubaikah, Makkah 24231	(00)966 12 577 1234
Intercontinental Dar Al Tawhid	Ibrahim Al Khalil Rd, Al Hajlah, Makkah 24231	(00)966 12 529 5000
Madina Oberoi	1880,, Abizar Road,, Almunawara, Medina 42334	(00)966 14 828 2222

Hilton Suites Makkah	Jabal Omar, Ibrahim Al Khalil Street, Mecca 21955	(00)966 12 534 2200
Movenpick Hotel Al Khobar	Prince Turkey Street, Al Yarmouk, Al Khobar 31952	(00)966 13 898 4999
Intercontinental Al Khobar	Ibn Bassam Alandalusi Street, Al Khobar 31952	(00)966 13 845 2888
The Ritz-Carlton Riyadh	AlHada Area, Mekkah Road, Riyadh 11493	(00)966 11 802 8020
Al Waha Palace Hotel	Wadi Aldawasir Street No 6, Olaya, Riyadh 12211	(00)966 11 461 2288
Four Seasons Riyadh	Kingdom Centre, Al Urubah Road, Riyadh	(00)966 11 211 5000
Rosewood Jeddah	6471 Al Kurnaysh Rd, Ash Shati, Jeddah 23415	(00)966 12 260 7111
Lusin	Olaya St, Al Olaya, Centeria Mall, 2nd Floor, Riyadh 12241	(00)966 9200 02690
Al Orjouan	El-Hedaya Mosque, Al Hada, Riyadh 12912	(00)966 11 802 8020
Sultan's Steakhosue Riyadh	Prince Turki Ibn Abdulaziz Al Awwal Rd, Hittin, Riyadh 13513	(00)966 11 417 7885
Biblos	Al Kurnaysh Rd, Al Ham'mra, Jeddah 23321	(00)966 12 669 7655
Aromi	North Corniche Road, Jeddah 21462	(00)966 9200 09565
Mataam Al Sharq	Corniche Rd, Jeddah 21462	(00)966 9200 09565
Talwar	14th Street Al Khobar Corniche, Al Khobar 34427	(00)966 50 246 9289
Al Shorfa	King Abdul Aziz Gate, Abraj Al Bait, Mecca 21955	(00)966 12 571 4444
Arabsque Restaurant	King Fahad Road, 2943 Shaza Al Madina Hotel, Medina 41476	(00)966 14 829 0001
Manoosha Alreef	Prince Faisal Bin Fahad Road Khobar North, Dammam 34426	(00)966 13 831 3111

Journalists & Media

Saudi journalists and media figures typically do not disclose their contact information publicly. An informed local partner can help you identify media contact points to establish a dialogue. At the same time, journalists and media professionals are increasingly accessible through social media, where you can also try to contact directly to communicate your story.

Brokers



A list of customs brokers in Saudi Arabia can be accessed [here](#) in accordance with the applicable Saudi legislation determining eligibility and criteria for customs brokerage.²⁸⁸

Bloggers

- Noor Al-Qahtani (www.yasalamcooking.com)
- The Pink Tarha (www.thepinktarha.com/ksa/category/food)
- Ward Tmim (www.instagram.com/wardtmim/)
- Saudi Food Eman (www.youtube.com/channel/UCxHVWywmwTTXvkOTiyKuCnA)
- 15smeals (www.instagram.com/15smeals/)

²⁸⁸ KSA Ministry of Finance and Customs. Customs Brokers. Available at <https://www.customs.gov.sa/sites/sc/en/sRules/sUnitedsRulesChapter/Pages/Chapter10.aspx>.

13. Annex III: Case Study - Investing in Building a Network of Trust is the Key to Success in Saudi Arabia

This case study is based on the interview with the founder and the owner of a small German trader in bakery and pastry ingredients.

13.1 Company Profile

A German small-sized company has been successfully trading in bakery, pastry, ice cream and catering ingredients with Saudi Arabia for over 10 years and it has a turnover of less than 5 million EUR. The various pastry ingredients the company trades in include products like cake mixes, fillings, chocolate and, decorations. Similarly, the bakery ingredients include products like bread mixes, concentrates, improvers and basic products like flakes and flour.

The company acts as a trading platform focused on bringing together small and mediums-sized (SME) European manufactures and specialised importers from Saudi Arabia and from all around the world. According to the founder and the owner of the company, her company is not a regular agent generating business between the buyers and sellers, letting the buyers take care of the orders. She explains that her company directly buys its products from the European manufacturers under its account and then sells the products under its account to the specialised importers in Saudi Arabia. This means that her company will take care of all the export documents, payments, permissions and customs documents, which makes her company attractive for the European SMEs who do not have the capacity or interest in handling the export process to the countries outside of the EU.

13.2 Customer Base

In Saudi Arabia, the company has mainly 2 types of customers – the distributors and bigger bakeries. The distributors buying the products from the company are looking for a supplier that could provide them with all the products that they need in one set. This means that the distributors place orders to the German company and the company is buying all the demanded products from the European manufacturers and delivers them to the distributor in one container. This way the distributors only need to deal with one set of customs documents, making the importing process much easier for the distributors as the customs clearance process could sometimes be complicated and take quite long time.

The big bakeries buying from the German company are looking for European quality products at the lowest price possible and the company is able to provide them with a wide variety of products at competitive prices.

13.3 Market Opportunities and Marketing Strategy

The German company has found a niche market in Saudi Arabia as there is hardly any local production of pastry and bakery ingredients in the country. Furthermore, “as the limited local production is generally of low quality, European high-end niche products are in high demand in Saudi Arabia”, the owner of the company explains. According to her Saudi Arabians appreciate quality products and Europe is generally associated with high quality.

In Saudi Arabia's market, the company is therefore mainly competing with other European importers of bakery and pastry ingredients as well as with the importers from the United States.

EUROPEAN PRODUCTS ARE ASSOCIATED WITH HIGH QUALITY IN SAUDI ARABIA

Since the competitors all have high-quality products, then it really comes down to specific marketing strategies giving companies the comparative advantage, the owner of the company admits. The company is therefore taking advantage of its ability to offer premium high-quality European products at lower prices than its European competitors, because as a small-sized company it can keep its overheads relatively low. Buying products directly from the manufacturers is also advantageous for the company, as this allows the customers to avoid importer and agent fees and eventually makes the company's products cheaper for the customers, the owner of the company adds. Furthermore, the ability to offer distributors customised orders delivered in one container wins the company a lot of clients, as according to the owner of the company, Saudis really appreciate the support they receive from foreign companies in the import process.

13.4 Challenges in Saudi Arabia

As with every market, there are also some challenges in Saudi Arabia's market. For the German trader, the main challenge is the fact that European products are still quite expensive and cannot always compete with the cheaper products from the United States that are flooding the market. Since European products are considered of equal quality with American products, European companies need to be more inventive to succeed in Saudi Arabia's market. In some cases, European exporters are at a disadvantage when end-consumers are the Saudi food service industry, which includes many American chain outlets who are more likely to purchase from the United States in-line with corporate supply chains.

Equally challenging for the company is the fact that because of being a trading house and not the manufacturer, the company is not able to offer technical support with its products to the customers and according to the owner of the company, the customers are often asking for technical support with pastry and bakery ingredients as these are still considered niche products in the market and locals might not always have the know-how to fully utilise the products. To overcome these challenges the company needs to rely on other factors providing it with comparative advantage over its competitors.

13.5 Key to Success

As mentioned above, the company owes much of its success to the right marketing strategy, at the same time there are other very important factors at play allowing the company to gain its market share. "Personal relationships are the key to everything as business in Saudi Arabia is very much dependent on personal relationships" the owner of the company explains and adds that building up a network of loyal and trusting customers is the cornerstone of the company's success in the country. She explains that "in many cases the product itself becomes a second priority and it is the contacts, the personal relationships and the trust that people build up in you that matters the most". Taking time to build

up these relationships has given the company a loyal customer base and a comparative advantage over its competitors.

The company has been building up its customer's base in Saudi Arabia for over 10 years and has been able to expand it mostly through referrals from already existing customers or other personal contacts. The owner of the

**PERSONAL RELATIONSHIPS ARE THE
KEY TO EVERYTHING IN SAUDI
ARABIA**

company explains that it takes a lot of time and commitment to build up trust between the company and its customers and that sales managers really need to be willing to invest in personal relations. Furthermore, she adds that sales managers also need to be ready to disclose personal information on topics like personal and family issues in order to earn the trust of their customers or partners in Saudi Arabia, but once the trust has been built in the region the company can really start to exploit it to succeed in the market.

The quality of the products, of course, is also extremely important, as the company's owner adds that the products must be reliable and competitive and the export documents need to be always in excellent order for maintaining and expanding the customer base and for gaining their trust.

13.6 Do's and Don'ts in Saudi Arabia

Having over 10 years of experience in Saudi Arabia the owner of the company puts forth some basic advice for the European companies wishing to do succeed in Saudi Arabia.

- It is not advisable to send the youngest area sales managers to the country, rather it would be much more beneficial to send in managers who are willing to work there for 5 to 10 years in order to build up the network of trust.
- Companies should not expect a return on investment within the 2 first years of doing business in Saudi Arabia, as it takes longer time to build up the network of loyal customers and partners.
- Flexibility and ability to take time are important, as Saudi partners could sometimes be very slow to answer to emails and requests of information.
- Companies should avoid planning several business meetings on one day because the partners in Saudi Arabia expect that sales managers have time for them the whole day as partners may have a dinner, lunch or a city tour in mind. Not being available the entire day could be perceived as rather rude.

14. Annex IV: Case Study - National Agricultural Development Company

14.1 Introduction

The National Agricultural Development Company (NADEC) is one of the largest agricultural and food-processing share stock companies in the Middle East and North Africa. It produces and sells over 200 stock keeping units of mainly dairy products such as milk, yoghurt, cheese and laban, but also other agricultural products such as fruits, vegetables and wheat.

Established in 1981 by royal decree, it is a joint stock public company – 20 percent owned by the Government, with the rest publicly traded on the Saudi Stock Exchange.

It is one of the very few and largest vertically integrated dairy businesses in the world. All key production is carried out within the company as it owns its own farms (6 farms holding around 75,000 cows) and two dairy plants (which is able to hold 1.5 million litres of milk per day).

The self-sufficient nature of NADEC is part of Saudi Arabia's plan to rely less on imports from outside the country.

14.2 Successful Products

Product	Quantity	Price	Picture
FRESH GUAVA JUICE	1.5 LITRES	9 SAR (2.11 EUR)	
FRESH MIXED FRUIT JUICE	1.5 LITRES	9.95 SAR (2.33 EUR)	

<p>FRESH MILK FULL FAT</p>	<p>1 LITRE</p>	<p>6 SAR (1.4 EUR)</p>	
<p>ORGANIC EXTRA VIRGIN OLIVE OIL</p>	<p>500 ML</p>	<p>24.5 SAR (5.73 EUR)</p>	
<p>CREAM CHEESE SPREAD</p>	<p>500 Gr</p>	<p>15.5 SAR (3.63 EUR)</p>	



14.3 Supply and Distribution Chains

NADEC is a vertically integrated company which means that the company itself owns and controls the end to end value chain. It grows its own crops, feeds its own cows and manages its own plants.

As mentioned above, NADEC owns 6 farms which hold around 75,000 cows and 2 dairy plants that can hold up to 1.5 million litres of milk daily.

NADEC uses KPI performance indicators to ensure the smooth flow of the supply chain up to the points of distribution. There is close cooperation between the head office in Riyadh, the dairy farms and the manufacturing sites.

The company ensures that it procures the most up to date technology in order to facilitate high-capacity production and automated solutions. It also invests in high-skilled resources to operate the sophisticated machines. NADEC also adopts a variety of business management strategies in order to facilitate the smooth running of the company, including Kaizen, Lean Six Sigma and ISO-type principles.²⁸⁹

NADEC's distribution operation covers over 40 million kilometres a year to over 30 sales depots across Saudi Arabia and the GCC countries. The fresh products are transported from packaging houses to warehouses where the products are chilled. NADEC ensures around 3,500 refrigerators in order to preserve the quality of their products throughout the whole process (from getting the milk from the cow up until the product reaches the consumer). The products are then quickly transported by trucks equipped with refrigerators to 33 NADEC distribution points all across Saudi Arabia. The products are then transported by distribution vans with refrigeration mechanisms to more than 30,000 selling ports from where NADEC sells its products to millions of consumers.²⁹⁰

NADEC covers 5 regions in Saudi Arabia and 4 other countries from the GCC: Kuwait, Qatar, Bahrain and the UAE.

²⁸⁹ "NADEC: Vertical Excellence" February 2016 available at: <http://www.supplychaindigital.com/company/nadec>

²⁹⁰ "Brief on NADEC" available at: <http://faculty.ksu.edu.sa/adeeb/Publications/%D8%A8%D8%AD%D8%AB%20%D9%86%D8%A7%D8%AF%D9%83%20k.doc>

Figure 87: NADEC company's locations in the Middle East



King Saud University

14.4 Marketing Strategy

- Broad range of dairy products that cater to the tastes of a variety of consumers in Saudi Arabia
- Outside of Saudi Arabia NADEC has identified its key markets as the Gulf, Levant and North African countries, where its products are now popular
- It has also catered to the differing tastes of its identified markets (e.g. in North Africa dairy consumption is limited to milk and yoghurt whereas in the Levant there is a strong tradition of consuming cheese)
- Promotion on social media
- 755,506 likes on Facebook
- 64.7 followers on Twitter
- Frequent advertising on Saudi television channels

15. **Annex V: Case Study - Ability to Adapt and Choosing the Right Local Partner can Guarantee Success in Saudi Arabia**

This case study is based on the questionnaire interview with the Managing Director of the Doux Group, Arnaud Delaby.

Company Profile

The Doux Group is a French company that started producing frozen poultry and poultry-based products in 1933 and exporting them worldwide. The company currently has presence in over 100 countries and it covers all poultry market segments, including whole and processed products.



Saudi Arabia is a key market for the Doux Group and it represents a significant part of its business.

The company has over 40 years of experience in the market, having exported its first chicken products to Saudi Arabia back in 1971, and according to the Managing Director "today, the Doux brand has 37% market share in Saudi Arabia, 90% weighted distribution and a deep insight into the hearts and minds of Saudi consumers with 97% product recognition and is synonymous with expertise and high-quality products".

For Doux, exporting into Saudi Arabia was an easy and spontaneous choice for the company, "as Saudis have always been one of world's largest consumers of chicken and Saudi Arabia's poultry

SAUDI CONSUMERS ARE MORE AND MORE AWARE OF HOW FOOD AFFECTS THEIR HEALTH.

consumption has been steadily growing during last decades". In fact, "poultry meat has always been considered the most affordable source of animal protein in Saudi Arabia and still poultry consumption continues to grow due to the population growth and the continued expansion in the food service sector".

Distribution Channels and Consumer Base

The Doux Group has a unique 100% integrated chain for whole poultry products: « from egg to plate », that means Doux takes care of the production of the poultry products from hatching the chickens up to the export of the Halal poultry products to Saudi Arabia, which guarantees traceability throughout the chain and their optimum quality. Then, the Doux products are transported to Saudi Arabia in insulated containers supplied with sensors that track the temperature throughout shipping. In Saudi Arabia, the Doux poultry products are sold through an exclusive Saudi distributor, Al Munajem that has 11 warehouses, 300 sales managers and 300 merchandisers in Saudi Arabia.

With the help of the distributor Al Munajem the company is able to reach the widest possible consumer base as its products are mainly distributed throughout the modern retail sector. The company is also able to reach the hotel, restaurant and catering (HoReCa) sector thanks to its distributor.



According to the Managing Director of the Doux Group, European products in general and French products in particular are well perceived in Saudi Arabia. Saudi Arabian consumers are becoming more health conscious and the Saudi government tends to tighten the import regulations of the Food and Drug Administration. For Doux, "Saudis are more and more aware of how food can impact their health and are looking for healthier solutions. They go for products that allow to prepare delicious and nutritious meals and contribute naturally to a healthy lifestyle and balanced diet".

The Doux Group is also focusing on these prevailing market trends, as the company recently launched the Doux Fitlife chicken, which is the first frozen Halal chicken fed with flax seeds, a natural source of omega 3, and containing 10% less fat.

Market Opportunities and Marketing Strategy

The Doux group Managing Director affirms that Saudi Arabia offers many business opportunities, as it is one of the world's 25 largest economies and currently the largest economy in the Middle East, which is still growing fast and with a new vision for its future. Moreover, its modern infrastructure is facilitating exports to Saudi Arabia.

Of course, being successful in any market also comes down to a good marketing strategy. Prior to export in Saudi Arabia, it is vital to conduct market research in order to fully understand the feasibility of the project as well as key target market information and close the cultural gap. The Managing Director explains that "the first most important thing to successfully market food products in Saudi Arabia, is to have deep knowledge of the local consumer in order to propose an adapted marketing mix." He further explains that "concerning food products, taste usage and pleasure should be the focus of a culture of innovation, developing new products that will meet the expectations of tomorrow's Saudi consumers".

Secondly, it is very important to have a good partner/distributor locally that can help overcoming linguistic, cultural and religious obstacles. That was certainly true for the Doux group! Thanks to the structure of Al Munajem, the company has been able to successfully manage first difficulties and make its business stable.

THE FIRST MOST IMPORTANT THING TO SUCCESSFULLY MARKET FOOD PRODUCTS IN SAUDI ARABIA, IS TO HAVE A MARKETING MIX ADAPTED TO THE LOCAL MARKET

Finally, the managing Director suggests to take advantage of digital marketing channels when promoting products to Saudi Arabian consumers, as Saudi consumers are well connected since Saudi Arabia ranks 7th globally in terms of individual account on social media. He

explains that "Digital communication rely on a strong brand strategy but it is not too expensive to implement compared to traditional channels and can be a good tool for new entrant on the market". Following these rules has made the Doux Group well-established in Saudi Arabia's market.

Challenges and Key to Success

Every market has its own challenges and Saudi Arabia is no exception. According to the Managing Director of the Doux Group, it is very useful to have respect and understanding of Saudi culture, traditions and habits. He also explains that Arabic language can oftentimes be an obstacle for European exporters. The Doux Group has been able to overcome the cultural and linguistic challenges greatly thanks to the help of the local partner, as the Managing Director stresses that “with good local advice and help, business in Saudi Arabia does become much easier” adding that “Al Munajem, not only helped us with logistics, culture and language but also in understanding the consumer and the diverse business channel from modern retail to local corner shops (Bakalas)”.

Besides choosing the right partner, another important aspect of the Doux Group’s success in Saudi Arabia is the Group commitment - since the beginning of its business endeavour – to deliver products that are strictly in compliance with the cultural and religious needs of the country.

The second key success factor was the company’s ability to “adapt to the market and be continuously flexible without never compromising on quality”.

*WITH GOOD LOCAL ADVICE AND HELP,
BUSINESS IN SAUDI ARABIA DOES
BECOME MUCH EASIER.*

According to the Managing Director, “the Doux Group has continued to broaden the range of options available to Saudi consumers, adding new choices meeting their needs”. He adds “this ability to adapt was made possible through continued Group investment in research and development.”

Do’s and Don’ts in Saudi Arabia

Having over 40 years of experience in Saudi Arabia the Doux Group puts forth some basic advice for the European companies wishing to do succeed in Saudi Arabia. Their advice is as follows:

- Be prepared to
 - statistics and market data that might be imprecise
 - consider conservative timelines
 - complex business procedures
 - be persistent.
- And develop a long-term strategy, as this is crucial to enter to Saudi Arabia’s market.
 - take advice from local businessmen
 - find a local partner and clearly define each partners’ roles and responsibilities
 - focus on consumers’ understanding
 - be continuously innovative.

16. Annex VI: List of Tables & Figures

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