

USDA Foreign Agricultural Service

GAIN Report

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Saudi Arabia

Food Service - Hotel Restaurant Institutional

Annual

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Report Highlights:

The hotel, restaurant and institutional (HRI) food service sector in Saudi Arabia has been rapidly growing in the past decade. Major changes in the Saudis' work and life styles as well as in their consumption patterns have led to increased frequency of Saudis eating outside their homes and doing more in-country travel. The annual revenue derived from consumer food services, restaurants and cafés, was estimated at \$15 billion in 2012, and forecast to reach \$18 billion by 2016. Revenues from the food catering sector is estimated at \$5 billion and steadily growing due to a huge number of foreign workers and more than 7 million visitors to Saudi Arabia to perform Hajj and Umrah every year. The Saudi HRI food service relies heavily on imports, with more than 80 percent of the sector's food needs coming from outside the Kingdom.

Executive Summary:

SECTION I. MARKET SUMMARY

Although there are no precise estimates of the contribution of the hotel, restaurant and institutional (HRI) food service sector to the overall Saudi economy, experts put the annual revenues for the HRI food services at about \$15 billion in 2012 and project them to reach \$18 billion by 2016. The Saudi Commission for Tourism and Antiquities (SCTA) estimates that total revenues generated from sales of food, beverages and food service at restaurants and cafés have increased by 87 percent since 2006. In 2010, the number of restaurants in Saudi Arabia was estimated at 26,166, while the number of cafés was estimated at 2,244. The value of food purchased by these restaurants and cafés to produce meals in that year was estimated at \$4.2 billion. The SCTA food purchase figures do not differentiate among various restaurants by types such as fast food, fine dining or casual dining. It also groups the cafés, coffee shops, street stalls and kiosks all under one category.

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

According to SCTA data, the hotel sector generated about \$2.7 billion in total revenues in 2010, an increase of 82 percent compared to 2006. Of the 2010 hotel revenues, about 85 percent was generated from hotel rooms and apartment rents, while the revenues from sales of food products accounted for about \$256 million or 9.5 percent of the total revenue. In 2013, the number of hotel rooms available is estimated at 185,000 units, an increase of about 32 percent compared to 2010. Currently, there are 214 new hotel (three-star to five-star) under construction and are expected to raise the total number of rooms to 235,000 by 2016.

Saudi Arabia is among the most visited destinations in the Middle East, even though the Kingdom is not a tourist destination and does not issue tourist visas. In 2011, about 17.4 million visitors entered the country for various religious and business purposes, an increase of 34 percent over the number of visitors in 2010. In 2011, Hajj and Umrah pilgrims to Makkah accounted for 40 percent of the visitors, followed by visiting relatives of expat workers with 21 percent and business visits accounting for 14 percent. In 2011, visitors to Saudi Arabia spent \$13.1 billion, of which Hajj and Umrah pilgrims accounted for 63 percent of total expenditures, while business visitors spent about 16 percent and visiting relatives accounted for 7 percent. In comparison, total spending by domestic tourists in 2010 was estimated at about \$9.47 billion.

Saudi Arabia relies heavily on imports to satisfy the HRI sector food needs, with more than 80 percent of the sector's food requirements coming from outside the Kingdom. The sector has a full self-sufficiency in only two products, fresh milk and table eggs. The self-sufficiency level for poultry meat is estimated at 42 percent and for vegetables is about 85 percent. In 2012, Saudi Arabia's agricultural and food imports (CIF value) were estimated at about \$21.7 billion, an increase of 8.2 percent over imports in 2011. Consumer-oriented food product imports totaled \$11.3 billion,

accounting for 52 percent of the total Saudi agricultural and food product imports. According to Customs data, U.S. agricultural and food exports to Saudi Arabia in FY 2012/13, in FOB value, were estimated at \$1.2 billion, of which \$516 million consumer-oriented products.

Key Factors Driving Demand in the Food Service Market

- 1. Social and cultural changes:** During the last two decades, Saudi Arabia has experienced rapid socio-cultural changes caused by the accelerating economy, which allowed Saudis to travel to Western countries for education and tourism, exposing them to Western foods and culture. In the early 1990s, major American fast food chains such as Burger King, KFC, and McDonald's began to open outlets in the Saudi market. These factors resulted in major changes in Saudi food choices and eating habits particularly, among younger consumers. Dining at the western and western style domestic fast food chains is considered a form of entertainment that substitutes going to movie theaters or nightclubs. About 70 percent of the Saudi population of 20 million people is under the age of 30 years. Dining at fast food restaurants or going to cafés/coffee shops became a major form of entertainment and a way to socialize with friends. This factor is one of the key drivers that have been helping in the rapid expansion of the fast food restaurants in Saudi Arabia. Most of the U.S. fast food and casual dining restaurants can now be found in Riyadh, Jeddah and other major cities of Saudi Arabia. In 2011, there were a total of about 12,700 fast food outlets of all kinds in Saudi Arabia, with estimated sales of about \$3.89 billion annually.
- 2. Increased disposable income:** Saudi Arabia's economic growth in recent years has helped in increasing per capita income, from \$20,267 in 2008 to \$24,267 in 2012. With higher income, eating out became more affordable to individuals and family. Saudis spend about 27 percent of their income on food. The Saudi government offers various direct or indirect subsidies to keep the prices of staple food products at very low levels.
- 3. More women in the workplace:** More Saudi women are joining the work force than ever before. According to 2012 data issued by Saudi Central Department of Statistics and Information, 647,000 Saudi women were employed in 2012, up 86 percent compared to 347,370 in 1999. Started in the middle of 2012, women are allowed to work in shops and retail stores for the first time in Saudi Arabia's recent history. Women can now work in lingerie and makeup stores, as supermarket cashiers and at factories in women only sections without mixing with male workers. Working women have less time than before to prepare food at their home, especially those who work in the private sector from 8 a.m. to 5 p.m. These women often opt for purchasing prepared foods on their way home or order meals for lunch. Currently, Saudi women accounts for about 15 percent of the total native Saudi workforce. Until recently, the Saudi private sector businesses used to operate on two shifts system, which allowed for four hours of lunch break to go home at 12:00 p.m. for lunch break and mid-day siesta. The employees used to return to work for the second shift at 16:00 hours and work until 20:00 hours. The new working-hours schedule for most businesses allows only for 30 minutes of lunch break, which is not sufficient for employees to go home for lunch. This has increased demand for food deliveries to offices and work places more than ever before. Pizza is the most popular fast food ordered for lunch.
- 4. Growing number of travelers and local tourism:** The number of visitors to Saudi Arabia has been steadily growing in the last several years. In 2011, a total of 17.4 million foreigners

visited the Kingdom for several reasons, an increase of 34 percent compared to 13 million visitors in 2010. In 2011, Hajj and Umrah visitors for pilgrimage to Makkah accounted for 40 percent of the tourists, followed by visiting friends and relatives (20.5%), and business visits representing (14.2%). To sever the increasing Hajj and Umrah pilgrims, mega hotel construction projects worth \$5.5 billion are being constructed in the vicinity of the Grand Mosque in Makkah by Saudi's Jabal Omar Development Company. The projects, which will be completed by 2015, will have 37 five-star hotels and will accommodate 45,000 customers.

5. **Foreign workers camps:** currently, there are 10 million foreign workers in Saudi Arabia of which majority are single and live in camps at their work sites. The workers are served by catering companies three meals a day. In addition to labor camps, the local catering companies provide food catering services to the military, oil and petrochemical companies, hospitals, universities and schools.

Table 1. Advantages and Challenges for U.S. Food Exporters to Saudi Arabia

Advantages	Challenges
Popularity of American culture carries over to American food.	Price competitive imports from EU and Asian countries has impacted U.S. market share.
U.S. fast food and casual restaurant chains are popular and familiar to Saudi consumer.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
U.S. exporters are reliable and can provide consistent and quality products to the Saudi buyers.	A temporary ban on U.S. beef and beef products exports imposed by the Saudi government in May 2012 is still in effect and has forced Saudi importers to switch to Australian and New Zealand beef.
There is a huge number of American food chain and restaurants in Saudi Arabia that will be interested in sourcing some of their food supplies from the U.S.	Livestock and poultry meat exported to Saudi Arabia must be Halal certified. Poultry meat must come from poultry fed on 100 percent animal protein. A requirement that many U.S. suppliers are not able to meet.
	Consumption of American fast food is blamed by domestic newspapers for rampant obesity and increased incidences of cardio-vascular disease, diabetes, and hypertension among young Saudis.

SECTION II. ROAD MAP FOR MARKET ENTRY

A. *Entry Strategy*

It is important for U.S. suppliers who are interested to enter the Saudi food service market to understand

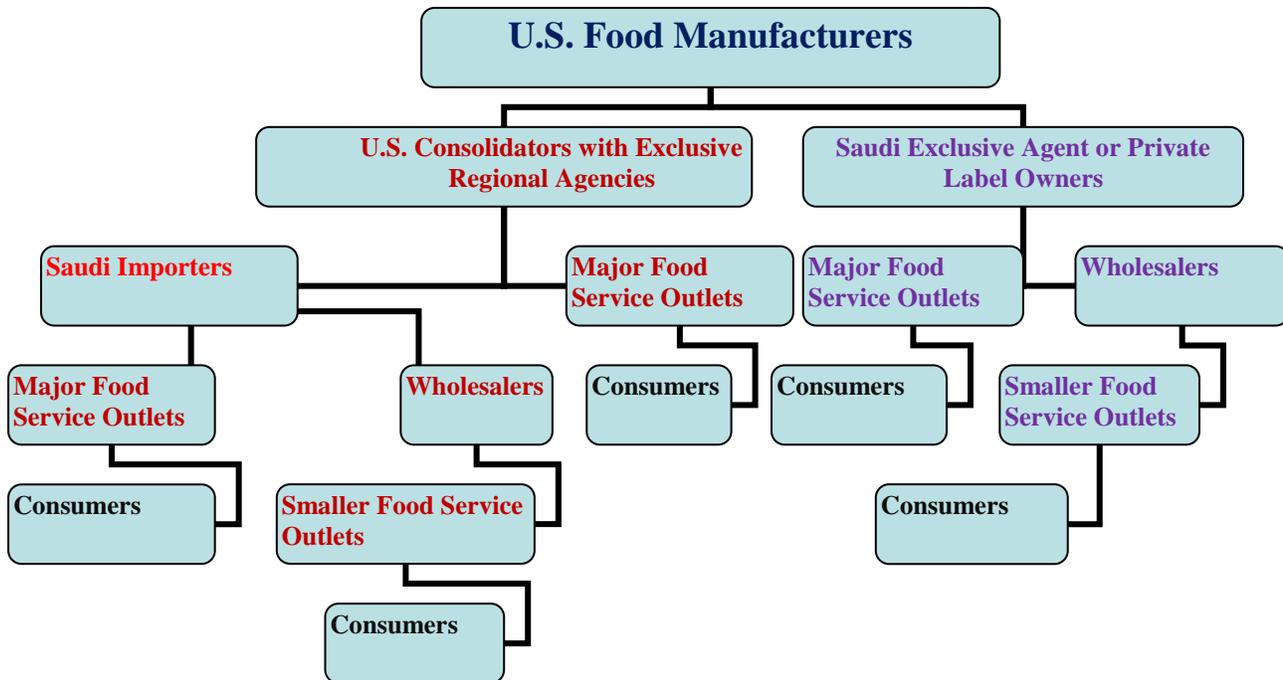
customers' demand and how to meet their purchasing requirements or specification. In addition to meeting product standards and regulatory requirements, it is imperative that new-to-market food suppliers consider the following points when contemplating entry into the Saudi food service market:

- **Look for Strong and Knowledgeable Importer:** Exporter must look for and partner with knowledgeable and reliable importer who knows how the food service sector operates. The prospective importer should have professional sales force and strong distribution network in major cities, particularly Riyadh, Jeddah, Makkah, Medina, Dammam and Al-Khobar where most of the foodservice and hotels are concentrated.
- **Develop Personal Relationships:** Personal relationships are important in establishing long term and reliable working relationships in Saudi Arabia. The best way to accomplish this is to travel to Saudi Arabia. A visit will enable a potential U.S. exporter to see first-hand the types of products needed by the Saudi food service sector and to meet one-on-one with key importers. Face-to-face meetings with buyers in the Arab world are very important and help build trust and confidence. Most Saudi businessmen speak English.
- **Attend Regional Food Shows:** It is vital that prospective U.S. exporters of food service products consider attending U.S. based shows such as the National Restaurants Association Show (NRA) and regional food shows, particularly the Gulfood Show, which is held in Dubai annually. The Gulfood is the most important trade event for Saudi agribusiness, where more than 4,500 Saudi companies attend the show every year. Other regional food shows that attract a significant number of Saudi food buyers include Anuga in Cologne, Germany and SIAL in Paris. There are also a few smaller domestic food expositions that are held annual in Jeddah and Riyadh.
- **U.S.-based Consolidators:** Consider using U.S.-based consolidators that have experience exporting food service products to Saudi Arabia particularly, when exporting small quantity orders. Most Saudi importers buy for mass distribution and employ consolidators. Consolidators source products from U.S. wholesalers, apply bilingual stickers, and arrange mixed containers for shipment to Saudi Arabia. Consolidators often recommend new-to-market products to Saudi Arabian importers.
- **Provide Promotional Assistance:** Saudi importers who are interested to serve as exclusive importers would ask for suppliers support to conduct promotional activities or to provide training on how to better use imported food ingredients, particularly if the ingredients are new to the market.
- **Direct Contact:** Develop direct contact with hotel and restaurant chains management, including chefs and food purchasing managers to offer products and after sales services.
- **Comply with SFDA Regulations:** Work closely with local importers to comply with food import regulations, including product labeling to facilitate smooth imports and minimize rejections at Saudi ports of entry.

B. MARKET STRUCTURE

- U.S. food manufacturers normally sell directly to their Saudi agents, pack for Saudi private label owners or sell exclusively to U.S.-based consolidators.
- Major Saudi importers operate well established Kingdom-wide distribution networks and sell directly to hotels, restaurants, cafes, institutional customers, and wholesalers.
- Some Saudi companies that specialize in supplying the HRI sector import a wide range of food products for mass distribution by employing the use of consolidators in the United States. Often, consolidators are sole regional agents of major U.S. manufacturers or brand owners covering the entire Middle East and African regions. The consolidators assist Saudi food importers by sourcing products from U.S. manufacturers and wholesalers as well as provide services such as placing stickers on labels. The stickers translate key ingredient and product information into Arabic. Stickering is a laborious task and many manufacturers do not want to bother with it.
- Some large food service companies that operate foreign casual dining or fast food restaurants under franchise agreements have regional purchasing offices located outside Saudi Arabia. For instance, McDonald's uses a Saudi company based in Dubai as its exclusive supplier of imported food products for its Middle East operations. Al-Ahlia Restaurant Company that operates KFC, Hardee's, TGI-Friday's, Chicken Tikka, Krispy Kreme, Longhorn Steakhouse and Red Lobster in Saudi Arabia, has a regional purchasing office in Cairo. The Arabian Food Supplies, which operates casual dining restaurants such as Chili's, On the Border and Fuddrucker's, has a central purchasing office based in Dallas, Texas. The regional offices are responsible for purchasing food service food products and ingredients from approved suppliers worldwide. These and other large domestic and global brands fast food and casual dining firms import directly between 30 to 85 percent of their food products needs. The food products that are directly imported include beef, poultry, cheese, sauces, French fries, potato wiggles, frying oil, mix buns, ketchup, deserts, salad dressing, seafood (shrimp, salmon and other fish) and syrups. Over all more than 80 percent of food products used by the food service sector is imported.
- Many large local and international fine dining, casual restaurants, fast food chains, coffee shops and cafes and hotels have central purchasing offices where each outlet sends purchase order on a daily basis. The central purchasing offices consolidate the orders and conduct international purchases.
- Some five star hotels import limited quantities of food ingredients, such as specialty, quality cheeses and seasonings that are not readily available in the domestic market.
- Smaller restaurants outlets, coffee shops and cafes purchase the required food products and ingredients from the domestic wholesale market.
- Overall, the Saudi HRI sector is serviced by several specialized food importers who have extensive network of contacts that enables them to procure products that meet customers' satisfaction and price competitiveness. Most of the HRI companies import large percentage of their food product requirements from the United States and to some extent from Europe and Latin America.

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



HRI Sourcing of Domestically Produced Products

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

- Other local food producers provide various ingredients such as bread buns, other bakery items, shortenings, ketchup, salad dressing and mayonnaise to the food service sector. Most of these products are processed from imported raw material. Sales departments of the local food producers visit the HRI subsector weekly or even on daily basis to promote their products.

HRI Sourcing of Fruit and Vegetable

Major hotels and food service operators rely on domestic suppliers for fruit and vegetables. The suppliers deliver the required fruit and vegetables to each restaurant or hotel across the Kingdom according to agreed delivery terms and conditions.

C. SUB-SECTOR PROFILES

Tourism and Hotel Business

Saudi Arabia is the leading visited country in the Middle East, even though the Kingdom is not a tourist destination and does not issue tourist visas. In 2011, about 17.4 million visitors entered the country for various religious and business purposes, an increase of 34 percent over the number of visitors in 2010. In 2011, Hajj and Umrah pilgrims to Makkah accounted for 40 percent of the visitors, followed by visiting relatives of expat workers with 21 and business visits accounting for 14 percent. In 2011, visitors to Saudi Arabia spent \$13.1 billion, of which Hajj and Umrah pilgrims accounted for 63 percent of total expenditures, while business visitors spent about 16 percent and visiting relatives accounted for 7 percent. In comparison, the total spending by domestic tourists in 2011 was estimated at about million \$9.47 billion.

The SCTA's goal is to increase the total number of both foreign and domestic visitors from 41.4 million in 2011 to 88 million in 2020. One of the STCA strategies to help meet the 2020 goal is to facilitate better tourism infrastructure in order to convince more Saudi nationals to spend their holidays in the country. In 2011, the number of total outbound travel by Saudis citizens was estimated at 15 million trips.

In 2011, there were 951 hotels in Saudi Arabia. Of these, 649 hotels were two-star or below, 179 three-star hotels, 44 four-star hotels, and 79 five-star hotels. The majority of these hotels, 55 percent, are concentrated in Makkah region mainly because of Hajj and Umrah visits, followed by Madina at 17 percent, Eastern region at 10 percent and Riyadh at 5 percent. In 2013, the total number of hotel rooms in the country was estimated at 185,000 units, an increase of about 32 percent compared to 140,000 rooms in 2010. Currently, there are 214 hotel projects (three-star to five-star) under construction and expected to raise the total number of hotel rooms in Saudi Arabia to 235,000 by 2016. Most of the hotel constructions projects worth \$5.5 billion are being built in the vicinity of the Grand Mosque in Makkah by Saudi's Jabal Omar Development Company. The projects, which will be completed by 2016, will have 37 five-star hotels of 48 story height that will accommodate 45,000 customers. The new hotels will be operated by Hilton Worldwide, Marriott International and Hyatt International. The two largest Saudi cities, Riyadh and Jeddah will have 8,000 and 3,800 additional rooms, respectively built in the next two years.

The boom in the Saudi hotel sector has attracted many internationally known hotel chains to enter the

Saudi market for the first time starting in 2012. The new hotels include, Double Tree by Hilton, JW Marriott Hotel, IBIS, Hilton Garden Inn, Aloft, Centro, Adagio, Fraser Suites, HIEX, Kempinski, Tulip Inn, Radisson Blu, Courtyard by Marriott, Park Inn Hotel and Residence and Swiss-Belhotel. Some of these hotels have already started operating in major cities of the Kingdom starting in 2012 while others are scheduled to open by 2015. Other major brands, which are already in the market, such as Sofitel, Novotel, Four Points by Sheraton, Hilton, Intercontinental, Marriott, Golden Tulip, Crown Plaza, Holiday Inn and Hyatt are engaged in huge expansion plans. The world's largest Holiday Inn with 1,238 rooms is one of the hotels that will be operational in Makkah by 2016. It is worth mentioning that foreign hotel companies are not allowed to own properties in Saudi Arabia and their operations are limited to franchises and management contracts.

SCTA data indicates that the tourism sector has become the second largest industry in the Kingdom constituting for 3.6 percent of GDP in 2010. The sector accounted for 7.5 percent of non-oil GDP and 12.3 percent of private sector GDP. The food service sector contributed to 34.8 percent to the share of tourism GDP in 2010. In 2011, the hotel sector provided 670,000 jobs, and projected to reach 1.79 million by 2020.

Catering Subsector:

The demand for institutional-sized food products by the catering subsector has been increasing annually as the subsector feeds several millions customers every day. The Kingdom's catering section clients can be divided into five categories:

- **Blue-collar workers:** there are about 10 million expatriates residing and working in Saudi Arabia. Most of the ex-pats are blue-collar workers and majority of them are singles who live on large labor camps, where sponsoring companies provide them with three meals a day at very low costs. Products of high demand for this group are commodities like frozen chicken, rice, palm oil, sugar, tea and to a lesser extent low quality frozen and low price red meat. Chicken and rice are served two times a day, for lunch and dinner, and account for the bulk of products consumed by this category.
- **White-collar ex-pats:** These employees work with government institutions and private sector firms and are served by quality catering companies that provide high quality meals (fine dining meal services). These wealthy institutions, such as petroleum companies (offshore /onshore oil production platforms), petro chemical companies, high-tech foreign and local companies, and Saudi military and security forces, offer high quality meals to their employees that usually include red meat, sea foods, dairy products, fresh fruit, fruit juices and other high value food products.
- **Hospitals and other Institutional Customers:** The third group that is served by domestic catering companies includes hospitals, universities, schools, residential compounds and airlines. This group demands good quality foods at competitive prices.
- **Hajj and Umrah:** More than seven million Muslim pilgrims visit Saudi Arabia each year for Hajj and Umrah. The pilgrims usually stay from two weeks and up to two months around the cities of Mecca, Madina, and Jeddah and require room and board. The pilgrims rely on

restaurants or catering companies for three meals a day during their stay in Saudi Arabia. The quality of food consumed by this group depends on the income level of the pilgrim groups. This further increases the demand for food products and benefits the Kingdom's restaurants and food catering sector.

- **Catering to special events:** The demand for food catering to host special such as weddings, conferences, Iftar and Sohour receptions during the holy month of Ramadan has been growing in the past few years. The increased catering demand by this category is due to the booming Saudi economy, maturing population, and increased number of foreign missions organizing parties and day national celebrations. Currently, there are 100 embassies and 54 consulates based in Saudi Arabia. This segment requires high quality food at competitive prices.

Profile of domestic catering companies operating in Saudi Arabia:

- **Gulf Catering Company (GCC)** is one of eight subsidiaries of a Riyadh based Al Munajem Group. The parent company is one the largest Saudi companies that are involved in poultry meat, beef, lamb, cheese, frozen vegetables, olive and olive oil imports. The company's diversified business include, food production, fast food and fine dining restaurant chains, health food center, cold storage and real estate. Established in 1986, GCC is currently the largest food catering company in Saudi Arabia. The company serves 80 million meals per year in to several institutional customers such as hospitals, universities, social centers, military, security forces and Saudi Arabian Airlines. The firm's school feeding project serves more than 192 million breakfasts a year for students in Riyadh, Jeddah, and the Eastern province.
- **Tamimi Global Company Ltd (TAFGA)** is one of 30 companies owned by the Damman based Tamimi Group. The group's business interests range from upscale supermarket chains to chemical, electrical and power manufacturing. Established in the 1970s, TAFGA is the second largest and the most upscale catering company in Saudi Arabia. The company is one of the main food catering companies that serve U.S. military in the Gulf countries. Currently, TAFGA serves over 180 million meals annually. The company's main clients are oil refineries, marine vessels, offshore /onshore oil production platforms, hospitals, universities and prestigious clients such as U.S. Army, Saudi ARAMCO and SABIC.
- **Saudi Catering & Contracting Company (SCCC).** It was established in 1960s, headquartered in Al-Khobar and is considered to be the pioneer in the field of food catering and & Life Support Services in Saudi Arabia. SCCC currently serves about 76 million meals a year to customers such as oil & gas exploration and production projects, petrochemical projects, government agencies, Saudi Arabian Armed Forces, major construction contractors and hospitals.
- **Algozaibi Services (Catering Division)** is a subsidiary of Damman based Kalifa Abdulrahman Algozaibi Holding Company, which was established in 1976. The firm serves over 54 million meals a year to several clients, including labor camps, operation of cafeterias, snack bars, and canteens in local schools, banks, compounds, air bases and ministries. The trading division of the holding company is the agent of well known international brands including Kraft Foods, White-Westinghouse, Kaydon filtration and Kinetic technology international.

- **Nesma Catering Company:** it was established in Al-Khobar in early 1990s and offers a wide range of catering services that include industrial catering as well as operation of large and medium-sized cafeterias. The company currently produces 24 million meals annually to feed customers in several domestic companies. Nesma Catering is a subsidiary of Nesma Holding, a diversified conglomerate with business interests in telecommunications, transportation, oil & gas, marine services, poultry production and Jollibee Pilipino fast food chain in Saudi Arabia. The nine outlets of Jollibee restaurants in serve hamburgers, fried chicken and ice cream. Nesma Ommat is a major regional poultry breeding company that specializes in the breeding of chicks and broilers in Saudi Arabia, Egypt and Sudan.
- **Saudia Airlines Catering** was established in Jeddah in 1981 to meet the catering needs of commercial airlines and charter flight operators. Currently, the company caters to Saudi Airlines and other 50 international airlines that fly to major Saudi cities like Riyadh, Jeddah, Dammam and Madina. In addition to the airlines catering, the firm provides foods to several large Saudi and international corporations including several leading banks in Saudi Arabia. More than 15 million meals are served annually by Saudi Airlines Catering.
- **Al-Suwaidi Services Company:** It is based in Al-Khobar where it started operations as an independent division in 1995 and now serves 10.6 million meals annually to various high profile firms in the Kingdom. The company is a subsidiary of M.S. Al-Suwaidi Industrial Services Ltd with diversified business interests that provides maintenance, support and fabrication services to leading companies in oil and gas, chemical and petrochemicals and other related industrial segments.
- **Al-Suwaiket Catering Company:** It is a Dammam based company and serves more than 4.3 million meals a year to several private companies, government and educational institutions, residential compounds, labor camps, schools, hospitals, oil, gas, and petrochemical installations and facilities both offshore and onshore. The company is a division of Al-Suwaiket Group with business interests that include oil and gas, construction, real estate, education and health care.

Restaurants Subsector

Restaurants and cafés are major users of imported food products such as poultry meat, red meat, cheese, French fries, processed fruit and vegetables, mayonnaise, ketchup, sauces, cooking oil and rice (bulk product). In 2010, the sector consumed about \$4.2 billion worth of food products and beverages. According to SATC 2010 data, the restaurant subsector sales grew 77 percent in the last seven years, from \$7.24 billion in 2005 to \$12.80 billion in 2010. As mentioned earlier, the total revenue from the consumer food service sector is expected to reach more than \$18 billion by 2016, an increase of about 49 percent compared to 2010. In the last four years, the number of restaurants increased by 4 percent, from 21,778 outlets in 2009 to 26,166 outlets in 2010, while the number of cafes increased by 5 percent from 2,158 outlets in 2009 to 2,244 outlets in 2010.

Table 2: Revenue from Food Service Establishments in Billion of U.S. Dollar

Food Service Type	2010	2009	2008	2007	2006	2005
Restaurants	\$12.13	\$9.80	\$8.93	\$8.09	\$6.87	\$6.83
Cafés	0.67	0.51	0.38	0.44	0.34	0.41
Total Food Service Revenue	\$12.80	\$10.31	\$9.31	\$8.53	\$7.21	\$ 7.24

Source: SCTA's Tourism Information and Research Center 2010

Table 3: the Numbers of Food Service Establishments for 2005-2010

Food Service Establishment Type	2010	2009	2008	2007	2006	2005
Restaurants	26,166	25,159	23,563	23,563	22,649	21,778
Cafés	2,244	2,158	2,021	2,021	1,953	1,876

Source: Source: SCTA's Tourism Information and Research Center 2010

Fast Food Restaurants

In 2011, the number of fast food restaurants in Saudi Arabia was estimated at 12,689 units, with estimated total sales revenue of about \$3.9 billion, an increase of 11 percent over the previous year. It is projected that sales from fast food subsector will reach about \$6.9 billion by 2017. The main reasons for the strong demand for fast foods in Saudi Arabia are increased disposable income, rising young population (about 70 percent of total Saudis are under the age of thirty), changes in lifestyle (more women working and lack of time to prepare foods at home), continued exposure to western consumer trends (more Saudis are traveling than ever before) and lack of other get-together venues for youth. Dining at fast food and casual dining restaurants remains very popular particularly with the younger population that considers dining at fast food restaurants as a major form of entertainment and a place to meet friends.

American fast food chains continue to dominate the upscale fast food restaurants market in the Kingdom. U.S. fast food chains such as KFC, McDonald's, Pizza Hut, Burger King, Hardee's, Subway, Little Caesar's Pizza, Pizza Inn and Domino's Pizza. Other local chains such as Herfy, Al-Beck, Shawaya House, Taza, Dajen, and Kudo are gaining popularity and continue to expand in major urban areas. All of the American fast food chains and some local outlets such as Kudu, and Herfy import significant amounts of food requirements directly from the United States. It is estimated that overall about 80 percent of the food products used by the domestic HRI sector come from imports.

Other countries competing in the Saudi fast food market include the United Kingdom with Wimpy's burgers, the Philippines with Jollibee, Italy with Sbarro pizza and pasta restaurants and Switzerland with Movenpick ice cream. These chains have a limited number of outlets each. It should be noted that foreign restaurants (fast food and casual), coffee shops and cafés companies are not allowed to own outlets in Saudi Arabia and they are 100 percent owned and operated by the local franchisees. The franchisors roles are limited to collecting franchise fees, supplying or recommending approved suppliers and providing other operational supports as needed

In an effort to attract more customers and increase sales, many fast food chains have opened stores in new areas to capitalize on the growing number of shopping centers and malls. Others have expanded sales via drive-thru service. Some fast food outlets introduced modification to their menus to reflect

local tastes (McArabia Grilled Chicken by McDonald's- a pita bread sandwich), home and office delivery, regular promotions, free give-away items and building playing areas for children. Local fast foods franchises such as Kudu, Herfy, Al Baik, Tazaj and Dajen appeal to Saudi nationals and have become strong competitors to their U.S. counterparts. For the sweet products and ice cream outlets, the United States continues to dominate with the presence of Dunkin Donut, Baskin Robbins, Cheesecake Factory, Haagen Dazs, Krispy Kreme, Cinnabon and TCBY.

Table 4: Numbers and Revenues of Fast Food Restaurants Saudi Arabia

Type of Fast Food Restaurants	Number of Outlets and Value in Million of US\$		Number of Chained Restaurants and Value in Million of US\$		Number of Independent Restaurants and Value in Million of US\$	
	Number of Outlets	Value in Million of US\$	Number of Chained Restaurants	Value in Million of US\$	Number of Independent Restaurants	Value in Million of US\$
Asian Fast Food	253	\$108.9	86	\$40.2	167	\$68.7
Cafés/Bars		0.0		0.0		0.0
Bakery Products Fast Food	7,459	1,527.7	771	397.4	6,688	1,130.3
Burger Fast Food	674	488.4	495	475.3	179	13.1
Chicken Fast Food	915	374.1	351	266.7	564	107.3
Convenience Stores Fast Food	458	115.3	54	15.1	404	100.2
Ice Cream Fast Food	712	76.3	643	54.7	69	21.5
Latin American Fast Food	55	13.3	47	12.2	8	1.0
Middle Eastern Fast Food	1,423	905.5	180	281.1	1,243	624.3
Other Fast Food	740	277.6	260	96.6	480	181.0
Total Fast Food	12,689	\$3,887.1	2,887	\$1,639.4	9,802	\$2,247.7

Source: Euromonitor International

Company profiles of major operators of U.S. fast food chain restaurants in Saudi Arabia

- **Al Ahlia Restaurants Company** is a subsidiary of Americana Group, a Kuwaiti company involved in food production and operation and a globally recognized fast food and casual dining restaurants as well as coffee shops. In Saudi Arabia, the Al Ahlia Company operates several American fast food and casual dining restaurants including KFC, Hardee’s, TGI Friday, Krispy Kreme, Longhorn Steakhouse and Red Lobster. Currently, the company operates a total of 396 restaurants in the Kingdom (189 KFC, 94 Hardee’s, 99 Krispy Kreme, 10 TGI Friday’s, 2 Chicken Tikka and one each Longhorn Steakhouse and Red Lobster). Chicken Tikka is the company’s owned Arabic style international fast food restaurant. The firm has plans to open its second Longhorn Steakhouse in the city of Al-Khobar before the end of 2013 and to inaugurate

its first Olive Garden in Saudi Arabia in early 2014. The food manufacturing and processing subsidiary of Americana Group has two plants in Jeddah that produce Americana Meat and American Cakes. Other Americana food products produced in other GCC countries such as California Garden, Farm Frites and Koki are widely available in Saudi Arabia.

- **Pizza Hut** is the most popular American pizza fast food chain in the Kingdom. The first store was opened in 1987. There are two Pizza Hut franchisees in Saudi Arabia. The Jeddah based company Awni & Bashar Shaker Company is a small business that operates Pizza Hut in the city of Jeddah while the Riyadh based Mawarid Food Company owns franchise right for the rest of the Kingdom. The other company is a subsidiary of Maward Holding Company LLC (MB Holding), a huge multinational corporation with investments in petro gas exploration and production, mining and minerals, oilfield services with operations and subsidiaries spread across the globe in the Middle East, Europe, North Africa, Asia, Asia-Pacific, Australia and New Zealand. There are 230 Pizza Hut outlets in Saudi Arabia in 2013, of which Maward Foods own 170 outlets while the other 60 outlets are owned and operated by Awni & Bashar Shaker Company.
- **McDonald's** opened its first outlet in Riyadh in December 1993 and now has a total of 156 outlets throughout the Kingdom. McDonald's franchise in the Western and Southern Province belongs to Reza Food Services. In the Central, Northern and Eastern provinces it is operated by the Riyadh International Catering Corp., Ltd. The firm is the largest specialized franchisee with 106 McDonald restaurants in Saudi Arabia. Reza Food Services, which operates 50 McDonald's restaurants across the Western and Southern regions of the Kingdom, is one of 20 subsidiaries of Riza Holding Company which is headquartered in Jeddah. The conglomerate's major business include commercial and industrial services, oil and gas, chemical manufacturing, construction, advertising, real estate, fitness and logistics. McDonalds tends to locate in prime areas and provides playgrounds for children particularly in its stand alone locations.
- **Burger King:** the first Burger King outlet was opened in 1992 by Olayan Financing Company, a subsidiary of Olayan Group. There are currently 85 Burger King outlet in major cities of the Kingdom. Olayan Group is a conglomerate of more than 40 companies that are involved in diversified industrial, trading, financing, services and investments in Saudi Arabia as well as globally. The firm is one of the largest ten companies in Saudi Arabia.
- **Domino's Pizza:** is operated by a Riyadh based Saudi company, Alamar Foods Company. Currently there are 77 Domino's Pizza outlets in Saudi Arabia. Domino's Pizza entered the Saudi market in 1992. Alamar is a master franchise operator of Domino's pizza and Wendy's hamburgers for the MENA region (except for Wendy's in Saudi Arabia).

Company profiles of major Domestic Brand Fast Food Chain Restaurants:

- **Kudu** was established in 1987 by a Riyadh based Kudu for Catering & Fast Food. With 227 outlets Kingdom wide, it is the largest Saudi brand fast food chain in Saudi Arabia. Kudu has five outlets in Bahrain.
- **Herfy Fast Foods:** Herfy Fast Foods was established in 1981 and now has 208 outlets in the

Kingdom. The firm is the second largest Saudi brand fast food chain in the country. Herfy Fast Food outlets are available in Bahrain, U.A.E., Kuwait, and Egypt. The company is a subsidiary of Savola Group, one of the major Saudi share holding companies with a total investment of more than \$1.41 billion. Savola Group's other major business portfolios include cooking oil processing plant, sugar and noodles/pasta production, food retailing (more than 150 supermarkets in Saudi Arabia), real estate, plastics, bakery and dairy farm. Herfy's food division is one of the largest producer and distributor of bakery products, sweets as well as poultry and livestock meat. Herfy Meat Factory is the sole supplier of beef and chicken hamburgers to Herfy Fast Food outlets. The company imports beef and chicken meat to produce hamburgers and meat products. In 2011, Herfy Foods opened its first Herfy Café & Grill. The chain has two outlets that offer steaks, seafood, wide selection of snacks and bakery products.

- **Al Tazaj Fakieh BBQ Chicken Restaurant (Al Tazaj)** is owned by Fakieh Poultry Farms, the second largest poultry farm in Saudi Arabia. It is first poultry farm to open and operate its own fast food chain in the Kingdom. Al Tazaj outlets use broiler meat produced on Fakieh Poultry Farms. Al Tazaj's first fast food outlet was first opened in 1989 in the Holy City of Makkah and today the firm has more than 100 outlets throughout the Kingdom. Al Tazaj has branches in Egypt and the U.A.E.
- **Shawaya House:** was established in 2005 by Al-Munajem Company and is specialized in providing Arabic style fast foods in an open-kitchen concept. It is a quick service restaurant for Middle Eastern dishes mainly chicken and rice. Currently, the company has 80 restaurants in major cities of the Kingdom.
- **Al-Baik Chicken** is the most popular fast food chain in the Western Province. It was established in 1974 in Jeddah under the brand name Broast, but changed its name to Al-Baik Chicken in the late 1980's when it switched its style to differentiate itself from other chicken outlets. Now there are 51 Al-Baik restaurants all in the Western province. Al-Baik attracts a lot of customers because of its tasty chicken, efficient service, and very attractive price. For example, four pieces of Al-Baik chicken, with fries, a bread bun and garlic sauce is sold for US \$ 3.20.

Cafés and Specialist Coffee Shops

Specialized café and coffee shops market in Saudi Arabia has been showing significant growth in the past few years. There were 1,563 Cafés and 372 specialist coffee shops in the Kingdom in 2011, generating revenues of \$354.6 million and \$117.3 million, respectively. The combined revenues for the café and specialist coffee shops totaled \$471.9 million in 2011, an increase of 14 percent compared to the previous year. It is projected that revenues from this subsector will exceed \$1 billion by 2017. While all of the Cafés are independently operated, about 87 percent of the coffee shops are specialized chain shops. Cafés and some coffee shops offer both cold and hot beverages, and serve snack foods, such as cakes, sandwiches, soups and salads. Cafés and upscale coffee shops are increasingly becoming preferred places for young Saudis to meet and socialize with friends. Major coffee chains include Starbucks, Costa Coffee, Seattle's Best, Mochachino, and Dr. Café (local brand) and they are widely available in major cities of the Kingdom.

Table 5: Café and Specialist Coffee Shop

Café/Coffee Shop	Number of Outlets and Value in Million of US\$		Number of Chained Café/Coffee Shop and Value in Million of US\$		Number of Independent Café/Coffee Shop and Value in Million of US\$	
Café	1,563	\$326.9	0	\$117.3	1,563	\$326.9
Specialist Coffee Shop	372	145.0	322	0	50	27.7
Total	1,935	\$471.9	322	\$117.3	\$1,563	\$354.6

Source: Euromonitor International

Casual Dining Restaurants

The United States continues to hold a significant share of the Saudi full service restaurants market and it has maintained its dominance of western style casual dining market. U.S. casual dining restaurants such as Chili's, Fuddrucker's, TGI Fridays, Applebee's, Sizzler, On The Border are very popular and located in all major Saudi Arabia. These restaurants are frequented by Saudi families and are considered a form of entertainment. They provide dine-in restaurant service, an extensive menu and are more expensive than fast food chains. The popularity of American style food outlet is evidenced by the recent opening of the U.S. food chain Longhorn steakhouse and Red Lobster restaurant in Riyadh.

Company profiles of major Casual Dining Restaurants in the Kingdom:

- **Applebee's** was brought to Saudi Arabia in 2003 by Arabian Entertainment Co. Ltd (AEC), a subsidiary of Saudi Economic Development Company (SEDCO), which is one of the largest business conglomerates in Saudi Arabia. With 15 outlets in major cities of the Kingdom, Applebee's is the largest and fastest growing casual dining restaurant chain in the country. The AEC holds franchising right for the whole Kingdom. In addition to Applebee's, AEC owns and runs two China Gate self-developed casual dining restaurants that offer buffet style inter-continental cuisines. Future plans of AEC include opening more Applebee's outlets and inauguration of the first Romano's Macaroni Grill in 2014, a casual dining restaurant chain specializing in Italian-American cuisine.
- **The Steak House** is a Saudi brand casual restaurant chain that started operation in 1992. It serves American style steaks, sandwiches, soup, salad bar and desserts. The firm is owned by Alfa Operation Services Co, a subsidiary of .Al Faisaliah Group, a major diversified conglomerate that owns, among other things, Al-Safi Dairy Farm, holder of Guinness World Records as the largest integrated dairy farm in the world. There are currently 12 Steak House

restaurants in major Saudi cities. In addition to Steak House, Alfa Operation Services Co. owns and runs four Piatto restaurant (Italian casual dining), Fine Grill and Bronto Piatto (another Italian casual restaurant).

- **TGI Friday's** is operated by Al- Ahlia Restaurants Company, a subsidiary of the Kuwaiti Food Company Americana. In 2013, there are 10 TGI Friday's restaurants in Jeddah, Riyadh and the Eastern province. In addition to TGI Friday's, Al- Ahlia Restaurants Company runs several American fast food and casual restaurant chains such as KFC, Hardee's, Krispy Kreme, Longhorn Steakhouse and Red Lobster. The firm has plans to bring Olive Garden to Saudi Arabia in early in 2014.
- **Chili's'** is operated by the Arabian Food Supplies (AFS). AFS is a subsidiary of Al Naghi Group, a large diversified conglomerate with business activities that include dealership of luxury automobiles such as Rolls-Royce, BMW, Jaguar, and Land Rover. Currently, there nine Chili's restaurants in Saudi Arabia. In addition to Chili's, AFS operates nine Fuddrucker's and one On the Board restaurants in the Kingdom. The firm has franchise rights to operate Chili's in Saudi Arabia but it's the exclusive franchisee Fuddrucker's and On the Border restaurants in Saudi Arabia, Egypt and the UAE.
- **Tony Roma's** was brought to the Saudi market in 2007 by Food and Entertainment Co., LTD, a division of Fawaz Al Hokair Group. Al Hokair is one of the largest real estate, retail and mall developers in Saudi Arabia. Currently, Food and Entertainment Co., LTD operates four Tony Roma's restaurants in addition to operating a number of other dining concepts including 126 Cinnabon, 24 Seattle Best Coffee, nine The Pizza Company, three Vapiano (Italian) and four Al Balad (Arabic style casual dining).

III. COMPETITION

U.S. faces fierce completion in the Saudi food import market from major suppliers such as Brazil, India, Netherlands, China, Thailand, Turkey, France, Belgium, New Zealand, other EU countries. The catering and restaurant subsectors are very price sensitive, due to the stiff completion that prevails in the market. Catering companies and fast food chains compete on both prices and quality. They seek suppliers that provide good quality products at most competitive prices. The table below illustrates, quality and price competitiveness from the major suppliers countries, which have affected U.S. market share in many high value products in the Saudi market.

Table 6. Saudi imports of select food products by major supplier in 2012

Product Category and Total Import Value	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Frozen Broiler Meat \$1.5 billion	Brazil (79.1%), France (18.2%), U.S. (1.2%) and Argentina (1.1%)	Brazil is the most price complete supplier that also meets food service size, moisture and fat content requirements.	Local broiler meat production accounts only for 42 percent of total consumption.
Rice \$1.08 billion	India (70.3%), U.S. (10.3%), Pakistan (9.3%) Thailand (6.4%),	India offers various qualities of rice at competitive prices that meet requirements of the food service sector.	Saudi Arabia does not produce rice.
Vegetable oils exc soybean oil \$650 million	Indonesia (35.5%), U.S. (17.4%), Malaysia (15.4%), Ukraine (10.7%), Spain (4.7%)	Indonesia is the most price complete palm oil supplier to Saudi Arabia while the U.S. is the dominant corn oil supplier to the food service sector.	Saudi Arabia does not produce cooking oil. Saudi SAVOLA Oil Company imports refined palm and corn oil and retail pack them for local distribution.
Fresh Fruit \$498 million	South Africa (21.2%), Turkey (19.8%), Chile (11.4%), India (9.9%), Italy (8%) and U.S (6.4%)	Price and availability are the major criteria when importing fresh fruit.	Saudi Arabia produces very limited fruits such as citrus, grapes, and pomegranate.
Processed fruit and vegetables \$495 million	U.S. (16%), China (15.6%), Netherlands (11.9%), Spain (8.9%) and Belgium (8.7%)	U.S. exports of these products have been steadily increasing in recent years due to it price competitiveness and quality.	Some local food processors imports blocks of frozen fruit and vegetables for repacking into smaller consumer-size containers for sale in Saudi market.
Snack Foods \$434	Netherlands (15.8%), Italy	EU countries to dominate the snack food sector due to	Local snack food producers depend on imported raw

million	(15.3%), Turkey (14%), Poland (9.6%), U.S. (7.4%)	products quality and competitive prices,	materials and they do not pay import tariff on food products imported for reprocessing.
Beef \$426 million	India (51.1%), Brazil (37.7%), Australia (5%), U.S. (3.4%) and New Zealand (1.7%)	India benefited the most from SFDA beef import bans placed on U.S. and Brazilian beef imports.	No significant beef production in the country.

Table 6 continued.

Fish and Seafood Products \$319 million	Thailand (46.4%), Indonesia (17%), India (10.6%), Taiwan (6%) and Japan (4.5%).	Thailand has been the dominant and the most price competitive supplier of fish and seafood supplier to Saudi market.	Saudi Arabia has recently become a significant exporter of high quality commercial produced red sea shrimp to EU, U.S. and Japan.
Cheese \$246 million	New Zealand (26.7%), U.S. (14.3%), Poland (12.6%), France (9%), Turkey (8.1%)	Price competitiveness and quality are the key factors in making purchasing decision in this market. New Zealand has been the dominant export of cheese to Saudi Arabia.	Some local food processors imports cheese blocks for repacking into smaller consumer-sizes for sale in the market.
French Fries (frozen potatoes) \$176 million	Netherlands (44.3%) Belgium (20.4%) U.S. (14.8%), France (10.9%), and Egypt (6%)	French fries is one of the strategic foods that is mostly used fast food restaurants. The huge demand has created fierce competition among major suppliers both in prices as well as quality. Netherlands French fries meet both the price and quality requirements of Saudi food service sector.	Local potatoes production is used fresh and by some local potatoes chips producers.
Tree Nuts \$141 million	U.S. (40.4%), India (31.8%), Turkey (7.5%), Iran (4.2%) and Sir Lanka (4.1%)	Almonds accounts for the largest percentage of tree nuts imported to Saudi Arabia. The U.S. has been a dominant supplier of almonds to Saudi Arabia for the past several years.	No local production of tree nuts.
Fresh Vegetables \$115 million	China (31.7%), Netherlands (19.2%), India (14.2%), Turkey (11.2%) and Australia (5.7%)	China has been gaining market share in the fresh vegetables market due to its price competitiveness compared to other suppliers.	Saudi Arabia is 85 percent self-sufficient in fresh vegetables production. Prices of locally produced vegetables are usually

			higher than imports.
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SECTION IV. BEST MARKET PROSPECTS

The Saudi HRI sector is constantly seeking suppliers for high quality and competitively priced of high value and intermediate food products. Products of interest include processed fruits and vegetables, French fries, beverages, beef, poultry meat (whole birds and chicken parts), rice, snack foods, sauces, mayonnaise, cereals, condiments, jams, salad dressings, gravies, chips, dried beans, peas, soups, diet foods, seasonings, cooking oil and nuts particularly almonds and pistachios.

There is a growing demand for dietary and health food, particularly by catering companies that serve meals for upscale institutions and hospitals. Saudi Arabia has one of the highest rates of diabetes in the world, and obesity is widespread in the population.

Banned Products

For religious reasons, Saudi Arabia bans imports of alcoholic beverages, pork meat, and foodstuff ingredients or additives that contain pork products, including pork fat, lard and gelatin. It is important to note that all meat products exported to Saudi Arabia must meet the Halal requirements, slaughtered according to the Islamic rituals.

SECTION V. POST CONTACT

1. Post Coordinates

Office of Agricultural Affairs
American Embassy
P.O. Box 94309, Riyadh 11693
Tel: 966-11-488-3800 Ext. 4351
Fax: 966-11-482-4364
Internet E-Mail Address: Agriyadh@fas.usda.gov

2. OAA Riyadh Reports

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