

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Saudi Arabia**

### **Retail Foods**

**2010**

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**Report Highlights:**

In 2009, total Saudi agricultural products imports were valued at \$14.2 billion, an increase of 49 percent compared to 2006 (\$9.5 billion). The huge increase in the imports of agricultural products in 2009 is attributed to inflation in world agricultural products prices and increase in demand for food products in Saudi Arabia.

**Post:**  
Riyadh

## Saudi Arabia's Retail Food Sector Update 2009

### I. MARKET OVERVIEW

#### I. General Political Situation and Trends

In 2009, total Saudi agricultural products imports were valued at \$14.2 billion, an increase of 49 percent compared to 2006 (\$9.5 billion). The huge increase in the imports of agricultural products in 2009 is attributed to inflation in world agricultural products prices and increase in demand for food products in Saudi Arabia. In 2009, U.S. total agricultural product exports to Saudi Arabia decreased by 21 percent to \$721 million compared to 2008. On the other hand, USDA data for January –August 2010, indicates that U.S. total agricultural product exports to Saudi Arabia reached \$580 million, an increase of 27 percent compared to the same period in 2009. As the potential for agricultural production is limited in Saudi Arabia, the demand for imported food products will remain very strong in the future.

The vast majority of food products are subject to a 5 percent import duty. Selected processed food products, however, are assessed higher import duties. In order to protect local food processors and production from competitively priced imports, Saudi Arabia ties import duties to the level of local production of similar products. As a general rule, a maximum import tariff rate of 40 percent is applied when local production of a food or agricultural product exceeds a self-sufficiency level.

Food products made in the United States are generally viewed as meeting higher quality standards compared to imports from other countries and those produced locally. Under normal political and economic conditions, U.S. origin and brand products have highly favorable consumer preferences and demand. Each year, several new-to-market U.S. food products are introduced to Saudi Arabia market particularly following FMI/USFES, and regional shows such as Anuga, SIAL Paris and Gulfood organized annually in Dubai. Saudi consumers like to try new products and are shopping more often in hypermarkets and supermarkets. The rapid increase in the number of hypermarket and supermarket outlets throughout the Kingdom offers an ample opportunity to distribute high-value U.S. food products. Saudi Arabia's population is growing at about three percent annually and its population is projected to reach 40 million in the next 20 years. With a young and rapidly growing population, Saudi Arabia will continue to be a growth market for U.S. food products in the years to come.

#### II. Strengths, Weaknesses, Opportunities, and Threats Analysis

Strengths	Weaknesses
Strong economic ties: Saudi Arabia's currency is pegged to the U.S. dollar, making U.S. products more competitive to EU suppliers.	Saudi consumers often support boycotts of U.S. products for political reasons.
Saudi Arabia is changing its agricultural policy which eliminates production of high water demanding agricultural commodities.	It is not easy to get access to key government officials to discuss agricultural policies.
Saudi Arabia is a dominate member of the GCC that is working to	Member states tend to selectively implement GCC food import standards.

standardize agricultural imports and food safety regulations.	
The U.S. is considered a supplier of quality foodstuffs. The U.S. is recognized among the business community as a reliable supplier.	Price competitiveness of foodstuffs produced domestically and imported from Arab, South Africa, Latin America, and Asian countries has significantly reduced the market share of U.S. agricultural products in the past few years. Freight costs from the U.S. are higher than those from Africa, Europe and Asia.

<b>Opportunities</b>	<b>Threats</b>
The potential for agricultural production is limited and food imports will grow with the population.	Various government subsidies have helped domestic dairy, poultry and food processors to significantly lower their production costs and improve their competitiveness compared to imported U.S. foodstuffs. Growing competition from both locally produced and competitively priced imported food products from third countries threaten the continued expansion of U.S. foodstuff exports to the Kingdom. Food products produced in Gulf Cooperation Countries (GCC) countries --Bahrain, Qatar, U.A.E., Oman and Kuwait-- enter Saudi Arabia duty free. Foodstuffs imported from other Arab countries, South Africa, Latin America, New Zealand, Australia and Asian are often lower priced than similar U.S. products. This has reduced U.S. market share of Saudi import market in recent years.

<b>Opportunities</b>	<b>Threats</b>
Manufacturer determined shelf life for most high value products (voluntary shelf life regulation) was introduced in December 2005. This increased significantly the shelf life of most U.S. high value products.	Saudi Arabia maintains a two date labeling system (production and expiration) on all food.
Saudi Arabia has high per capita income (\$14,213) which continues to grow.	The economy is overly reliant on oil revenue and therefore subject to sharp swings due to volatile oil prices.
The market for retail food products is expanding and Saudis prefer high quality foods which enhances the demand for U.S. The more than 7 million expats that live and work in Saudi Arabia (mainly, Arabs, Filipinos, Asians, Africans and Westerners) creates demand for greater	Domestic importers prefer to initiate import activity with small quantities.

diversity and ethnic foods.	
Seventy percent of all Saudis are under the age of 30 which shows the trend for increasing demand for food products. Ready to eat foods, home meal replacements, fast foods and "take-away" foods are increasingly popular with the young Saudi population.	Some Saudi SPS regulations are not based on science.
Increased economic and political interests in Saudi Arabia have boosted level of official as well as business travels to major Saudi cities. This has been a major factor to increasing demand for food sector such as hotels and restaurants.	Additional statements on the health certificate accompanying poultry and livestock meat shipments must indicate that the animals slaughtered for export were not fed with feed containing animal protein, fat or remnants of animal origin and were not treated with any growth hormones. This requirement has drastically reduced U.S. poultry meat exports to Saudi Arabia.

## **Analysis of Opportunity and Threats**

### **A. Opportunity**

Food products made in the United States are generally viewed as meeting higher quality standards compared to imports from other countries and those produced locally. Under normal political and economic conditions, U.S. origin and brand products have highly favorable consumer preferences and demand. Each year, several new-to-market U.S. food products are introduced to Saudi Arabia market particularly following FMI/USFES and regional shows such as Gulfood organized annually in Dubai. Saudi consumers like to try new products and are shopping more often in hypermarkets and supermarkets. The rapid increase in the number of hypermarket and supermarket outlets throughout the Kingdom offers an ample opportunity to distribute high-value U.S. food products. Saudi Arabia's population is growing at about three percent annually and its population is projected to reach 40 million in the next 20 years. With a young and rapidly growing population, Saudi Arabia will continue to be a growth market for U.S. food products in the years to come.

### **B. Weaknesses**

Growing competition from both locally produced and competitively priced imported food products from third countries threaten the continued expansion of U.S. foodstuff exports to the Kingdom. Food products produced in Gulf Cooperation Countries (GCC) countries --Bahrain, Qatar, U.A.E., Oman and Kuwait-- enter Saudi Arabia duty free. Foodstuffs imported from other Arab countries, South Africa, Latin America, New Zealand, Australia and Asian are often lower priced than similar U.S. products. This has reduced U.S. market share of Saudi import market in recent years.

## **SECTION II. ROAD MAP FOR MARKET ENTRY**

## Entry Strategy

The Saudi import market for foodstuffs is dynamic, with new-to-market products introduced daily. Managers of Saudi supermarkets indicate that in order to survive in this highly competitive market, a wide array of products must be available to consumers. Recommendations applicable to new-to-market exporters who wish to enter the Saudi market include:

- Find a strong Saudi partner: A company with a professional sales force and a strong distribution network is desirable. The U.S. Agricultural Trade Office/Riyadh (ATO Riyadh) maintains lists of key importers.
- Visit Saudi Arabia: ATO Riyadh can help with logistics. A visit will enable a potential U.S. exporter to see first-hand the types of products found in Saudi supermarkets, corner grocery stores, and wholesale markets; to view cold storage facilities, infrastructure, and to meet one-on-one with key importers. Face-to-face meetings in the Arab world are very important and help build trust and confidence. Most Saudi businessmen speak fluent English.
- Understand Saudi Arabia's labeling and cultural requirements: A product label showing a woman's legs would not be acceptable, for example. Likewise, a product with a recipe inside the box calling for pork would not be accepted, nor a product containing alcohol. Saudi Arabian Customs rejected several containers of gelatin a few years ago because of the detection of traces of pork in the product, even though the product label clearly indicated beef gelatin. Alcohol is banned in the Kingdom as a product and as an ingredient.
- In December 2001, the Saudi Ministry of Commerce and Industry (MOCI) implemented its biotech-labeling requirement for foodstuffs containing biotech ingredients. Following is a summary of the MOCI's biotech labeling requirements:
  - Ban on Biotech Animal Products: One of the main features of the decree was an immediate and total ban on imports of foodstuffs containing genetically engineered animal products into the Kingdom. The directive did not justify this ban. However, ATO trade sources believe that the decision was taken to make sure that all imported foodstuffs are Halal and do not contain products from swine and other animals banned for consumption by the Islamic religion.
  - Positive Biotech Labeling: If a product contains one or more genetically modified plant ingredients, the information should be clearly communicated to the consumer by labeling. A triangle should be drawn and in it the text should read "Contains Genetically Modified Product (s)."
  - Bilingual Labeling: The biotech statement must be clearly written in both Arabic and English, with an ink color different from that of the main product table.
  - Health Certificate: Biotech products or genetically engineered products exported to Saudi Arabia must have been approved in the country of origin for human consumption. Each shipment must be accompanied by a health certificate issued by appropriate government agencies stating that the Biotech ingredient (s) used in the foodstuff are approved in the

country of origin (United States) for human consumption. One certificate could be issued that certifies a list of biotech found in the food item.

- **Quality Standards:** All genetically modified food products should be in compliance with legal and ethical controls observed in the Kingdom and must meet pertinent Saudi Arabian standards specifications.
- **Locally Produced Foodstuffs:** Biotech labeling requirements also apply to locally produced agricultural products.
- **Less than One Percent Maximum Biotech Threshold:** MOCI requires biotech labeling if biotech content exceeds 0.9 percent of product weight.
  - **Random Sampling:** MOCI randomly samples imported foodstuffs at ports of entry for testing. According to reports from MOCI, test results thus far have been good. Rarely have food products declared biotech free tested positive. However, there have been some cases of undeclared biotech presence detected in foodstuffs imported from Asian countries and a few from the United States. Companies involved in exporting biotech foodstuffs without proper labeling are banned from exporting food products to Saudi Arabia.
  - **Understand Saudi Arabia's shelf-life requirements:** In December 2005, Saudi Arabia implemented a voluntary shelf life standard (manufacturer-determined use-by dates) for most foodstuffs, with the exception of selected perishable foods (fresh or chilled meat and poultry; fresh milk and fresh milk based products; margarine; fresh fruit juice; table eggs, and baby foods) that must meet Saudi Arabian Standards Organization's (SASO) established mandatory expiration periods. The revised standard (SASO 457/2005) no longer bans imports of food products with less than half of their shelf life remaining.

The requirements are as follows:

- Shelf life must be indicated by clear and unambiguous production and expiration dates. The use of any of the following statements for expressing expiration dates is permissible.
- Expiration Date
- Use by (date)
- Fit for (from the day of production)
- Use Before (date)
- Sell by date (for food products having an expiration period exceeding 3 months).
- Production and expiration dates should be declared on the package label in an uncoded manner as follows:

- Day-Month-Year: for foodstuffs with an expiration period less than three months.
- Month-Year: for foodstuffs with expiration exceeding three months.
- Dates shall be “engraved or in relief,” printed or stamped with permanent ink directly on all packages or on their original label by the producer only. Adding stickers for production and expiration dates is not permitted. Product labels may not show multiple production or expiration dates. Dates cannot be changed.
- Products with No Specific Expiration Date: products with no specified shelf life such as salt, spices, milled rice, etc., only the date of production or processing need be shown as: mm/yy.

ATO Riyadh recommends that when putting together an order for a Saudi importer, a U.S. exporter cross check information contained on his/her food label, including production/expiration dates, with the Saudi buyer. FAIRS reports SA7014 and SA7015 provide detailed information on Saudi Arabia’s food and agricultural import regulations and list and describe certificates that should accompany all food and agricultural product imports into Saudi Arabia. The following suggestions may assist prospective U.S. export enter Saudi Arabia’s imported consumer-oriented food products market:

- Provide Product Performance Information: Saudi importers and distributors usually like to know how a product performed in the United States in terms of sales before test marketing in Saudi Arabia.
- Attend FMI\NASDA and Regional Food Shows: It is vital that prospective U.S. exporters consider attending the annual Global Food & Style Expo held in Chicago as well as international expositions such as ANUGA in Cologne, Germany; SIAL in Paris and the Gulfood Show in Dubai. The Gulfood Show is held every year in February. This year, the fair will be held February 21-24. More information on international shows can be obtained by contacting the respective FAS office located in each country. Smaller local food expositions are held annual in Jeddah and Riyadh.
- Consider contacting U.S.-based consolidators that source American food products from wholesalers. ATO/Riyadh maintains a list of major U.S. consolidators selling to Saudi buyers.

### **Doing Business with Saudi Importers**

When searching for an importer to distribute U.S. products, it is important to understand how the companies operate in the Kingdom. The section below outlines four basic types of importers:

1. Private labels are becoming common in Saudi Arabia. Some large Saudi importers purchase foodstuffs under their own brand names or import ingredients and pack locally using their own label. Private labels with Arabic sounding brand names appeal to Saudis and other Arabs in the Kingdom. Others use labels with western-sounding names to position their products as high quality American or European origin foodstuffs to appeal to Saudis as well as expatriates living in Saudi Arabia. Salim Basamah Company, perhaps the largest importer of grocery products in Saudi Arabia, uses its private label, "Goody" on a wide variety of food products imported from the United States. Another large

importer uses an Arabic sounding private label, "Al-Alali" to appeal to Saudis and Arabs, even though a significant percentage of its products are of U.S. origin. Hence, a can of American peaches can be marketed in Saudi Arabia under several different labels: under an established U.S. brand such as Monarch or Libbys, under a Saudi private label: like Goody, Freshly or Al-Alali, or under a U.S. private label representing the exporter/consolidator: such as American Garden or AFFCO.

2. Some importers contract directly with U.S. manufacturers of national brands, such as Kellogg's, Campbell Soup, and Budweiser and usually require sole agency agreements. The Saudi importer will help build the brand, but will request support from the U.S. company. The U.S. manufacturer usually offers promotional and marketing assistance.

3. Some companies import a wide range of food products for mass distribution, 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. Most U.S.-based consolidators assist Saudi food importers by sourcing products from wholesalers, such as Fleming, and providing services such as placing stickers on labels. Current Saudi regulations allow U.S. suppliers to place an Arabic language sticker on the original English language label. The stickers translate key ingredient and product information into Arabic. Stickering is a laborious task and many manufacturers do not want to bother with this. Most U.S. consolidators are based in Houston, New York, Miami and in other port cities that have large wholesalers.

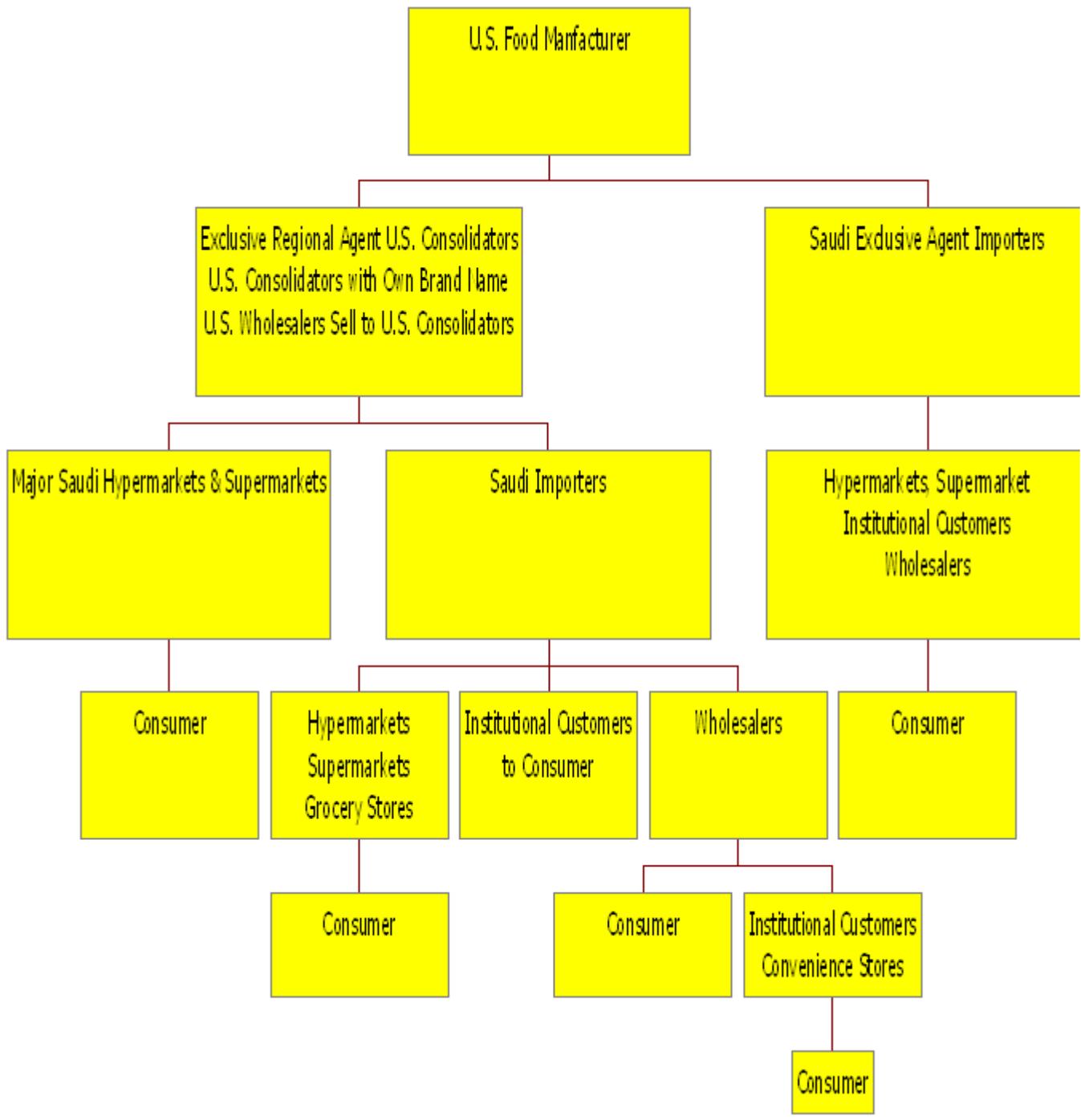
4. Carrefour (French hypermarket chain), as well as many locally based supermarkets with the ability to handle large import volumes, are directly importing part of their needs. One local company that operates a modern supermarket chain imports several containers of U.S. food products monthly for sale in its stores and lends support to a wide range of brands without a binding agency agreement.

If a product has performed well in the market, a U.S. company may opt to go beyond the sticker stage and develop a bilingual label in both Arabic and English. Monarch is one of many U.S. companies that have developed bilingual labels for the Middle East. Non-alcoholic Budweiser beer was launched in the Kingdom in 1999, with a red, white, and blue bilingual label. However, a significant number of U.S. origin grocery items found in Saudi supermarkets continue to use stickers.

Saudi importers are constantly searching for new products, and often request support from suppliers for promotion and advertising. The Saudi consumer is discriminating, closely examining labels and looking for the best deal. Advertising is considered a necessity to win Saudi consumers. Two-for-one deals are very popular in large supermarkets in moving items that are approaching their expiry dates. Major Saudi supermarkets are in the initial stage of introducing category management. As the system becomes more popular, many product brands are expected to be eliminated.

## **Distribution Channels**

The flow chart below highlights the different marketing channels through which a food product can arrive in Saudi Arabia from a manufacturing plant in the United States.



Food manufacturers normally sell directly to sole agency importers, wholesalers, or U.S.-based consolidators. Many U.S.-based consolidators buy from manufacturers and/or wholesalers. Some consolidators act as sole distributors for U.S. manufacturers in the Middle East. U.S. consolidators sell directly to Saudi importers and/or major Saudi supermarket chains, such as Tamimi Markets, Panda, or Danube Supermarkets. More than ten consolidators sell an estimated 80 percent of all U.S. high value products exported to Saudi Arabia.

Major Saudi importers operate well established Kingdom-wide distribution networks and sell directly to

retailers, institutional customers, and wholesalers. Corner grocery stores and convenience stores source their products locally from wholesalers.

## **Profiles of Major Saudi Supermarkets**

There are no food publications or supermarket journals in Saudi Arabia. As such, reliable food retailers' sales data and floor space figures are not readily available.

### **Market Structure**

#### **A. Supermarkets**

Currently, there are more than 250 Class A supermarkets operating in the Kingdom. Smaller supermarkets using grocery carts are estimated at more than 200, and they are referred to as Class B supermarkets. A Class A supermarket is defined as a retail store with more than 1,000 square meters, five or more checkout counters with complete self-service, modern IT systems and which carries comprehensive grocery and other products such as produce, butchery, bakery, frozen, chilled, and non-food ranges. Products are supplied direct from suppliers.

Class B supermarkets have up to 500 square meters of store space and have two or more checkout counters. The stores are found in all major urban areas and medium-size cities of the Kingdom. The number of Class A and Class B supermarkets increased from about 80 in 1984 to more than 450 in 2009 and continue to grow. Factors that have contributed to the growth of supermarkets include more exposure to the West via satellite television and travel, changing lifestyles, and a craving by Saudi consumers for variety.

#### **B. Super Stores (Hypermarkets)**

The recently introduced hypermarkets are huge (up to 100,000 square feet), with up to 60 checkout counters. They provide more than 55,000 items including foodstuffs, clothing, tools, toys, and electronics. To date, there are more than 50 hypermarkets dispersed in the three major cities of the Kingdom (Riyadh, Jeddah and Dammam). Saudi companies are not subject to income taxes, and financial information is not available to the public.

Major Saudi supermarkets such as Panda, Tamimi, Al Sadhan and Danube, Othaim as well as the French hypermarket Carrefour, import a significant percentage of dry goods directly from the United States, employing consolidators. Tamimi imports chilled beef, and dairy products, fresh fruit and vegetables directly from the United States. Chilled beef, strawberries, apples, celery, lettuce, and other selected produce are flown in, while others arrive by ship in containers. These supermarkets and superstores attend U.S. based as well as regional shows such as Gulfood in Dubai, SIAL in Paris and Anuga in Cologne, Germany to seek new products and establish contact with potential U.S. suppliers.

#### **C. Competition among Major Retailers**

The entrance of the French hypermarket chains Géant and Carrefour in 2004 along with the opening of Hyper Panda (a local chain) in the same year has launched a new era of retailing in the Kingdom

characterized by a state-of-the-art shopping experience and aggressive competition. Panda Hyper and Supermarket chain is the largest retailer in the Kingdom.

Supermarkets and hypermarkets strive to reduce costs to enhance their competitiveness. They also try to increase their profitability by introducing various revenue schemes. Local distributors are being asked for listing fees ranging from \$2,000 to \$27,000 depending on the size and power of the distributor. The bigger the distributor, the more power it has to negotiate a lower listing fee. In addition to listing fees, distributors are asked to provide a specified percentage rebate on total annual turnover, contribute to advertising campaigns and provide at least 60 day payment terms and reimbursements for expired items. Distributors frequently authorize retailers to conduct special offers to consumers such as buy one and get one free for products usually with 60 days or less of remaining shelf life.

Saudi retailers are constantly searching for new products, and often request support from suppliers for promotion and advertising. The Saudi consumer is a discriminating consumer, closely examining labels and looking for the best deal. Advertising is considered a necessity to win Saudi consumers. Some major Saudi supermarkets have introduced category management. As the system becomes more popular, many product brands are expected to be eliminated.

## **D. Superstores and Supermarkets**

### **1. Panda Supermarkets**

Panda Supermarkets was established in 1979 and currently has more than 125 retail outlets Kingdom wide and has plans to increase the number of its outlets to 250 by 2015. In 2007, the firm entered international activity by opening its first hypermarket in Dubai. Panda is owned by Savola Group, the leading food products company in Saudi Arabia with interests in edible oil, sugar, dairy farm, fast food restaurants and packaging.

In July 2009, Savola Group purchased all Géant Hypermarket outlets owned by Fawaz Alhokair Group. According to the purchase agreement, SAVOLA paid \$117.3 million to buy the 11 Géant hypermarket outlets located in various regions of Saudi Arabia. Géant Hypermarket chain was a joint venture between Géant France and Fawaz Alhokair Group.

The purchase deal will allow SAVOLA's retail arm, Azizia Panda supermarket outlets to increase its market share from 7 to 8 percent in the Kingdom's retail sector as well as boost its turnover by 13 percent. SAVOLA Group wants to see that Azizia Panda retail outlet increases its market share to ten percent by 2014. In 2009, the Saudi annual food retail market was estimated at SR96 billion (\$25.6 billion).

Also another merging took place in February 2008 where the Saudi Giant Stores (no relation to Giant in the United States), merged with SAVOLA Group under a share swap deal. Giant Stores had 12 supermarkets in major cities in Saudi Arabia.

### **2. Othaim**

At the end of 2009, Othaim had 94 food distribution outlets in major cities of Saudi Arabia. The firm had 59 supermarkets, 6 hypermarkets, 21 corner stores and 8 wholesale outlets located in central,

eastern, northern and southern parts of Saudi Arabia.

### **3. Farm Supermarkets**

Farm Supermarkets which is owned by the Saudi Marketing Company (SAMCO) was established in 1978 in Dammam, Saudi Arabia. Currently, the firm has 26 major supermarkets and nine corner stores mainly in the Eastern part of country.

### **4. Tamimi Markets**

Tamimi Markets, which opened its first supermarket in Riyadh in 1979, is considered the pioneer of the upscale supermarket concept in Saudi Arabia. The firm currently has 11 stores in the Eastern and Central Provinces of Saudi Arabia. Tamimi Markets carries the largest range of American foodstuffs compared to other supermarkets in Saudi Arabia.

### **5. Carrefour Hypermarkets (Saudi Hypermarkets CO)**

Carrefour Saudi Arabia was established in 2004 as a joint-venture between Al-Olayan Group (Saudi company) and the Majid Al-Futtaim Group (U.A.E. company) has 11 hypermarkets in three main cities of Saudi Arabia. The firm will increase the number of its hypermarkets to 15 by 2010. Carrefour Saudi Arabia has plans to increase the number of its outlets to 20 by 2016.

### **6. Bin Dawood**

Bin Dawood was established in 1962 with businesses that which include supermarkets, bakeries, restaurants, catering, manufacturing, direct imports and exports. Currently, the firm has 17 class B supermarkets covering the cities of Jeddah, Makkah and Madinah.

### **7. Danube Hyper and Supermarkets**

Danube hypermarket\supermarket chain was established in 1987. In 2001, the outlet was purchased by Bin Dawood Group of Companies. Currently, Danube has five hypermarkets and five supermarkets mostly in Jeddah.

### **8. Al Raya Supermarket:**

The first Al-Raya supermarket was opened in 1992. Since then the firm has increased the number of its stores to 20 covering seven regions (Jeddah, Najran, Taif, Khamis Mushayt, Baha, Sabya and Jizan.)

### **9. Al Sadhan Supermarkets**

Currently, Al Sadhan Supermarkets has 4 hypermarkets and 4 supermarkets in Riyadh. The firm has plans to increase the number of its retail outlets 18 in the next eight years.

### **10. Balsharaf Supermarkets**

Riyadh based company has seven supermarkets in Riyadh cities.

## **E. Convenience Stores**

Convenience stores, commonly referred to as *bakalaha*s are found in every Saudi Arabian neighborhood. They have floor size less than 50 square meters. *Bakalaha*s have limited access to distributors. They deal on a cash basis and purchase most of their stocks from wholesalers except for a few fast moving brands that are delivered by importers. Despite the growing number of modern supermarkets in Saudi Arabia, the food-retailing role of *bakalaha*s continues to be important.

Prices tend to be high but *bakalaha*s maintain an advantage over supermarkets by providing services to shoppers looking to quickly buy a few items. A number of *bakalaha*s have developed a credit system that allows customers to pay at the end of the month. Women in Saudi Arabia are not permitted to drive and depend on *bakalaha*s within walking distance of their homes. Also *bakalaha*s are very important to third country nationals working in the Kingdom who do not own automobiles. Most compounds housing expatriates contain one or more corner grocery stores.

*Bakalaha*s are filled with many consumer-oriented products originating from the United States and most have refrigeration and the capacity to store frozen foods. In addition to corner grocery stores, there are hundreds of ethnic stores in the Kingdom, catering to Indians, Pakistanis, Filipinos, and other Asians. Foods from many parts of the world are found in the Kingdom.

In addition to *bakalaha*s and ethnic stores, the number of gas station mini-marts (*Gas-Marts*) is increasing markedly. Virtually, all gas stations in the Kingdom have stores ranging from small kiosks to more than 500 square meter convenience stores. The stores are well refrigerated and carry a diverse variety of high-value products.

## **F. Traditional Markets**

Traditional wholesale markets cover a large area and are divided by product category: a fresh fruit and vegetable market; cold storage shops selling meats, cheeses, and poultry; and stores selling a wide range of dry goods. The largest wholesale markets in Riyadh are the *Utega Center* and *Rabwa*, each located 15 minutes from downtown.

Wholesalers have store space ranging from 50 to 500 square meters. They are unsophisticated, with only a few having a proactive sales force. They sell in bulk to institutional customers, caterers, *bakalaha*s and large families. A few of the large wholesalers do stock comprehensive ranges. They offer some credit facilities to selected institutional customers and retailers. A limited number of large wholesalers account for most of the total wholesale trade.

## **SECTION III. COMPETITION**

### **Local Food Processing Sector**

Food manufacturing in Saudi Arabia is expanding rapidly. The Saudi government assists this sector by providing attractive financing and subsidies on selected equipment and by imposing higher import tariffs on certain imports that compete with locally produced goods (poultry meat, table eggs, infant foods derived from milk, sugar, macaroni and similar products). Locally produced food products also have an advantage over imported food products because they can be exported duty-free to any country within the GCC. Hence, the market for locally manufactured products consists of the entire Arabian Peninsula, including Yemen. The expanded market has prompted many international companies to

establish licensing agreements with local manufacturers in Saudi Arabia to produce their brand. Such companies include Kraft/General Foods, Delmonte, Frito-Lay, and Nestle.

The vast majority of consumer-ready food items sold in Saudi supermarkets, however, are imported. Most locally made food products are made with imported ingredients. Sunbullah, for example, imports blocks of frozen vegetables and repackages into smaller consumer-size containers for sale in Saudi retail outlets.

## **SECTION IV. BEST MARKET PROSPECTS**

### **Products in the Market with Good Sales Potential**

Most Saudi importers buy for mass distribution and employ consolidators. Consolidators source products from wholesalers, apply bilingual stickers, and arrange mixed containers for shipment to Saudi Arabia. Consolidators often recommend new-to-market products to Saudi Arabian importers. Given the affinity for new products by both Saudis and expatriates living in Saudi Arabia, Saudi importers and supermarket executives are constantly searching for new food items to introduce. Popular product categories include prepared fruits and vegetables, beverages, poultry parts, snack foods, candy, honey, sauces, mayonnaise, cereals, bakery products, condiments, jams and jellies, peanut butter, salad dressings, gravies, desserts, sunflower seeds, chips, dried beans, peas, soups, seasonings, and almonds.

Demand for dietary and health foods is increasing in the Kingdom as Saudis become increasingly health conscious. Saudi Arabia's population has one of the highest rates of diabetes in the world, and obesity is widespread.

### **Banned Products**

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, lard and gelatin. Other banned products include donkey and mule meat, frog legs, poppy seeds, hemp seeds, hops and swine leather.

## **SECTION V. POST CONTACT and FURTHER INFORMATION**

### **1. Post Coordinates**

U.S. Agricultural Trade Office  
Regional Director  
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P.O. Box 94309, Riyadh 11693  
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2. By accessing the website: [www.fas.usda.gov](http://www.fas.usda.gov) (Country, Saudi Arabia, Attaché Reports), several ATO Riyadh issued reports on the Saudi food industry can be obtained.

