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Saudi Arabia

Retail Foods

Online Food Retailing Begins

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Report Highlights:

Two retailers started online sales of perishable products in 2017, and Saudi Arabia's retail sector continues to grow rapidly. Total 2016 retail sales are estimated at \$41.8 billion, an increase of 6 percent over the previous year. Hyper and supermarket chains continue to expand. And UAE based LuLu hypermarkets, which also operates hypermarkets in Saudi Arabia, opened a food processing, logistics, and sourcing center in Lyndhurst, New Jersey. The total number supermarkets and hypermarkets in Saudi Arabia in 2016 was estimated at 1,255 stores, accounting for approximately 2.9 percent of retail outlets. In 2016, U.S. exports of consumer-oriented food products to Saudi Arabia declined by approximately 11 percent to \$508 million.

SECTION I. MARKET SUMMARY

Saudi Arabia is the largest importer of food and agricultural products in the Gulf Cooperation Council (GCC). Its population is 150 percent larger than that of the combined population of the other five GCC states (UAE, Kuwait, Qatar, Oman and Bahrain). In 2016, Saudi Arabia's population was estimated at approximately 32.6 million, and is expected to reach 40 million by 2025. This will help boost demand for food imports, as Saudi Arabia relies on foreign suppliers to satisfy at least 75 percent of its food consumption needs. The continued declines of international oil and petroleum prices have reduced the country's per capita income from approximately \$24,000 in 2011 to approximately \$21,784 in 2016. While the reduced per capita income does not appear to have significantly changed consumer consumption patterns, there are reports of restaurants modifying menus to reduce the cost to consumers. The continued increase in the country's population, the increased number of pilgrims coming for Umrah and Hajj rituals, and the relatively high disposable income will continue to increase demand for food imports. The relatively high per capita income and changing lifestyle and diets in Saudi Arabia are expected to boost the demand for higher quality food products.

The latest available U.N. trade data shows Saudi Arabia imported \$14.8 billion worth agricultural and related products in 2016, a decline of approximately 23 percent from imports in 2015. This decline was mostly due to lower prices of grains, such as corn, wheat, barley and rice, and lower imported quantities of dairy product and frozen broiler meat.

In 2016, Saudi Arabia imported approximately \$7.8 billion of consumer-oriented food products, a 20 percent decrease from 2015. This was approximately 53 percent of total agricultural and related products imports. The decline was due to a significant decrease in international food products prices in 2016. Brazil was the largest supplier of high value products, with 17 percent of the market, followed by Egypt (7.9%), India (7.3%), the U.S. (6.6%), and France (5.9%).

U.S. food products are generally viewed as meeting higher quality standards compared to those produced locally or imported from other countries. Although U.S. food products command higher price margins compared to imports from Asia and Arab countries, demand for U.S. food products in the Saudi market has been increasing in the past few years. However, in 2016, U.S. exports of consumer-oriented food products to Saudi Arabia declined by approximately 11 percent to \$508 million compared to approximately \$570 million in 2015.

The top five suppliers of food products to the Saudi market were Brazil with 14.3 percent of the market, India and the U.S. with approximately 9.9 percent each, Germany (4.8%), and Egypt (4.2%).

According to U.S. Customs data, U.S. agricultural and related products exports to Saudi Arabia in 2016 reached record level of approximately \$1.45 billion (FOB value), an increase of approximately 10 compared to 2015. Significant increases in the U.S. bulk and intermediate products exporters were the reasons for record U.S. exports in 2016.

In 2016, the total value of Saudi retail food sales was estimated by Euromonitor at approximately \$41.8 billion, an increase of approximately 6 percent compared to sales in 2015. The total value of retail food

sales is forecast to reach approximately \$46.6 billion in 2020. If this forecast holds, it would amount to an increase of approximately 44 percent over 2016.

The Saudi food retail sector is divided into two categories: modern and traditional grocery retailers. According to Euromonitor, there were a total of 43,987 food retailers in Saudi Arabia in 2016. Traditional retailers accounted for approximately 87 percent of the outlets, while modern retailers accounted for 13 percent. In terms of total food sales, traditional and modern retailers accounted for 57 percent and 43 percent market share, respectively last year.

In 2016, the total number supermarkets and hypermarkets in Saudi Arabia was estimated at 1,255 stores. This is a relatively small number, and accounts for only 2.9 percent of the retail outlets. However, that 2.9 percent of outlets accounted for approximately 37 percent of total grocery sales in Saudi Arabia in 2016.

Changing lifestyles in Saudi Arabia have created an excellent opportunity for hypermarkets to introduce ready-to-eat meals and take-away food dishes as a substitute for home cooking. This food service is very popular, especially with working women and single foreign expats.

Online Sales

Danube Hypermarkets, AlRaya Supermarket, and Souq.com sell food products online. Danube's online app allows the purchase of a full range of food products (fresh, frozen and shelf stable foods) with free delivery. The minimum order is SAR 30 (\$8) on weekdays and SAR 70 (\$18.67) on weekends. The service is currently available in selected neighborhoods. Delivery times are generally the same or next day - based on the number of customers using the application and the preferred delivery times of customers. Danube also allows customers to order online and pickup products at selected stores in the major three cities.

Souq.com offers delivery of shelf stable processed foods in major cities and selected neighborhoods for a minimum order of SAR 200 (\$53.33). Souq.com requires two days for delivery. Souq.com was purchased by Amazon in 2017 and has localized operations in the UAE, Saudi Arabia, and Egypt.

AlRaya supermarket chain has teamed up with mimzmart.com for online sales and delivery of food products. There is a SAR 15 (\$4) charge for home delivery service.

Major retailers use social media extensively to communicate their weekly promotional offers and launch new products. Many smaller stores deliver items ordered by phone to households in their neighborhoods in cities across the Kingdom.

Advantages	Challenges
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The U.S. is considered a supplier of quality food products. Major retail chains are constantly looking for new to market U.S. products.	Price competitiveness of local products and imports from EU, Brazil, Turkey, New Zealand and Asian countries has impacted U.S. market share.
Saudi Riyal (SR) is pegged to the U.S. dollar at the rate of \$1 to 3.75 SR.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
High per capita income and purchasing power help increase demand for relatively expensive imports	Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
Hypermarkets have become popular destinations for shopping as well as family outings.	Saudi Arabia maintains dual date labeling system (production and expiration) for all food products.
The U.S. is recognized among the business community as a reliable supplier.	High markups, listing and other fees that major retailers charge significantly increase the cost of launching new products in the Saudi market.
Consumers have affinity for trying new food products.	Some food retailers require to get reimbursed for expired products they sell in their outlets.
Ready-to- eat meals, fast-food and take-away foods are becoming increasingly popular with the young Saudi population. An increasing number of pilgrims come to Saudi Arabia every year (over 8 million pilgrims) create demand for food products targeting institutional customers.	General lack of brand awareness and loyalty by most of the Saudi consumers.
The more than 12 million expats that live and work in Saudi Arabia create a strong demand for diversified and ethnic food imports.	Negative consumer attitude towards food containing or made from biotech products.
Saudi retail outlets are well equipped to carry all types of food products, including fresh as well as frozen items.	Some consumers perceive U.S. food products as promoting a relatively unhealthy life-style.
Most Saudi food regulations and standards are typically based on CODEX Alimentarius regulations and to some extent on EU and U.S. FDA regulations, but are modified to reflect local religious, cultural, and climatic conditions.	Rejection of food packages which contain health claims and trade logos that may imply religious connotation, such as the “Cross” or the “Star of David”.
Government awareness campaigns are driving more Saudis to opt for more diet and health conscious foods where US brands are respected.	SFDA’s requirements that imported beef and poultry meat must come from livestock and poultry fed on vegetable only protein. This requirement is difficult for many U.S. exporters of beef and poultry meat to fulfil.

Advantages and Challenges for U.S. food suppliers in the Saudi Market

Key factors driving the growth in retail food sales:

- a) **Population Growth:** The Saudi population, estimated at 32.6 million in 2016, is growing at approximately 2.7 percent annually. It is expected to reach 40 million by 2025. More than 70 percent of Saudis are under the age of thirty.
- b) **Increased Disposable Income:** A per capita income of approximately \$21,784 / year gives large numbers of Saudis the ability to shop for high quality food products at retail outlets. Saudis spend approximately 27 percent of their income on food. The Saudi government offers various indirect subsidies to keep the prices of staple food products at very low levels.
- c) **More Retail Outlets:** In 2016, the total number of food retail outlets in Saudi Arabia was estimated at 43,987, an increase of approximately 2.3 percent over 2015 (Euromonitor). The total number of food retail outlets is projected to reach more than 47,509 by 2020, an increase of approximately 8 percent over 2016. The total value of Saudi retail food sales in 2016 was estimated at approximately \$41.8 billion, an increase approximately 10 percent compared to sales in 2014. Saudi food retailers carry a wide range of food products, from domestically processed foods to imported upscale specialty and organic food products. The fast growth of retail food outlets in Saudi Arabia provides an excellent opportunity for U.S. suppliers of consumer products to expand their exports throughout the Kingdom.
- d) **Other Factors:** Other factors that have been contributing to the growth of modern retail chains are the increased urbanization, more exposure to high quality foods and westernized food consumption patterns via satellite television advertisements, grocery shopping as a form of family outing, changing lifestyles, and a craving by Saudi consumers for more variety foods.

Saudi Arabia Allows 100 Percent Foreign Ownership in the Retail Sector

In June 2016, as part of its effort to make it easier to invest in Saudi Arabia, the Saudi government announced that it will allow foreign companies to wholly own companies in the Saudi retail and wholesale trade sector. Foreign companies were previously required to partner with Saudi investors to establish retail or wholesale outlets, and may still find it advantageous to do so. Some of the conditions that foreign investors need to fulfil in order to benefit from the new investment regulations for investment in the Kingdom's retail and wholesale sector are as follows:

1. The prospective foreign company should have operations at least in three international markets or three states in the U.S. with a total capital at the time of foundation of at least \$8 million.
2. Be willing and able to invest at least \$53 million over the first five years after obtaining a license to operate in the Saudi market.
3. Train and hire Saudi citizens as well as achieve the Saudization percentage rate established by the Ministry of Labor and Social Development.
4. Detailed terms and conditions related to investing in Saudi retail and wholesale business can be obtained from the official website of the [Saudi Arabian General Investment Authority \(SAGIA\)](#).

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Most packaged food products are imported by importers/distributors. Leading hypermarkets and supermarkets generally directly import a relatively small percentage of consumer packed food products. Importers play a critical role in navigating the maze of the Saudi food import regulations and standards, and eventually the success of the new food product entering the Saudi market.

In most cases, the key to establishing a successful and growing business in Saudi Arabia is for the U.S. supplier to connect with a reputable Saudi food product importer. The U.S. exporter should look for 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 are concentrated.

Most food importers in Saudi Arabia specialize in certain products. While some may deal with dry foods or import frozen and chilled food products, others handle fresh fruit and vegetables. It is very rare to find one company that imports all food categories. Some importers will deal with a new-to-market product only if it has a good potential, they can import the product under their own brand names, or be exclusive agents. They may also ask for the exporters' commitment not to deal with other importers in their geographical region(s). The following are suggested guidelines for U.S. companies considering entering the Saudi retail food market:

- i. Obtain an updated list of Saudi food importers and their contact information from OAA Riyadh. Contact the importer directly to introduce your company, products and discuss future business.
- ii. Exhibit at regional shows: it is vital that prospective U.S. retail food product exporters consider exhibiting at regional food shows, particularly the Gulfood Show, which is held in Dubai annually. The Gulfood Show is the most important trade event for Saudi agribusiness - more than 4,500 Saudi companies attend the show each 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 shows held annually in Jeddah and Riyadh.
- iii. Visit Saudi Arabia to meet one-on-one with key potential importers to introduce products and discuss potential business deals. This will allow the U.S. exporter to see the importer's distribution network, evaluate product lines, and provide an opportunity to see if prospective importers are good fit. Overall, the face-to-face meetings should help build trust and confidence. Most Saudi businessmen speak English. OAA Riyadh is happy to assist in setting up business meetings and provide other assistance for U.S. companies interested in visiting Saudi Arabia.

U.S. exporters should be aware of the financial costs a food importer will incur to get a new product listed at one of the major retailers, and that they may be asked to pay fees. These include listing fees, new store opening fees, and rebates for expired items etc. Saudi importers tend to spend a significant amount of time negotiating these issues with prospective U.S. suppliers in order to get favorable import prices. As a result, reaching an export deal with a potential Saudi importer can take months of strenuous negotiations.

The size of the listing fee depends on the size of the retail chain, its popularity and market share. According to trade contacts, hypermarket\supermarket's listing fees for a new product range between \$300 and \$18,000 for each stock keeping unit (SKU) at a retail outlet. For example, Panda food retail chain (the largest retailer in Saudi Arabia with more than 490 outlets (65 hypermarkets, 156 supermarkets and 270 Pandati convenience store) charges listing fees up to \$18,000 per SKU for most new-to-market importers. Large importers that carry well-known brand names have more clout in negotiating lower listing fees than smaller suppliers.

Other fees that local hypermarkets and supermarkets charge food importers include new store opening fees, which range between \$1,330 and \$8,000 per supplier. They may also charge importers annual rebates of 5 to 15 percent of their annual sales. In addition, distributors are often asked to contribute to advertising and promotional campaigns, and to provide at least 60-day interest free payment terms as well as reimbursements for expired food products. In order to account for these charges and obtain a reasonable return on their investment, some local importers markup imported food products by 100 percent. The U.S. exporter should assess the Saudi importer's distribution capacity to insure that it can accommodate retailer's requirements.

In general, most Saudi food importers are financially sound and usually do not default on payments. However, it is recommended that a new-to-market exporter ask a prospective importer for an irrevocable letter of credit until close working relationships and mutual trust are established.

Some hypermarkets and supermarkets import a limited range of food products under their own brand names for distribution to their outlets. There are a few U.S. exporters who are currently engaged in this export channel. The U.S. suppliers usually do not carry any stocks, and their role is to help source high value food products directly from the U.S. at agreed prices. Some major hypermarkets and supermarkets also import limited quantities of dry, frozen and chilled meat, fruit and vegetables.

B. Competitiveness Analysis

U.S. food products are generally viewed as meeting higher quality standards than imports from other countries and those produced locally. Consumers highly prefer U.S. origin and branded products. And they benefit from strong demand so long as they are priced competitively. Some local retailers use shelf talkers and signs to identify U.S. products and to impress their customers that they carry high quality products.

U.S. food exports face growing competition from the improving quality of both locally produced and competitively priced imported food products from third countries. Food products produced in Gulf

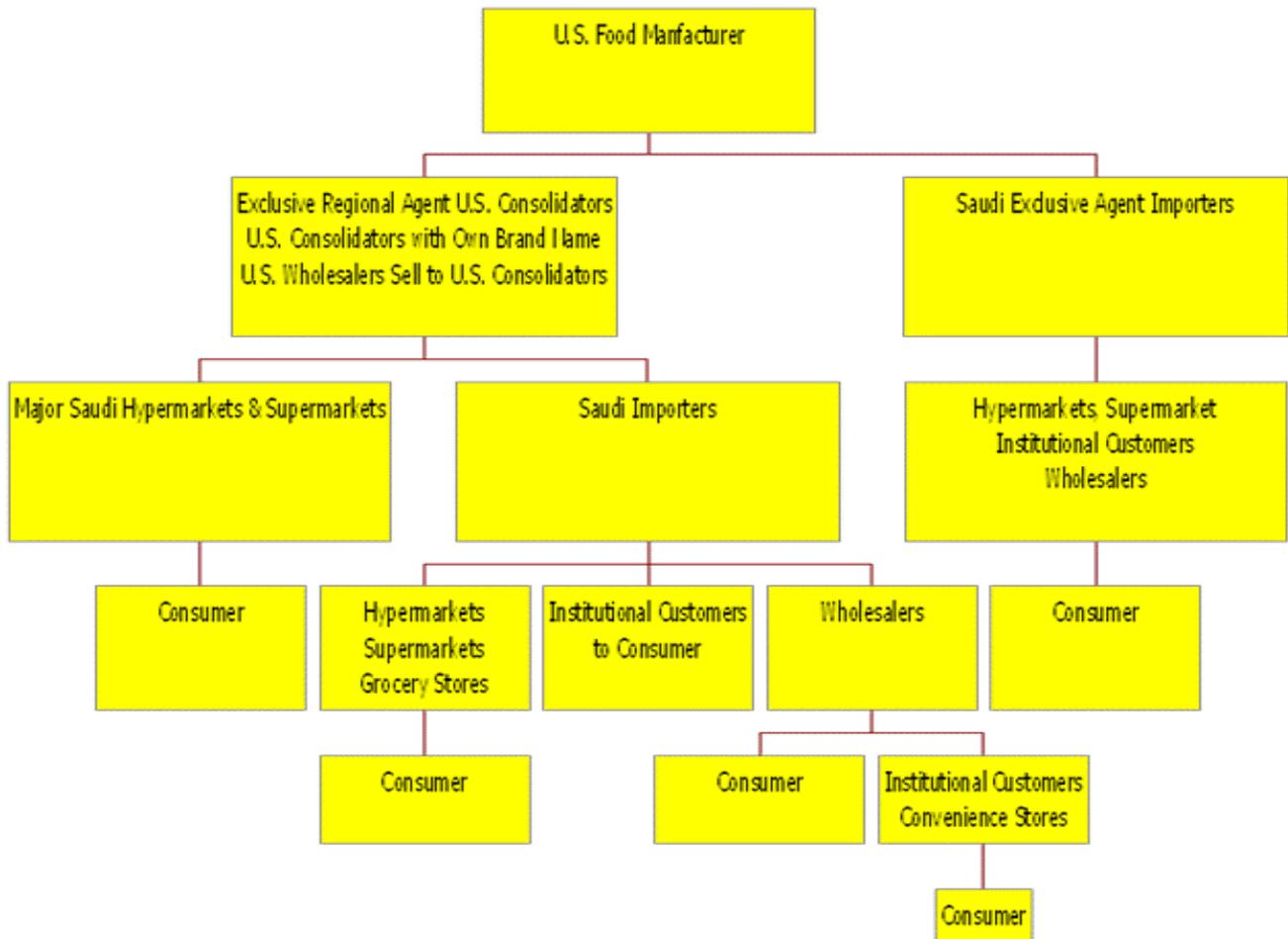
Cooperation Countries (GCC) countries enter Saudi Arabia duty free. Foodstuffs imported from other Arab countries, South Africa, Latin America, New Zealand, Australia and Asian are often lower priced than similar U.S. products, mostly because of lower shipping costs. Usually, local importers prefer to initiate business deals by making small trial orders- conditions that many U.S. exporters are not willing or able to accommodate.

C. Market Structure

- Most U.S. food suppliers usually sell directly to Saudi agents, pack for Saudi private label owners, or sell exclusively to a U.S.-based consolidator.
- U.S. consolidators sell mostly to Saudi importers and, to some extent, to major retailers. Often, the consolidator is the sole regional agent of the U.S. manufacturer or brand owner covering the entire Middle East and African regions. The consolidators may also provide other services such as placing Arabic stickers or labels on food packages. Stickers are a laborious task and many manufacturers do not want to do it.
- Most major Saudi importers operate well established country distribution networks and sell directly to retailers, wholesalers and the HRI sector.
- Chain retailers have central purchasing offices where each outlet sends purchase orders on a daily basis. The central purchasing offices consolidate the orders and make local or international purchases accordingly.
- The wholesalers usually sell to smaller retailers, HRI clients, or directly to consumers. There are many wholesalers in major cities throughout the Kingdom.

D. Flow Chart of Distribution Channels

The flow chart below highlights the various marketing and distribution channels of imported food products in Saudi Arabia.



Saudi Retailers

1. Supermarkets

Supermarkets range in size from 500 to 5,000 square meters, and may have five or more checkout counters and modern IT systems. They carry a comprehensive selection of groceries and other products such as produce, meats, bakery items, frozen and chilled items, and a range of non-food products.

In 2016 there were approximately 1,031 supermarkets in Saudi Arabia, an increase of approximately 8.1 percent over 2015. They accounted for approximately \$10.9 billion of the food products sold by retailers in that year. Major Saudi supermarket chains such as Tamimi and hypermarkets such as LuLu and Danube import a significant percentage of the food products they sell directly from the United States, employing consolidators. The products they import directly from the U.S. include cheese, nuts, fresh fruit, condiments & sauces, cereals, ketchups, fruit juices, vegetables, and several varieties of high value food products. Some products like strawberries, lettuce, and other fresh produce are shipped by air, while most products by shipped by sea containers.

Major Saudi hypermarket and supermarkets chains attend regional shows such as Gulfood in Dubai, SIAL in Paris, and Anuga in Cologne, Germany to seek new products and establish contacts with potential U.S. suppliers.

Hypermarkets and supermarkets strive to reduce costs and enhance their competitive position in the market. Saudi retailers are constantly searching for new products, and often request support from the suppliers for product promotion and advertising. Product advertisement is a necessity to win Saudi consumers. Competitive pricing, weekly promotional offers, as well as offering advertising support are key elements in a successful strategy for a new-to-market product in Saudi Arabia.

2. Hypermarkets

Hypermarkets were first introduced into Saudi Arabia in 2004. They are very large - approximately 200,000 square feet or 18,580 square meters - and have up to 50 checkout counters. They usually carry over 50,000 items including food, clothing, tools, toys, and electronics. In 2016, there were approximately 224 hypermarkets (an increase of 8 outlets from 2015). They are mostly located in the three major cities of the Kingdom (Riyadh, Jeddah and Dammam). Hypermarkets accounted for approximately 11 percent or approximately \$4.5 billion of the total retail food product sales in Saudi Arabia in 2016. Some hypermarkets such as LuLu, Danube, Hyper Panda, Carrefour, and Othaim directly import some of the food sold in their outlets. In November 2016, LuLu established a food processing and logistics operation in New Jersey to purchase, process, and re-label U.S. food products to LuLu Hypermarkets worldwide.

Shopping at hypermarkets is becoming very popular as it is an outing for the family and is considered a form of entertainment. Many hypermarkets have playgrounds for children, and families tend to spend several hours during their shopping trips in the vicinity of hypermarkets.

There are only 1,255 super and hypermarkets in Saudi Arabia – which is approximately 2.9 percent of total retail outlets. However, these outlets accounted for approximately 40 percent of total grocery sales in Saudi Arabia in 2015.

3. Traditional Food Retailers (*bakalas*)

Convenience stores, commonly referred to as *bakalas*, are found in every neighborhood. They have a floor size of up to 100 square meters. *Bakalas* 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 *bakalas* continues to be important. In 2016, there were an estimated 38,416 *bakalas*, an increase of approximately 3 percent over 2014. *Bakalas* accounted for 50.4 percent, or approximately \$19.6 billion, of all food products sold by retailers in 2015.

Prices in *bakalas* tend to be high, but they maintain an advantage over supermarkets by providing services to shoppers looking to quickly buy a few items. Women in Saudi Arabia are not permitted to drive and depend on *bakalas* within walking distance of their homes. Also *bakalas* are very important to third country nationals working in the Kingdom who do not own automobiles. Most compounds housing expatriates contain one or more of these corner grocery stores.

Bakalas stock many U.S. consumer-oriented products, 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. Unlike large retailers, *bakalas* offer credit services to neighborhood customers who can pay at the end of each month. These small retailers also provide home delivery services for groceries worth as little as 10 Saudi riyals (\$2.67). The *bakalas* use motorbikes to deliver groceries to neighborhood customers.

A. Profiles of Major Saudi Hypermarkets and Supermarkets

There are no specialized food publications or retail outlet journals in Saudi Arabia. Reliable data on food retailers’ sales and floor space figures are not readily available. Below is a summary profile and information we collected on major food retailers in the Kingdom.

Retailer Name & Market Type	Ownership	No. of Outlets	Locations (city/region)	Purchasing Agent Type
Panda Supermarkets	Saudi	529 retail outlets (63 hypermarkets, supermarkets (204) Pandati convenience store(262)	In major cities across the Kingdom and has one store in Cairo, Egypt, and another in Dubai	Direct imports as well as domestic purchase.
Othaim	Saudi	176 retail stores:	Central, Northern, Eastern	Direct importer as

Supermarket		Hypermarkets (11), supermarkets, (131) corners stores (23) wholesale/retail outlets (11)	and Western regions of the country. The firm has 11 supermarkets in Egypt	well as domestic purchaser.
Farm Supermarkets	Saudi	61 supermarkets and 17 mini markets	Eastern, Western Southern and Northern regions of the Kingdom. It also has a store in Lebanon.	Domestic purchaser and importer.
Al Raya Supermarkets	Saudi/UAE	47 supermarkets	Western and Southern regions.	Domestic purchaser and importer.
Tamimi Markets	Saudi	40 supermarkets	Central and Eastern regions.	Direct importer as well as domestic purchaser.
Danube Supermarkets	Saudi	31 retail outlets (26 hypermarkets & 5 supermarkets)	Western, Central, Eastern and Southern regions	Domestic purchaser and importer.
Bin Dawood Supermarkets	Saudi	21 retail outlets: supermarkets (15) and hypermarkets (6)	Western region	Domestic purchaser and importer.
Carrefour Saudi Arabia	Saudi/UAE under license from Carrefour France	15 hypermarkets	Eastern, Western Central and Qassem regions.	Direct importer as well as domestic purchase.
Balsharaf Supermarkets	Saudi	13 supermarkets and 5 wholesale outlets	Central region.	Direct importer as well as domestic purchaser.
Al Sadhan Supermarkets	Saudi	8 retail outlets (4 hypermarkets & 4 supermarkets)	Central region.	Direct importer as well as domestic purchaser.
Nesto Hypermarkets	UAE	8 hypermarkets	Western, Central and Eastern regions	Direct importer as well as domestic purchaser.
LuLu	UAE	10 hypermarkets	Central, Western, Northern and Eastern regions. The firm has a total of more than 135 hypermarkets in the six Gulf countries.	Direct importer as well as domestic purchaser. Purchasing facility in New Jersey.
Manual Hypermarkets	Saudi	7 hypermarkets	Western region	Direct importer as well as domestic purchaser.

Additional information on major Saudi food retailers

1. Hyper Panda, Panda Supermarkets and Pandati Mini Market chains are owned by Azizia Panda United Co., a subsidiary of SAVOLA Group. The SAVOLA Group is the leading food products producer and retailer in Saudi Arabia with business interests in edible oil, sugar, dairy farms, confectioneries, fast food restaurants and packaging. With more than 490 retail outlets (65 hypermarkets, 156 supermarkets, and more than 270 Pandati Mini Markets), the firm is the

largest food products retailer in Saudi Arabia. The company opens several retail outlets annually, and this trend is expected to continue in the next few years. In 2007, the company entered international operations by opening its first hypermarket in Dubai. In September 2015, the company inaugurated its first hypermarket in Cairo, Egypt as part of a several years plan to open up to 16 outlets in various Egyptian cities.

2. With 155 retail outlets, Othaim Markets is the second largest food products retail chain in Saudi Arabia. Othaim's other business include food products imports under own brand names, and food production. Othaim, which opened its first supermarket in Cairo, Egypt in the first quarter of 2016, had opened 11 retail outlets by October 2017. The firm plans to open more outlets in major Egyptian cities over the next few years.
3. Saudi Marketing Company (FARM Superstores) was established in 1978 in Dammam. Currently, it operates a chain of 56 supermarkets operating in the eastern, western, southern and Northern provinces of Saudi Arabia. The company also owns and operates 17 mini markets serving upscale residential compounds.
4. Al Raya Supermarkets chain was set up in Jeddah in 1992. Since then the retailer has increased the number of its stores to 47 covering seven regions (Jeddah, Yanbu, Najran, Taif, Khamis Mushayt, Baha, Sabya, and Jizan.) The company is owned by Saudi and UAE investors. Al Raya has plans to open five new stores annually for the next few years.
5. Tamimi Markets, which was launched in Riyadh in 1979, is considered the pioneer of the upscale supermarket concept in Saudi Arabia. The firm currently has 40 stores in the Eastern and Central Provinces of the Kingdom. Tamimi Markets carries the largest range of American foodstuffs of any supermarket in Saudi Arabia. Tamimi has plans to open additional 15 supermarkets in Saudi Arabia by 2020, raising the total number of its supermarkets to 50. Tamimi Markets is one of 30 companies owned by the Dammam based Tamimi Group. The group's business interests range from upscale catering, to chemical, electrical and power manufacturing.
6. Danube Supermarket chain was established in Jeddah in 1987. In 2001, the chain was purchased by the Bin Dawood Group of Companies. Currently, Danube has 31 retail outlets (26 hypermarkets and 5 supermarkets) in Jeddah, Riyadh, and Al-Khobar.
7. Bin Dawood Supermarkets chain was founded in Jeddah in 1962 with businesses that include supermarkets, bakeries, restaurants, catering, manufacturing, direct imports and exports. Currently, the firm has 21 retail outlets (15 supermarkets and 6 hypermarkets) covering the cities of Jeddah, Makkah, and Medina.
8. Carrefour Hypermarkets (Saudi Hypermarkets CO) was established in Riyadh in 2004 as a joint-venture between Al-Olayan Group (Saudi company) and the Majid Al-Futtaim Group (U.A.E. based company). Currently, the company has 15 hypermarkets in four main Saudi regions. Carrefour has plans to increase the number of its outlets to 20 in the next few years.

9. Balsharaf Supermarkets is one of subsidiaries of Balsharaf group which was established in 1955 as a small corner store in Mecca. Currently, Balsharaf Supermarkets operates twelve retail outlets and five wholesale operations in Riyadh. Another company in Balsharaf Group is Balsharaf Importing Company. The firm imports and distributes food products to more than 16,000 retail outlets.
10. Nesto, a Dubai based retailer which has currently 8 hypermarkets. The firm has plans to open four more hypermarkets in Saudi Arabia in the next two years. Its supermarkets cover up to 200,000 square feet of retail area.
11. Al Sadhan Supermarkets was established in Riyadh in the 1970s. Currently, the firm has 8 retail outlets (4 hypermarkets and 4 supermarkets in Riyadh). The firm has plans to increase the number of its retail outlets to 18 in the next ten years.
12. LuLu Hypermarket chain, which entered the Saudi food retail market in 2009, is owned by EMKE Group, an Abu Dhabi, United Arab Emirates based company. Currently, it has 10 hypermarkets in the Central, Western, Northern and Eastern regions. The firm plans to inaugurate two more hypermarkets in Saudi Arabia before the end of 2017. It should have 15 outlets by the end of 2018. Like other hypermarkets in Saudi Arabia, LuLu caters to the growing consumer demand for all types of food products, garments, electronics and home appliances. LuLu Hypermarket is the most preferred retail chain among the South Asian expatriate community residing in Saudi Arabia. LuLu has plans several more outlets in major Saudi cities by 2020. Currently, the chain operates more than 140 stores across the six GCC countries (UAE, Oman, Bahrain, Kuwait, Qatar, and Saudi Arabia). The company also has stores in Indonesia, India and Malaysia. In November 2016, LuLu Group International established Y International, its first U.S. food processing and logistics base in Lyndhurst, New Jersey. Y International will be used as export center for U.S. food products where U.S. food products (dry, frozen and chilled) are purchased, processed, re-labeled, and exported to LuLu Hypermarkets worldwide.
13. Manual Hypermarket was established in 2010 by a group of Saudi investors and currently has seven hypermarkets in Jeddah. The firm plans to open more hypermarkets by 2020.

There are several regional supermarkets that have one or more stores. These include Sunbulah, Euromarche, Jazeera, Star, Sarwat, Mandarin, Badruddine, Matajer, Nakheel, Nouri, Anoud, Refaat, Surat, Astra, and Consumer Oasis.

SECTION III. COMPETITION

The United States faces fierce completion in the Saudi food import market from major suppliers such as Brazil, India, Netherlands, China, Thailand, Turkey, France, Belgium, New Zealand, and 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 price and quality. They seek suppliers that provide good quality products at the most competitive prices. The table below illustrates the quality and price competitiveness of major supplier countries.

Table 1: Saudi imports of select food products by major supplier in 2016

Product Category and Total Import Value	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Frozen Broiler Meat \$1.40 billion	Brazil (83.6%), France (12.8%), Malaysia (2.1%), and U.S. (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 47 percent of total consumption.
Dairy Products \$998 million	New Zealand (25.9%), France (10%), Germany (8.9%), Egypt (8.8%) and U.S. (6.7%)	Price competitiveness and quality are the key factors in making purchasing decision in this market. New Zealand has been the dominant export of cheese to Saudi Arabia.	Some local food processors imports cheese blocks for repacking into smaller consumer-sizes for sale in the market.

Fresh Fruit \$894 million	Egypt (19.9%), South Africa (12.3%), Turkey (10.3%), Italy (8.8%), Ecuador (8.1%), Chile (6.7%), and U.S. (5.2%),	Price and availability are the major criteria when importing fresh fruit.	Saudi Arabia produces very limited fruits such as citrus, grapes, and pomegranate.
Fresh Vegetables \$421 million	Egypt (38%), Jordan (20.4%), China (18.9%), Turkey (7.4%), India (5.4%) and U.S. (1%)	Price and availability are the major criteria when importing fresh fruit.	Saudi Arabia is 85 percent self-sufficient in fresh vegetables. Prices of locally produced vegetables are usually higher than imports.
Beef \$401 million	India (45.1%), Brazil (28.1%), Australia (17.6%), Canada (4.5%) and New Zealand (4.5%)	Indian buffalo meat and Brazilian beef targets lower income consumers and the catering sector. But Indian buffalo meat is more price competitive than the Brazilian beef. Australia, Canada and New Zealand beef compete for casual restaurants and five store hotels. The U.S. has just reentered Saudi beef market.	The only significant beef production is dairy steers and spent dairy cows.
Snack Foods \$324.7 million	Italy (20.8%), Turkey (15.7%), Poland (10.8%), U.K. (6.4%), China (6.1%) and U.S. (3.9%)	EU countries and Turkey dominates the snack food sector due to products quality and competitive prices.	Local snack food producers depend on imported raw materials and they do not pay import tariff on food products imported for reprocessing
Fish Products \$260.4 million	Indonesia (24%), India (17.6%), Norway (8.7%) Oman (7.1%), Taiwan (5.9%) and U.S. (1%)	Indonesia has been become the dominant and the most price competitive supplier of fish to Saudi market, followed by Indian. Norway is a dominant supplier of high quality fish such as salmon.	Saudi Arabia has recently become a significant exporter of high quality commercial produced red sea shrimp to EU, U.S. and Japan

Table I Continued: Table 1: Saudi imports of select food products by major supplier in 2016

Product Category and Total Import Value	Major Supply Sources	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Processed Vegetables \$434 million	Egypt (19%), Belgium (16.5%), U.S. (14.5%), Spain (12.5%), China (10.2%), and Italy (5.4%),	U.S. exports of these products have been steadily increasing in recent years due to price competitiveness and quality	Some local food processors import blocks of frozen vegetables for repacking into smaller consumer-size containers for sale in the Saudi market.

Tree Nuts \$222.3 million	U.S. (40.6%), India (34.1%), Turkey (13.2%), Sri Lanka (2.5%) and China (1.8%)	Almonds account 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
Condiments & Sauces \$187.4 million	U.S. (32.6%), Indonesia (30.9%), Oman (13.3%), U.K (4.9%) and Philippines (4.1%)	The U.S. has become the dominant condiments & sauces supplier to Saudi Arabia because of its competitive prices and high qualities.	Saudi Arabia does not produce spices. It depends on imports meet its spices need.
Processed fruit \$175.7 million	India (24.3%), China (15.9%), U.S. (14.1%), Egypt (9.8%) and Turkey (6.8%)	Indian has been the largest supplier of processed fruit to Saudi Arabia in the past few years followed by China. The U.S. has remained the third largest supplier.	Some local food processors imports blocks of frozen fruit and vegetables for repacking into smaller consumer-size containers for sale in Saudi market.
Spices \$150.3 million	India (52.8%), China (16.2%), Indonesia (7.6%), U.S. (4.5%) and Jordan (2.8%)	Indian, China and other Asian countries have been the traditional suppliers of spices to Saudi Arabia because availability of abundant variety of spices at competitive prices.	Saudi Arabia does not produce spices. It depends on imports meet its spices need.

SECTION IV. BEST PRODUCT PROSPECTS

The following is a list of some consumer ready food products with high export potential.

Potato chips and savory snacks, mayonnaise, tomato ketchup, sauces, beverage ingredients, non-alcoholic beer, tree nuts, dairy products, red meats, fresh apples and pears, processed fruits and vegetables, jams and jellies, fruits and vegetable juices, honey, sweet pastry and biscuits, dietetic foods, snack foods, poultry meat, fresh fruit, processed fruit and vegetables, and organic foods.

V. KEY CONTACTS AND FURTHER INFORMATION

1. Post Coordinates

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2. OAA Riyadh Reports

Several reports on the Saudi food industry published by the Office of Agricultural Affairs in Riyadh can be accessed by visiting [FAS GAIN Reports](#).