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## **Report Name:** Retail Foods

**Country:** Saudi Arabia

**Post:** Riyadh

**Report Category:** Retail Foods

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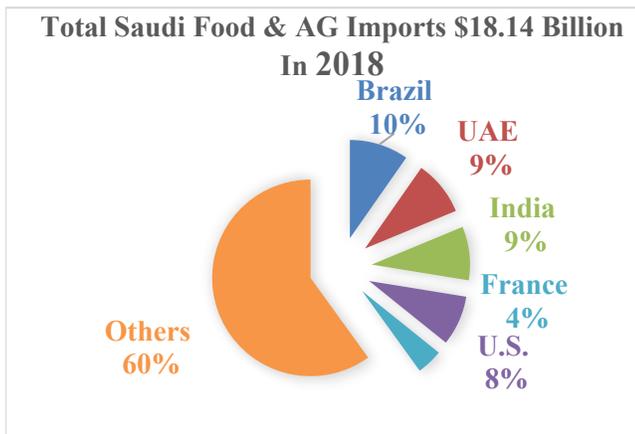
### **Report Highlights:**

U.S. exports of consumer-oriented food products to Saudi Arabia increased by approximately 11 percent in 2019 - to a record high of \$588 million. Since then, the effects of COVID 19 have strengthened the online and supermarket sectors, and severely weakened restaurants. Demand for delivery services and Saudi government financial support dramatically strengthened that sector. The 36 delivery apps that are now in operation processed more than 12 million orders in more than 200 cities by the first week of June. Online shopping is expected to remain an important grocery shopping method going forward. Saudi packaged food retail sales in 2019 were estimated at approximately 20 billion USD.

**Factsheet: Saudi Arabia 2019**

**Executive Summary**

Saudi Arabia is the largest economy in the Arab World. The Kingdom’s GDP and per-capita income were estimated at US\$785 billion and \$22,953, respectively, in 2019. The latest available U.N. trade data shows Saudi Arabia imported \$9.03 billion worth high value food products in 2018, an increase of approximately 1.5 percent over 2017. In 2019, total retail sales of packaged food were estimated at approximately \$20 billion. Of that amount, 59 percent was generated through traditional grocery stores and 41 percent through modern retail channels.



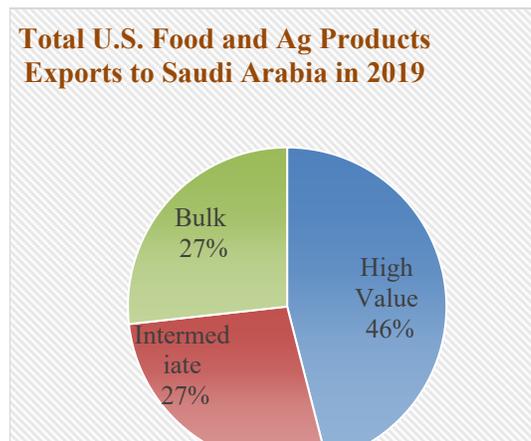
**Best Product Prospects**

Diet, healthy, organic, and better for you food products, beef, poultry meat, beverage ingredients, non-alcoholic beer, tree nuts, dairy products, plant based meats, fresh fruit and vegetables, processed fruits and vegetables, fruits and vegetable juices, honey, and snack foods.

**Strengths/Weaknesses/Opportunities/Challenges**

<i>Strengths</i>	<i>Weaknesses</i>
<ul style="list-style-type: none"> <li>* Saudi Arabia is dependent on food imports</li> <li>* U.S. food products are perceived as high quality products.</li> </ul>	<ul style="list-style-type: none"> <li>* Freight costs from the U.S. are higher than competitors.</li> <li>* Smaller order sizes.</li> </ul>
<i>Opportunities</i>	<i>Challenges</i>
<ul style="list-style-type: none"> <li>* Demand for organic, diabetic, and better for you products (low in salt, sugar, high in fiber or with added vitamins) is increasing.</li> <li>* The retail, food service, and food processing sectors have been growing.</li> </ul>	<ul style="list-style-type: none"> <li>* Increased competition.</li> <li>* Regulators issue rules rapidly without considering input. Some unworkable regulations have been withdrawn. Trade is blocked in some cases.</li> </ul>

**Total U.S. Food and Ag Products Exports to Saudi Arabia in 2019**



## SECTION I. MARKET SUMMARY

The Kingdom of Saudi Arabia (Saudi Arabia) has a rapidly growing population and contains twenty percent of the world's known petroleum reserves. Its 34.2 million people (estimated 2019) make up more than half the population of the Gulf Cooperation Council (GCC). It has a young population – over half the population is under 25 years old – that is expected to exceed 40 million by 2030. With the exception of portions of the southwest, Saudi Arabia is a desert country. It imports approximately 70 percent of its food.

The country also has the largest economy in the Arab world. Its 2019 Gross Domestic Product (GDP) and per capita income were estimated at \$785 billion and \$22,953 USD, respectively. Per capita income is expected to fall this year due to low oil prices and COVID-19. The cost of living increased on July 1, 2020, when the value added tax was increased from 5 percent to 15 percent. The new rate is levied on all purchases of goods and services including food products.

The latest available U.N. trade data shows Saudi Arabia imported \$9.03 billion worth of high value food products in 2018, an increase of approximately 1.5 percent over 2017. This was approximately 50 percent of total agricultural and related products imports. The continued expansion of modern retail outlets has been the main reason for the increasing demand for consumer packed food products. In 2018, UAE was the largest supplier of high value food products, with approximately 13.2 percent of the market, followed by Brazil (11.1%), U.S. (5.9%), Egypt (5.5%), and India (5%).

U.S. food products are generally viewed as meeting higher quality standards compared to those produced locally or imported from other countries. U.S. foods command higher price margins compared to imports from Asia and Arab countries. And demand for U.S. food products has been increasing. U.S. exports of consumer-oriented food products to the Kingdom were up by 11 percent in 2019. They reached a record high of \$588 million - accounting for approximately 45 percent of total U.S. agricultural and related products exports to Saudi Arabia. As Saudi Arabia depends on imports to meet approximately 70 percent of its food security needs the country will remain a major importer of food and agricultural products.

Traditional retail is declining due to the expansion of hypermarkets and supermarkets. In 2019, total retail sales of packaged food in Saudi Arabia were estimated at approximately US\$20 billion. Of that amount, 59 percent was generated through traditional channels and 41 percent through modern retail channels. The retail sector is expected to continue to expand with the creation and expansion of urban centers. On July 6, 2020, the Royal Commission for the City of Riyadh announced a \$800 billion plan to double the population of Riyadh to 15 million in the next decade.

The retail sector has emerged as a beneficiary of the Saudi COVID-19 lockdown restrictions. These included several weeks of stay at home orders and curfews – closing most food service establishments. Initially consumers depended on food cooked at home – a dependence that has decreased slightly. While most COVID-19 restrictions have been lifted, consumers are still cooking at home more than prior to COVID-19 for safety and to save costs. Companies that used to supply the food service sector are now importing retail food products. Sustained community transmission of COVID 19 continues.

## Recent Saudi Government Measures that Could Negatively Affect Food and Beverage Products Imports

- On July 1, 2020, the Saudi value-added tax (VAT) tripled to 15 percent. This is part of financial reforms due to low petroleum prices and COVID-19.
- On June 20, 2020, Saudi Customs imposed higher tariffs on a wide range of products. Dairy products account for approximately 84 percent of the 224 food and agriculture products that faced increased tariffs. Our report “Food Portion of the New Saudi Higher Import Tariffs Concentrates on Dairy Products”, found at [this link, contains more details](#).
- On December 1, 2019, Saudi Arabia levied a 50 percent selective tax on sugary drinks. Sugary drinks are defined as any product to which a source of sugar or other sweetener is added, to be taken as a drink, whether ready for drinking, or in the form of a liquid concentrate, powder, gel, extract, or any form that can be converted into a drink.
- In June 2017, Saudi Arabia levied a 100 percent tax on energy drinks and cigarettes and a 50 percent tax on carbonated drinks.

## Online Sales

Since the early 1980s corner stores have been delivering items ordered by phone to households in their neighborhoods. However, prior to COVID-19 there were limited options for online grocery shopping and delivery. Only a few supermarkets and Souq.com offered the service. Following the 24 - hour lockdown and curfew measures, numerous delivery apps were created and some HRI focused companies entered the grocery delivery business. Some apps work exclusively with selected retailers while others work independently. The apps take orders, charge for the value of the products, pick up the orders, and deliver them to consumers.

Orders placed through independent apps are generally delivered much faster than those placed through retailers. Independent apps charge higher fees. Independent apps can sometimes deliver in less than an hour if they shop at a store close to the customer. Retailers use minimum order sizes and schedule deliveries for customers that reside in the same neighborhood. At the start of the lockdown it took major retailers up to a week to deliver groceries due to overwhelming orders. Currently, most retailers deliver orders in a couple of days.

According to the Saudi Communications and Information Technology Commission (CITC), there were 36 [Saudi apps](#) as of early July 2020. Most of them were established after the start of the COVID-19 lockdowns. CITC reports that the apps processed more than 12 million orders in more than 200 cities. The Saudi Human Resources Development Fund (HADAF) provided financial support to Saudi youth to motivate them to join the delivery applications - increasing the number of Saudis working for this sector by more than 500 percent. HADAF also offered interest free loans and grants to young Saudis to purchase and operate delivery vehicles.

Most of the 36 online applications deliver groceries, ready to eat food and drinks, and medicine. Others specialize in grocery, ready to eat food/ drinks, or medicine and medical equipment delivery. Some are

limited to a city while others are nationwide. A couple of the applications specialize in delivering fresh fruit and vegetables. When outsourced apps are used, the charges to the consumer for the online shopping and home delivery services depend on several factors: distance, speed of delivery, and if the participating store or restaurant offers a promotion.

In addition to app companies, major retailers have developed their own shopping platforms and own delivery fleets. Minimum orders for retailers range between \$26.67 and \$40 per order. Retailers charge up to \$5.33 per delivery.

Supermarkets/hypermarkets use social media extensively to communicate their weekly promotional offers (run Wednesday-Tuesday) and use the opportunity to launch new to market products.

**Table 1 – Major Advantages and Challenges in the Saudi Market**

<b>Advantages</b>	<b>Challenges</b>
The U.S. is considered a supplier of quality food products.	Price competitiveness of local products and imports from EU, Brazil, Turkey, New Zealand and Asia.
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 health, organic and better for you food products.	Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
Hypermarkets are 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.
Government regulations and awareness campaigns are driving more Saudis to opt for more diet and healthy and better for you food products ((low in salt, sugar, high in fiber or with add vitamins).	Some food retailers return products that is not sold by the expiration date printed on the packages to suppliers and get reimbursed.
The increasing number of pilgrims and tourists creates demand for institutional food products.	General lack of brand awareness and loyalty by most of the Saudi consumers.
More than 12 million expats live in Saudi Arabia - creating demand for ethnic foods.	Negative consumer attitude towards food containing or made from biotech products.
Saudi retail outlets are equipped to carry all types of food products, including fresh and frozen items.	Some consumers perceive U.S. food products as promoting a relatively unhealthy lifestyle.
Major retail chains are constantly looking for new-to-market U.S. products.	The Saudi Food and Drug Authority (SFDA) has been rapidly issuing new regulations and standards. They have closed the market to several products.

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

### Key factors driving the growth in retail food sales:

**Population Growth:** The Saudi population, estimated at 34.2 million in 2019, expected to reach 40 million by 2030. More than 70 percent of Saudis are under the age of thirty.

**High Disposable Income:** A per capita income of approximately \$22,953 year gives Saudis the ability to shop for high quality food products. Saudis spend approximately 18 percent of their income on food. The Saudi government offers various indirect subsidies to lower the price of staple foods.

**More Retail Outlets:** Super and hypermarket chains open new outlets frequently. The growth of retail food outlets in Saudi Arabia provides an excellent opportunity for U.S. suppliers of consumer products.

**Other Factors:** Other factors that have contributed to the growth of modern retail chains include increased urbanization, more exposure to high quality foods, and westernized food consumption patterns. Other drivers include grocery shopping as a family outing, changing lifestyles, and a craving for variety foods.

## SECTION II. ROAD MAP FOR MARKET ENTRY

The success of a U.S. company wishing to enter the Saudi market depends on its product, its knowledge of the Saudi market, and its ability to build relationships with established and knowledgeable importers. An experienced Saudi importer should know the market, import regulations, required documentation, and communicate with regulators. [This link](#) leads to recently published FAS GAIN Reports. Importers will find our two Food and Agricultural Import Regulations and Standards (FAIRS) reports – the Country Narrative and the Export Certificate Reports – useful. They provide more detailed information on Saudi food regulations and certification requirements.

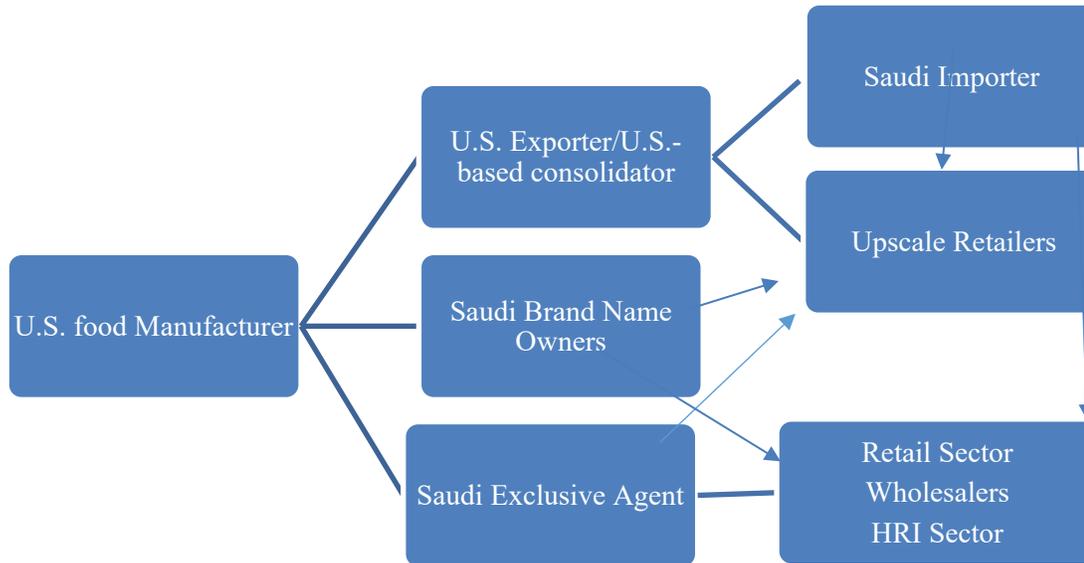
### Market Structure

- U.S. producers often sell directly to Saudi exclusive agents, pack for a Saudi private label, 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 Middle East and Africa. Consolidators may also provide services such as placing Arabic labels on food packages.
- Most major Saudi importers operate well established distribution networks and sell directly to retailers, wholesalers and the HRI sector all over the Kingdom.

There are dozens of food importers in the Kingdom, with approximately 40 accounting for the bulk of food imports from the United States. For exporter business tips search for our recently issued Export Guide at [this link](#).

## Flow Chart of Distribution Channels

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



### Major supermarkets/hypermarkets in Saudi Arabia:

There are no specialized food publications or retail journals in Saudi Arabia. Reliable data on food retailers' sales and floor space is not readily available. Profiles on the major food retailers are below.

- **Panda retail company:** The largest retailer in Saudi Arabia. This publicly traded Saudi company has 230 retail outlets (hypermarkets and supermarkets) in Saudi Arabia. The firm also has two hypermarkets in Egypt and one in Dubai, UAE. Most of the company's purchases are local but it also imports directly. <http://www.panda.com.sa>
- **Othaim Supermarket Chain:** This Saudi company has 227 stores in Saudi Arabia and 46 stores in Egypt. The company has also several wholesale outlets. Most of the company's purchases are local but it also imports directly. <https://www.othaimmarkets.com>
- **BinDawood Holding:** This Saudi company operates a total of 73 stores across the Kingdom, including the BinDawood and Danube supermarket chains. It purchases food products locally as well as internationally. It has announced that it is filing an IPO. <https://www.bindawoodholding.com>
- **Farm Superstores:** This Saudi company has 69 supermarkets in the Kingdom. Most of the company's purchases are local but it also imports directly. <http://www.farm.com.sa/en/>

- **Al Raya Supermarkets:** A Saudi-UAE company with 54 supermarkets in the Western and Southern regions of the Kingdom. It purchases domestically and imports some staple food products. <https://www.alraya.com.sa/>
- **Tamimi Supermarkets:** An upscale supermarket with 45 branches in Saudi Arabia and one in Bahrain. The company is one of the largest consolidated U.S. food products importers in Saudi Arabia. It is the only Saudi supermarket that currently sells chilled U.S. beef. <https://tamimimarkets.com/>
- **LuLu Hyper\Supermarkets:** A Dubai headquartered retailer with 36 outlets in Saudi Arabia, mostly hypermarkets. It has more than 150 hypermarkets in the Middle East and Asia. The company has plans to open 5 new Saudi supermarkets by the end of 2020. <https://www.luluhypermarket.com>
- **Carrefour Saudi Arabia** is a subsidiary of Majid Al Futtaim of UAE - the exclusive Carrefour franchisee in 38 countries across the Middle East, Africa, and Asia. They have 18 Saudi hyper and supermarkets. While it mainly imports from France, we have placed some U.S. products in Carrefour. <https://www.carrefourksa.com>

Lulu, Tamimi, Danube, and Manual Supermarkets (a chain with 9 outlets in and near Jeddah) import a significant percentage of the food products they sell directly from the United States. LuLu owns and operates [Y International USA, Inc.](#) - a U.S. purchasing and logistics company based in Lyndhurst, New Jersey that is opening additional U.S. branches. It sources and exports U.S. food products and consumer goods to LuLu in the Middle East and Asia. The other three retailers make extensive use of consolidators. Some products (like blueberries, strawberries, lettuce, cherry tomatoes, and other fresh produce) are shipped by air; most products are shipped by sea.

### SECTION III. COMPETITION

The United States faces fierce completion in the Saudi food import market from UAE, Brazil, EU, Turkey, New Zealand, India, and Egypt.

**Table 2: Saudi imports of select food products by major supplier in 2018**

Product Category \$Total Import Value	Supplier	Mkt Share	Strengths of Key Supply Countries	Advantages & Disadvantages of Local Suppliers
Dairy Products \$1.45 billion	1. NZ 2.UAE 3. France 4.Netherlands 7. USA	16.6% 19.6% 9.2% 9.1% 5.4%	Price competitiveness and quality are key factors in this market. New Zealand has been the dominant export of cheese and milk powder to Saudi Arabia.	Local food processors import cheese blocks for repacking into smaller consumer-sizes. Locally processed cheeses are price competitive. Recent tariff increases favor local producers.

Poultry Meat & Prods. (ex. eggs) \$1.16 billion	1. Brazil 2. France 3. UAE 4. Ukraine 10. USA	70.1% 18.8% 5.7% 5.0% 0.5%	Brazil is the most price competitive supplier. It also meets food service size, moisture and fat content requirements.	Local broiler meat production has gained momentum in recent years due to government assistance programs. It currently accounts for approximately 60 percent of total consumption.
Fresh Fruit \$820 million	1.Egypt 2.UAE 3. Ecuador 4. Turkey 6. USA	18.6% 16.7% 10.9% 7.8% 6.9%	Price and availability are the major criteria when importing fresh fruit.	Saudi Arabia depends on imports as it produces limited quantities of citrus, grapes, and pomegranate.
Processed Vegetables \$464 million	1.Netherlands 2.Belgium 3. USA 4. Egypt 5. UAE	20.7% 15.9% 13.5% 12.7% 7.9%	U.S. exports of these products have been steadily increasing due to competitive prices and quality.	Some local food processors import frozen vegetables for repacking. Locally packed vegetables are highly price competitive.
Fish Products \$460 million	1.Thailand 2.UAE 3. Indonesia 4. Norway 16. USA	31.5% 26.8% 12.6% 6.8% 0.4%	Thailand is the dominant supplier of fish products; it mostly ships canned tuna. The UAE re-exports seafood - including U.S. products. Norway ships farmed salmon.	Saudi Arabia is a significant exporter of high quality commercial Red Sea shrimp to the EU, U.S. and Japan
Snack Foods \$416 million	1.UAE 2. Italy 3. Turkey 4. Poland 7. USA	22.5% 17.8% 15.7% 8.0% 2.6%	The UAE is a regional food processing and exporting center. The EU and Turkey are also major suppliers due to quality and price.	Local snack food producers depend on imported raw materials and they do not pay import tariff on food products imported for reprocessing
Beef & Beef Products \$349 million	1.Brazil 2.India 3.Pakistan 4.USA 5.Netherlands	44.8% 32.2% 8.3% 3.2% 3.0%	Indian buffalo meat and Brazilian beef target lower income consumers and the catering sector. U.S. beef commands a higher price.	The only significant beef production is dairy steers and spent dairy cows.

Fresh Vegetables \$316 million	1.Egypt 2.Jordan 3.Netherlands 4.Turkey 9.USA	31.5% 25.3% 12.6% 8.5% 0.9%	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.
Tree Nuts \$269 million	1.USA 2.India 3.Turkey 4. UAE 5. Hong Kong	43.4% 26.2% 10.2% 9.0% 3.1%	Almonds account for the largest percentage of Saudi tree nut imports. The U.S. is the dominant supplier of almonds to Saudi Arabia.	No local production of tree nuts. There is some local repacking and processing.
Processed Fruit \$174 million	1.India 2.UAE 3.Egypt 4.Turkey 5.USA	24.5% 12.6% 10.2% 9.4% 7.4%	India is the largest supplier of processed fruit to Saudi Arabia in the past few years followed by the UAE and Egypt.	Some local food processors import frozen fruit for repacking into smaller consumer-size containers.

#### IV. BEST PROSPECTS

Diet, healthy, organic, and better for you food products, beef, poultry meat, beverage ingredients, non-alcoholic beer, tree nuts, dairy products, plant based meats, fresh fruit and vegetables, processed fruits and vegetables, fruits and vegetable juices, honey, and snack foods. [This link](#) provides data on U.S. Exports of Agricultural & Related Products to Saudi Arabia for the last five years.

#### V. KEY CONTACTS AND FURTHER INFORMATION

FAS Riyadh maintains an extensive network of food and agriculture contacts in Saudi Arabia and Bahrain. We can provide lists of relevant Saudi food and agricultural product importers to U.S. exporters upon request. U.S. suppliers can contact us to be matched with prospective importers, to qualify prospective importers, for assistance clearing consignments of U.S. products, marketing opportunities, and for market information and regulations.

##### Post Contact Information

Office of Agricultural Affairs, U.S, Embassy,  
Tel: 966-11-488-3800 Ext. 4351  
Fax: 966-11-482-4364  
Internet E-Mail Address: [Agriyadh@usda.gov](mailto:Agriyadh@usda.gov)

##### OAA Riyadh Reports

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

#### Attachments:

No Attachments