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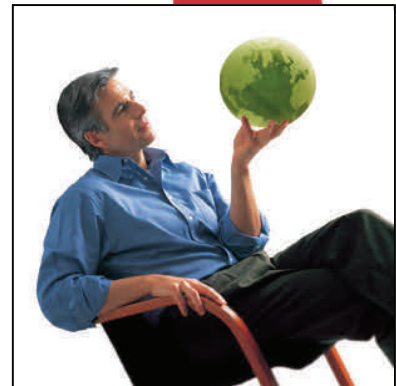
International
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MARKET INDICATOR REPORT | JULY 2012

Packaged Food Sales in Saudi Arabia



Source: Shutterstock.



Packaged Food Sales In Saudi Arabia



▶ EXECUTIVE SUMMARY

In 2010, Saudi Arabia imported more than US\$16.9 billion¹ worth of agri-food and seafood products, which is roughly a 56.9% increase over 2009. In the future, as domestic production for various commodities decreases, Saudi Arabia will require more imported food products to meet the country's increasing demand.

Saudi Arabia is one of six gulf countries that are part of the Gulf Co-operation Council (GCC). Saudi Arabia is the economic leader within the GCC and appears to be the single-largest market for agri-food and seafood in the Gulf, based on data from 2008.² The GCC has an established re-export market that requires imported agriculture, food and beverage products. Coupled with high demand and Saudi Arabia's limited agricultural production, this climate presents opportunities for foreign exporters. In this market, Canadian packaged food products are perceived as unique and high-quality.

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▶ ECONOMIC TRENDS

In 2011, the Saudi population reached 28.2 million, where approximately 50% of those were under the age of 20. The country's population is expected to increase to more than 31 million by the year 2020. Moreover, the number of people living in urban areas is expected to grow by 22%, increasing to approximately 28.9 million in 2020. In the coming years, these factors are likely to have a positive impact on packaged food consumption.

The inflation rate in Saudi Arabia has been on the rise since 2007, and the consumer price index is increasing at a rate of approximately 5.5% per year. The government has attempted to alleviate price increases, particularly on food items, by subsidizing staple foods such as rice. In 2011, Saudi Arabia's gross domestic product per capita was \$19,900 while consumer spending per capita was \$6,175.



Source: Shutterstock.

¹ Unless otherwise noted, all monetary values in this report will be in U.S. dollars.

² According to the Global Trade Atlas. Data for 2009 and 2010 are not available.



▶ ECONOMIC TRENDS (continued)

Saudi Arabia has limited agricultural production due to the nature of its climate, terrain, and the scarcity of water resources. In recent years, the government has made extensive efforts to expand the Saudi agriculture sector with investments in technology, machinery and new crop varieties. As a result, self-sufficiency was achieved in a number of agricultural products. In 2008, however, the government reduced production of these goods to save the country's limited water resources. It is expected that agriculture production that relies on water-intensive inputs, particularly wheat, will end by 2016. Despite this, high oil prices, government projects and a rise in foreign investment are expected to expand the Saudi economy overall.

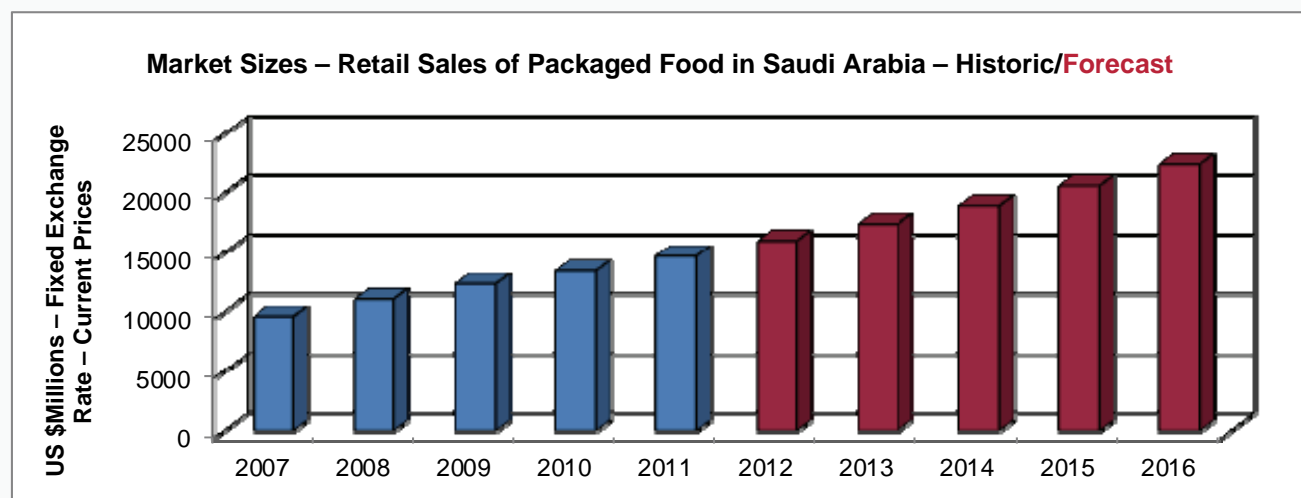
▶ PACKAGED FOOD MARKET CHARACTERISTICS

In 2011, the Saudi packaged food market was valued at \$14.7 billion, with expectations to reach \$22.4 billion by 2016. As the growing population becomes increasingly educated, higher disposable incomes are likely to follow, which will boost consumer consumption. Furthermore, more job opportunities are encouraging women to enter the workforce. Together, these factors will contribute to increasing demand for convenient packaged food and meal solutions.

Each year, approximately five million Muslims visit Saudi Arabia to see the Holy Mosques in Mecca and Medina. These pilgrimages, referred to as religious tourism, account for 50% of tourism in the country. These influxes of tourists will likely increase demand for packaged foods during religious holidays.

Western media is increasingly influencing Saudi consumers, especially younger generations, through television, the internet and social media. In addition, the Saudi government increased healthcare spending by \$13 billion in 2010. These factors have expanded health awareness amongst Saudi consumers who are demonstrating a growing preference for healthy packaged food. Manufacturers have responded to this demand by increasing the availability and variety of healthier options.

There is a tendency in Saudi Arabia for families to visit supermarkets or hypermarkets as a group. According to Euromonitor, grocery shopping is considered an outing where families can spend time together, and many hypermarkets contain activity centers where children can play. If families are shopping together more frequently, it is likely that overall consumption and impulse shopping will increase as well.



Source: Euromonitor, 2012.



► **PACKAGED FOOD MARKET CHARACTERISTICS (continued)**

Market Sizes of Saudi Arabia Packaged Food by Segment
Historic/Forecast Retail Value in US\$ millions
Current Prices – Fixed 2011 Exchange Rates

| Categories | 2011 | 2016 |
|----------------------------------|----------|----------|
| Total packaged food* | 14,680.2 | 22,387.8 |
| Bakery | 4,387.5 | 6,150.4 |
| Dairy | 3,684.0 | 5,848.9 |
| Dried processed food | 1,475.7 | 2,087.1 |
| Confectionery | 1,074.5 | 1,633.6 |
| Oils and fats | 1,017.4 | 1,614.8 |
| Baby food | 807.6 | 1,584.3 |
| Sauces, dressings and condiments | 440.0 | 704.1 |
| Sweet and savoury snacks | 410.4 | 654.3 |
| Ice cream | 367.5 | 593.7 |
| Canned/preserved food | 365.1 | 501.6 |
| Frozen processed food | 272.6 | 385.0 |
| Spreads | 240.9 | 404.1 |
| Chilled processed food | 116.3 | 189.3 |
| Noodles | 110.3 | 176.4 |
| Pasta | 66.8 | 110.2 |
| Soup | 34.4 | 55.6 |
| Snack bars | 16.7 | 29.3 |
| Ready meals | 10.2 | 17.6 |
| Meal replacement | 3.8 | 7.3 |

Source: Euromonitor, 2012.

*Note: Calculated totals are higher than the Total Packaged Food value, because some products will be classified within more than one segment.





▶ COMPETITION

Company Shares in the Saudi Packaged Food Industry (by Global Brand Owner) – % Breakdown Based on Retail Sales Prices

| Company | 2008 | 2009 | 2010 |
|--|------|------|------|
| Almarai Co. Ltd. | 8.5 | 8.7 | 9.2 |
| Nestlé SA | 5.0 | 4.8 | 4.6 |
| Danone Groupe | 4.4 | 4.3 | 4.3 |
| Kraft Foods Inc. | 2.0 | 2.1 | 2.9 |
| Abdul - Kadir Al Muhaidib & Sons Group | 3.0 | 2.9 | 2.7 |
| Savola Group | 2.2 | 2.5 | 2.7 |
| Mars Inc. | 2.6 | 2.6 | 2.7 |
| IFFCO Group | 1.6 | 1.8 | 2.0 |
| Americana Group | 1.9 | 1.9 | 1.9 |
| Saudi Dairy & Foodstuff Co. Ltd. (SADAFCO) | 2.0 | 1.9 | 1.8 |
| Halwani Bros Co. | 1.6 | 1.6 | 1.6 |
| Lactalis, Groupe | 1.5 | 1.5 | 1.5 |
| Basamh Marketing Co. | 1.1 | 1.2 | 1.5 |
| National Agricultural Development Co. (NADEC) | 1.3 | 1.3 | 1.3 |
| Saleh Abdulaziz Babaker | 1.2 | 1.1 | 1.1 |
| Pfizer Inc. | - | 1.0 | 1.1 |
| Sunbulah Food & Fine Pastries Manufacturing Co. Ltd. | 1.0 | 1.0 | 1.1 |
| PepsiCo Inc. | 1.2 | 1.1 | 1.0 |
| National Food Industries Co. Ltd. | 1.2 | 1.1 | 1.0 |

Source: Euromonitor, 2012.

Since 2005, local manufacturer Almarai Co. Ltd., has led the Saudi packaged food market in terms of market share. The success of Almarai Co. Ltd. is attributed to the popularity of the company's brand names, product innovation and marketing tactics such as television advertising, in-store promotions and customer communications. The company's production capacity, competitive pricing and distribution, as well as the acquisition of small-scale suppliers (a strategy especially practiced by Almarai), are also key factors in its rise to market leader. Into the near future, Almarai is expected to continue its dominance in the Saudi packaged food market due to these activities.

However, international companies are growing in importance in Saudi Arabia. In 2010, Nestlé SA, Danone Groupe and Kraft Foods Inc. held 4.6%, 4.3% and 2.9% of the Saudi packaged food market, respectively. In the future, the role of international companies will increase competition as they respond to the dominance of local manufacturers.



▶ PRODUCT RESTRICTIONS

There are a number of regulations that must be considered when exporting to the Saudi market. For example, packaged food labels must include Arabic or an Arabic translation as illustrated by the images below. Furthermore, Islamic law is part of the country's legislature, thus Halal requirements for imported food products are enforced. Import regulations restrict alcoholic beverages, live swine, pork, and food ingredients or additives that contain any pork products, from entering the country.

Chocolate Fudge Cake Mix
Category: Bakery
Price: \$2.70
500g



Source for all: Mintel.

Turkish Labneh
Category: Dairy
Price: \$1.36
180g



Fruit & Nut Milk Chocolate Bars
Category: Chocolate Confectionery
Price: \$2.31
5 x 45g units



Growing-up Milk with Iron
Category: Baby Food
Price: \$6.17
400g



▶ KEY MARKET SEGMENTS 2010-2011

Please note that at time of publishing this report, 2010 data for company shares and brand shares was the latest available. All monetary values are in U.S. dollars. Information in this section is from Euromonitor.

BAKERY PRODUCTS

This sector's sales increased from \$4.0 billion to \$4.4 billion, while retail volume increased from 3.6 million to 3.7 million tonnes.

Main sectors

- ▶ Sales of baked goods increased from \$3.4 billion to \$3.7 billion.
- ▶ Biscuit sales increased from \$457.6 million to \$509.6 million.
- ▶ Sales of breakfast cereals increased from \$140.2 million to \$157.6 million.

Main producers and their Saudi brands

- ▶ Western Bakeries Co. led the bakery category with 5.4% of the market in 2010. Its leading brand is Lusine.
- ▶ Nabisco Arabia Co. Ltd. led the biscuit category with a market value share of 16%. The company's leader is the popular brand Oreo.
- ▶ Kellogg Co. dominated the breakfast cereals category in 2010 with a market share of 43%. Its leading brands are Kellogg's Corn Flakes and Coco Pops.

Forecasts for 2012-2016

- ▶ Retail sales of bakery products are forecast to grow by 30.3% by 2016. Baked goods are expected to grow by 28.1%, biscuit sales are forecast to increase by 39.4%, and breakfast cereals will likely grow 51.2% over the period.



▶ KEY MARKET SEGMENTS 2010-2011 (continued)

DAIRY

This sector's sales increased from \$3.3 billion to \$3.7 billion, while retail volume increased from 1.6 million to 1.7 million tonnes.

Main sectors

- ▶ Cheese sales increased from \$1.0 billion to \$1.2 billion.
- ▶ Sales of drinking milk products increased from \$1.1 billion to \$1.2 billion.
- ▶ Sales of yogurt and sour milk drinks increased from \$741.9 million to \$812.5 million.

Main producers and their Saudi brands

- ▶ Almarai Co. Ltd. was the leader in the processed and un-processed cheese market, with a retail value share of 23% in 2010.
- ▶ Almarai Co. Ltd. was also the leading company in the drinking milk products market, with a 31% share.
- ▶ Almarai Co. Ltd. also led the yogurt market with a 47% retail value share. The leading brand from Almarai Co. Ltd. in all dairy sub-sectors is Al Marai.

Forecasts for 2012-2016

- ▶ Retail sales of dairy products are forecast to grow by 44.7% by 2016. Cheese sales are expected to grow by 50.8%, drinking milk products will likely increase by 32.6%, and yogurt and sour milk drinks are predicted to grow 43.3% over the period.

DRIED PROCESSED FOOD

This sector's sales increased from \$1.4 billion to \$1.5 billion, while retail volume increased from 998,200 to 1.0 million tonnes.

Main sectors

- ▶ Sales of rice remained stable at \$1.2 billion.
- ▶ Sales of instant noodles rose from \$105.1 million to \$110.3 million.
- ▶ Sales of dried pasta increased from \$62.5 million to \$65.9 million.

Main producers and their Saudi brands

Information regarding the main producers and brands for each sector is not available for this segment.

- ▶ The dried processed food market is mainly led by domestic companies.
- ▶ Al Muhaidib Grains Co. dominated the sector in 2010 with a value share of 26%. The company's leading brands are Muhaideb and Two Girls.
- ▶ Carrefour KSA introduced a private label brand of rice in 2011, and achieved a retail value share of 6%.

Forecasts for 2012-2016

- ▶ The dried processed food category is expected to grow by 30.9%. Dried pasta is likely to increase by 49.4%, dehydrated soup is expected to grow by 46.6%, and instant noodles are forecast to increase by 45.5% over the period.



▶ KEY MARKET SEGMENTS 2010-2011 (continued)

CONFECTIONERY

This sector's sales increased from \$970.7 million to \$1.0 billion, while retail volume increased from 76,400 to 79,800 tonnes.

Main sectors

- ▶ Chocolate confectionery sales increased from \$596.9 million to \$675.7 million.
- ▶ Sales in the gum sector increased from \$113.5 million to \$117.2 million.
- ▶ Sales of sugar confectionery increased from \$260.3 million to \$281.6 million.

Main producers and their Saudi brands

- ▶ Master Foods Middle East FZE was the leading player in chocolate confectionery with a market value share of 45% in 2010. The company's leading brand is Galaxy.
- ▶ Batook Chewing Gum Ind. Ltd. dominated the gum sub-sector with a value share of 39%. The company's leading brand is Batook.
- ▶ Halwani Bros. Co. led the sugar confectionery sector with a value share of 23%. Its leading brand is Al Nakhlah Halva.

Forecasts for 2012-2016

- ▶ Retail sales of confectionery products are forecast to grow 39.6% by 2016. Chocolate confectionery is predicted to grow by 43.5%, gum sales are expected to increase a total of 28.7%, and sugar confectionery will likely grow by 34.6% over the period.

OILS AND FATS

This sector's sales increased from \$909.4 million to \$1.0 billion, while retail volume increased from 285,800 to 301,500 tonnes.

Main sectors

- ▶ Sales of vegetable and seed oil increased from \$660.5 million to \$740.6 million.
- ▶ Olive oil sales increased from \$101.2 million to \$114.0 million.
- ▶ Sales of butter increased from \$66.9 million to \$74.2 million.

Main producers and their Saudi brands

Information regarding the main producers and brands for each sector is not available for this segment.

- ▶ In 2010, Saudi Vegetable Oil and Ghee Co. (SAVOLA) led the oils and fats category with a market value share of 40%. The leading brands for SAVOLA are Afia and Al Arabi.
- ▶ The dominance of SAVOLA is followed by Emirates Refinery Co. Ltd. with a market value share of 18%. The company's leading brands are Nour, Hayat and Alfa.
- ▶ With the leading brand Mazola, Bestfoods Saudi Arabia achieved a market value share of 9.5% in this category.

Forecasts for 2012-2016

- ▶ Sales of oils and fats are expected to increase by 44.2% over the period. Margarine is expected to demonstrate the highest sales growth of 60.9%, followed by sales of olive oil which are projected to increase by 53.8%.



▶ KEY MARKET SEGMENTS 2010-2011 (continued)

BABY FOOD

This sector's sales increased from \$684.4 million to \$807.6 million, while retail volume increased from 41,400 to 44,900 tonnes.

Main sectors

- ▶ Sales of dried baby food increased from \$99.6 million to \$107.6 million.
- ▶ Milk formula sales increased from \$549.2 million to \$659.6 million.
- ▶ Sales of prepared baby food increased from \$13.9 million to \$15.0 million.

Main producers and their Saudi brands

Information regarding the main producers and brands for each sector is not available for this segment.

- ▶ In 2010, Wyeth-Ayerst International dominated the Saudi baby food category with a market value share of 21.6%. The leading brand for this company is S-26.
- ▶ Wyeth-Ayerst International is followed by Nestlé SA, with a market value share of 12.8%. The company's leading brand is Nido.
- ▶ Nutricia SA achieved a market value share of 12.3% in 2010. The company's leading brand is Bebelac.

Forecasts for 2012-2016

- ▶ Sales of dried baby food are expected to increase by 38.0% over the forecast period. Milk formula is expected to demonstrate the highest growth at 106.9%, followed by prepared baby food with 31.1%.





▶ **NEW AND INNOVATIVE PRODUCTS**

The following is a small sample of the innovative packaged food product introductions to the Saudi marketplace in 2011, as reported by the Mintel Global New Products Database. For the purposes of this report, “innovative products” are defined using the Mintel criteria of convenient packaging, innovative ingredients, interesting packaging, novel product and/or portionability.

The Original Caramelized Biscuit



Lotus Original Caramelized Biscuits contain no additives or preservatives. This product has been introduced into the Saudi market with new 312 g packaging, with individually wrapped biscuits. This type of packaging ensures freshness and convenience, and allows for portionability. This product retails for \$4.39.

Company: Shriram Lotus Bakeries

Full Cream Evaporated Milk

Luna Full Cream Evaporated Milk is an easy-to-open product that has been repackaged for convenience. This product must be mixed with water before consumption and retails for \$0.51.



Company: National Food Industries

Crispy Wafers in Milk Chocolate



Nestlé KitKat Pop Choc Crispy Wafers in Milk Chocolate is manufactured in a re-sealable package and is only 103 calories per serving. This product retails in a 140 g pack for \$3.05.

Company: Nestlé

Coconut Milk Powder

Palmo Coconut Milk is a natural coconut product that contains no cholesterol or preservatives. It is said to be a convenient addition to recipes that require the flavour and thickness of coconut milk. This product retails in a 150 g pack for \$1.30.



Company: Shriram Coconut Products

Rusk



Othaim Rusk is a baked product that can be served with tea, milk or used as an ingredient for cooking. This product is manufactured in a 375 g package containing eight separate packets containing three pieces of rusk each, and retails for \$0.79.

Company: Al-Othaim Markets

Source for all: Mintel.

The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

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