



USDA Foreign Agricultural Service

GAIN Report

Template Version 2.09

Global Agriculture Information Network

Required Report - public distribution

Date: 10/27/2004

GAIN Report Number: TC4020

United Arab Emirates

Exporter Guide

Annual for Bahrain, Kuwait, Oman, Qatar and the UAE (Updated)

2004

Approved by:

Michael T. Henney, U.S. Consulate General, Dubai
ATO Dubai

Prepared by:

Hovaguim Kizirian/Mohamed Taha

Report Highlights: In 2003, U.S. food and agricultural exports to the Gulf Cooperation Council-5 countries totaled \$449 million, a record that will be challenged in 2004 despite bans on U.S. beef and poultry - two consumer product categories that contributed \$74 million to the record sales figure recorded in 2003. The UAE and Kuwait remain the largest markets for U.S. food products, accounting for 60 and 30 percent of sales, respectively. Consumer ready products account for 60 percent of U.S. food and agricultural product exports to these countries. The GCC unified custom tariff sets a 5-percent duty on most processed foods and a zero duty on fresh produce, live animals, staple commodities and seeds for planting.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Dubai [TC1]
[TC]

SECTION I. MARKET OVERVIEW

The Gulf Cooperation Council-5 (GCC-5¹) is a homogeneous group of small nations. The GCC-5 hosts a population of about 10 million, supports economies that are reliant on oil for revenue that correlate to high per capita income levels (U.A.E. – \$23,200, Kuwait – \$18,100, Qatar - \$21,500, Bahrain - \$17,100 and Oman - \$13,400), and harbors markets that are dependent on imported food products to meet local requirements.

Of the five countries, the United Arab Emirates (U.A.E.) is the most significant market commercially and economically. Within the U.A.E. Dubai is the country's commercial center. Dubai is also the region's trade center. Its' efficient infrastructure (seaports, airports), large free trade zone (Jebel Ali) and western business orientation provide regional commercial interests the ideal one-stop shop and warehouse service not available elsewhere within the Middle East. Dubai derives sizable revenue from the re-export business and, cognizant of this fact, invests heavily in infrastructure development, tourism projects and self-marketing internationally to attract foreign investment and buyers.

Due to the unsuitable climate, limited water resources and poor soil conditions, the GCC-5 countries must import about 90 percent of its food and feed requirements. The collective annual food bill hovers in the \$8-9 billion range, of which the U.A.E. share is about 60 percent. GCC-5 food imports from the U.S. are steadily increasing, from \$299 million FOB basis in 1998 to a record \$449 million FOB basis in 2003. Year-over-year import totals show U.S. product imports are slightly up in 2004 despite a ban on U.S. beef and poultry meats and their products. In 2003 these items accounted for \$75 million in U.S. sales to the GCC-5. Consumer-ready products account for about 60 percent of the above U.S. food exports to the GCC-5. Accurate re-export trade data is not available but the prevailing wisdom is that 50 percent of U.A.E. food imports is re-exported to neighboring Asian and African countries. In 2004, consumer food import growth is projected at 5-percent. The U.S. market share should expand given the new competitiveness of the U.S. dollar vis-à-vis other currencies and the presence of the U.S. led coalition forces in Iraq.

Most consumer demand for seafood products is met through local production and imports from Oman, Iran and India. The exceptions will be of some high-end specialized items, which would be sourced from other third countries.

Population growth rates across the region are estimated at 3 percent annually. An interesting aspect of the GCC-5 population is that in Kuwait, Qatar and the U.A.E., the local population is outnumbered by expatriates, the majority of whom are from the Indian subcontinent, and, to a lesser extent, from other Arab countries. These expatriate groups tend to perform manual labor and/or occupy a sizable share of the clerical, technical and professional middle class positions. Western expatriates in the region tend to occupy skilled labor and hold upper level professional positions. In Dubai, home to the regional headquarters of most multi-national companies operating in the Middle East region, the expatriate population holds a 4 to 1 ratio advantage over native Emiratis. Without a doubt, the expatriate community throughout the GCC influences food product imports. Of the local population, a high percentage travel annually to the West and many thousands pursue Western higher education, both actions that expose these consumers to Western and U.S. food cuisine. And, with the spread of international television via satellites and with the ubiquitous Internet, consumers buying decisions are influenced more and more by region-wide advertising campaigns.

¹ Bahrain, Kuwait, Oman, Qatar, Oman and the U.A.E.

Table 1. U.S. Agricultural Exports to the GCC-5 Countries (Million U.S. Dollars, FOB)

Country	CY 2001	CY 2002	CY 2003	January –August Comparison	
				CY 2003	CY 2004
<i>Bahrain</i>	31.8	30.4	17.4	12.5	12.9
<i>Kuwait</i>	60.5	57.6	133.6*	64.1	61.4
<i>Oman</i>	17.1	17.2	15.1	10.6	15.9
<i>Qatar</i>	11.2	17.8	14.2	10.8	7.6
<i>U.A.E.</i>	293.3*	291.7	268.5	143.1	146.0
<i>Total GCC-5</i>	413.9	414.7	448.8*	241.1	243.8

*Record

<i>Advantages</i>	<i>Challenges</i>
<i>High quality image of U.S. products.</i>	<i>High price of U.S. goods</i>
<i>High regional per capita incomes.</i>	<i>Significant competition from producers in EU, Asia, Australia, New Zealand and, increasingly, from local processors.</i>
<i>Broad familiarity with U.S. culture and desire to emulate it.</i>	<i>Large Indian subcontinent population with easy access to "home grown" products and modest income.</i>
<i>Increasing interest in U.S. products.</i>	<i>Lack of interest from some U.S. producers who are not willing to entertain small orders, and meet local labeling requirements.</i>
<i>Increasing number of tourists to Bahrain, Oman and the U.A.E. in particular; U.S. military presence in Kuwait.</i>	<i>Importers often want to start with small quantities.</i>
<i>Relatively large young population that is open to new foods and tastes.</i>	<i>All finished products must carry production/expiry dating and arrive with ½ product shelf life or more in effect.</i>

SECTION II. EXPORTER BUSINESS TIPS

- 1. Study each market:** This may seem like obvious advice, but importers often complain that U.S. suppliers are ignorant of local market conditions and requirement. Market information and trade data for the GCC-5 can be obtained from the AgExport Services (AGX) Division, FAS/Washington (Fax: 202-690-4374) or via Internet at <http://www.fas.usda.gov>. Information on ATO Dubai activities as well as related useful links in the United States and the GCC-5 countries may be obtained via the Internet from the ATO Dubai Home Page at <http://www.usembabu.gov.ae/atodubai.htm>
- 2. Visit the region:** Visiting the region to get a feel for the market and its inhabitants and to make contacts is perhaps the single most important action a U.S. company can take. Personal contact is very important. Letters, faxes or e-mails alone will not suffice. Repeat visits are equally as important as they show your seriousness about the market.
- 3. Participate in the Gulf Food Show (GF):** If serious about penetrating this market, attending the Middle East's largest food show, the biennial Dubai-hosted Gulf Food, should be worked into your strategic plan. Nearly 70 percent of U.S. exhibitors return to participate in future Gulf Food shows as this event's ability to attract regional buyers is well recognized. Please contact ATO Dubai for more details on the February 20-23, 2005 exhibition. Note: Contact your State Department of Agriculture or your SRTG to learn if support can be provided for your participation in this show.
- 4. Exhibit at a major U.S. food show:** If you cannot visit the region or attend Gulf Food, notify potential customers of your participation in various U.S. food shows. Give your contacts plenty of advance notice so travel arrangements can be made. Each year approximately 40-50 major GCC-5 based food importers attend the FMI/NASDA exposition. GCC buyers show steady interest in many other U.S. trade shows such as the NRA, Private Label, Bakery Ingredients, SNAXPO and Fancy Foods, to name a few.
- 5. Target reliable importers:** The AGX Division, FAS/Washington, can provide a list of local importers, by product. In addition, ATO Dubai (Fax: 971-4-311-6189; Email: atodubai@emirates.net.ae) can provide a directory of GCC-5 companies known to be importing U.S. food products, by product category, brand and country.
- 6. Be prepared to discuss product price, preferably on a C&F basis:** Be sure to include the cost of label modification to meet local regulatory requirements. The product's production and expiry dates are mandatory on the original package label. Arabic/English language labels or stickers are mandatory as well.
- 7. Bring samples and be prepared to discuss marketing strategy and possible promotional assistance:** Samples are an important market introductory tool. To help encourage introduction of new-to-market products offering importers assistance with advertising, in-store displays and even price discounts may be necessary.
- 8. Help advertise:** Print advertising is perhaps the most cost effective means of promoting a new product. Television advertising is quite effective if targeting a regional audience, but very expensive.
- 9. Provide an e-mail address, website URL and/or phone number:** Provide contacts and consumers contact information through which they can submit queries on the products.

10. Be willing to fill smaller-than-your typical orders, to consolidate shipments, or to share a shipment with someone: Local importers will want to purchase small initial quantities, particularly new-to-market products, to determine the product's true market potential and to develop the supplier/buyer relation.

11. Be wary of agency agreements: These agreements have been virtually impossible to terminate without penalty in some of the GCC-5, even if the local company fails to comply. Fortunately a relaxation in agency agreement law is underway in GCC countries. Legally it is no longer required in the U.A.E. and Oman.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

In 2003, U.S. agricultural, fishery and forestry product exports to the GCC-5 totaled \$449 million, of which about 60 percent was consumer-ready foods and beverages. Our estimation is that 55 percent of this trade went directly to food retail. In the case of the U.A.E., an estimated fifty percent was re-exported to other GCC countries, East Africa, Iran, some Former Soviet Union states, and the Indian subcontinent.

The Hotel, Restaurant and Institution (HRI) sector consumes about 25 percent of imported U.S. consumer-ready foods and beverages, particularly red and poultry meats. Hotel development and the concomitant drive to attract tourists is especially pronounced in Dubai, but is emerging as a visible economic development strategy in the other GCC-5 neighbors as well. Compared to food retailing and processing, the HRI sector is expanding more rapidly. Institutional demand is driven by a large sub-continent expatriate-staffed labor camp component. Semi-processed commodities like frozen chicken and meat, and rice is driving demand in this sub-sector rather than more highly processed food products. The catering sub-sector that services the U.S. led coalition forces present in and around the Gulf region is flourishing and is consuming higher value food ingredients more typical to the Western diet. In 2003, U.S. food and agricultural exports to Kuwait more than doubled. The catering sector servicing coalition forces in Kuwait and neighboring Iraq, as well as re-exports of products to the Iraqi market thru Kuwait fueled this jump in U.S. trade. Products of particular demand by the Kuwaiti market include red meat, poultry meat, dairy products, processed fruits and vegetables, snack food and shell eggs. With a continued military presence in the region, U.S. food products and food ingredients should remain in relative high demand.

The wheat and oilseed processing sectors are over-built in the Gulf region. However, the food-processing sector is small, but growing. It consumes all the intermediate/semi-processed products the U.S. sells to the region. The U.A.E. hosts the most developed food-processing sector, followed by Kuwait and Bahrain. In the food-processing sector, U.S. ingredients are mainly used in the following product categories - milled wheat, processed dairy, vegetable oil, manufactured snack foods, reconstituted juice, processed seafood, canned food and other beverages. Indian beef is used for processed meat, but this product serves the low-end retail market. U.S. beef is reserved for the high-end HRI sector. The U.A.E. recently added a major soybean crushing facility, holding a 4 million metric ton processing capacity. When fully operational, regular and sizeable U.S. soybean import trade should be possible. Local dairies and poultry farms are not large enough to meet local demand. A number of local companies reconstitute dairy products from milk powder, primarily sourced from Europe, New Zealand and Australia. We expect that an increased number of multinational food companies will look to tie up with local processors where opportunities present themselves.

More details on the food-processing sector in the U.A.E. are available in the Food Processing Sector Gain Report #TC2006, dated June 7, 2002.

Food Retail Consolidation: Like many developed countries around the globe, the food retail sector in the Gulf region is undergoing consolidation due to greater competition. Third country-origin hypermarkets, such as Carrefour, which now has eight stores in the U.A.E. and one each in Oman, Qatar, and Bahrain, and Casino, another French retailer about to open in the U.A.E., are transforming the local retail sector by forcing local entities to expand and/or upgrade existing facilities to remain competitive. For example, the EMKE group, a major Abu Dhabi importer, distributor and retailer and a pillar of the local retail industry, is upgrading its "Lulu" hypermarket/mega store chain across the country. The EMKE group caters to a broad cross-section of consumers, primarily Indian expatriates and others in the middle class. Spinney's, Choithram and Lal's, other local retailers, are accepting the challenge, either adding hypermarkets or upgrading existing supermarket stores. Consumer cooperatives also are trying to keep par with its private competitors by opening state of the art hypermarkets.

The casualties of this competition will be small and some medium-sized groceries, depending on their locations. Most mom-and-pop shops, however, should survive given the multiple services they provide on demand by customers.

Tourism's Potential: Though historical ruins or legal vices (casino gambling and alcoholic beverages are off limits for Muslims) may be lacking, the Gulf region does offer business and casual visitors excellent winter-time weather, a long inviting coastline for water activities, and first-rate hotels with top quality food and services. In addition, the region offers some of the richest international events ranging from golf and tennis tournaments, formula 1 car racing (in Bahrain and UAE), horse-racing's largest purse (Dubai) and a host of trade events that garner broad attendance from across the Middle East and beyond. The GCC-5 countries, Dubai, U.A.E. in particular, are working hard to make travel to this region more pleasurable.

Overall, ATO Dubai projects U.S. food export growth to the GCC-5 at 5-10 percent annually for the next few years absent any major flare-up/fall-out in the Middle East.

Trends in promotion/market strategies and tactics: Promotions and aggressive product marketing are essential, in view of the intense competition between countries, companies and brands, not only to have but to also maintain a profitable market share. Newcomers to this market should be prepared to include product marketing and promotional support in their plan as the importer may not be prepared to invest in new-to-market products without initial support from the supplier.

While the spread of satellite channels are making multi-market adverting easier, the cost is expensive. Regular in-store promotions and newspaper ads are still the most commonly applied advertisement tools in this field.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- | | |
|--------------------------------|---------------------------------|
| 1. Almonds (shelled) | 9. Condiments and Sauces |
| 2. Beef (chilled & frozen) | 10. Breakfast Cereals |
| 3. Poultry Meat (frozen parts) | 11. Confectionary Products |
| 4. Snack foods | 12. Frozen Vegetables |
| 5. Fresh Apples & Pears | 13. Pulses |
| 6. Edible oils | 14. Planting Seeds |
| 7. Cheeses | 15. Sweeteners & Beverage Bases |
| 8. Fruit and vegetable juices | 16. Pet Foods |

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE (ATO) - DUBAI
6020 Dubai Place, DEPARTMENT OF STATE (AGR)
WASHINGTON, DC 20521-6020

LOCAL MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE
U.S. CONSULATE GENERAL
P.O. BOX 9343
DUBAI, UNITED ARAB EMIRATES

TELEPHONE: 971-4-311-6183 OR 311-6100
FAX: 971-4-311-6189
E-MAIL: atodubai@emirates.net.ae
INTERNET HOMEPAGE: www.usembabu.gov.ae/atodubai.htm

Pertinent Government Food Import Contacts:

Bahrain: Dr. Abdullah Ahmad, Head of Food & Water Control Section, Ministry of Health
Telephone: 973-17-273-683 Fax: 973-17-279-253

Kuwait: Mr. Khaled Al-Zahmoul, Manager Imported Food Department
Kuwait Municipality
Telephone: 965-481-0972/0963 Fax: 965-481-0939/1358

Oman: Mrs. Aida Al-Riyami, Director, Specs. & Measure, Min. of Commerce
Telephone: 968-771-3268 Fax: 968-771-5992
E-Mail: dgsm123@gto.net.om

Qatar: Dr. Jasim Al-Jedah, Director, Central Laboratories, Ministry of Public Health
Telephone: 974-432-9718; Fax: 974-435-3769
E-Mail: rcfcm@qatar.net.qa

UAE:
(Federal) H.E. Mr. Jassim M. Darwish, Secretary General, General Secretariat
of UAE Municipalities
Telephone: 971-4-223-7785 Fax: 971-4-223-6136
E-mail: baladiat@emirates.net.ae

(Abu Dhabi) Dr. Amin Yousuf, Director, Food & Environment Control Center
Telephone: 971-2-698-0300/211 Fax: 971-2-785-961
E-mail: aminyousuf@hotmail.com

(Dubai) Mr. Khalid M. Sherif, Head of Food Control Section
Telephone: 971-4-206-4200 Fax: 971-4-223-1905
E-mail: foodcontrol@dm.gov.ae