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Report Highlights:

Saudi Arabia is a \$5.3 billion import market for food and agricultural products, with the U.S. share accounting for 6 percent. While a substantial portion of U.S. exports to Saudi Arabia are bulk and intermediate products, U.S. exports of consumer-oriented food products to the Kingdom reached \$121 million in CY 2003. With a young and growing population, Saudi Arabia is expected to continue to be a sizeable market for food products in the years to come. This report provides guidance to U.S. companies that are interested in exporting high value products to Saudi Arabia.

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I. MARKET OVERVIEW

The Kingdom has more than 260 billion barrels of proven oil reserves, more than 25 percent of the world total and up to 1 trillion barrels of ultimately recoverable oil. The country is the leading oil exporter in the world and the economy depends on oil revenue and is subject to sharp swings caused by volatile oil prices. Oil and oil derivatives account for up to 95 percent of the Kingdom's export earnings. Gross Domestic Product (GDP) increased by an estimated 31 percent from 1999 to 2003 (\$161.0 billion vs. \$211.2 billion), increasing the per capita nominal GDP from \$8,001 to \$9,139 in the same period. The sharp increase in oil prices in the past several months is expected to further boost the country's GDP and per capita income by the end of 2004.

The Saudi annual population growth rate remains above three percent, with 70 percent of the population under the age of 30. The Kingdom's population is expected to double in 20 years from its current level of 24 million to more than 40 million.

Saudi buying and eating habits have changed significantly since the introduction of Western-style supermarkets and restaurants in the late 1970s. Built initially to cater to Western expatriates, modern Western-style Class A supermarkets are popular in Saudi Arabia and continue to increase in number in the major urban areas of the Kingdom: Riyadh (Central Province), Jeddah (Western Province), and Dammam, Al Khobar, and Dhahran (Eastern Province). Increases in the number of outlets have made it feasible for many supermarket chains to import a portion of their stock directly from the United States. Nevertheless, supermarket chains and other retailers depend enormously on local importers for sourcing, merchandising, and inventory control.

The Saudi market for imported consumer food and edible fishery products increased by four percent from 2001 to 2002, reaching about \$2.7 billion in CY 2002 (total Saudi food and agricultural, fish and forestry products imports amounted to \$5,333 billion in 2002). According to the U.S. census data, exports of consumer-oriented products from the U.S. to Saudi Arabia increased from \$107 million in CY 2002 to \$121 million in CY 2003. The main contributing reasons for the increased U.S. foodstuffs imports were the expansion in the retail sector, the capabilities of U.S. beef exporters to adapt to the Saudi Arabian meat and poultry import regulations issued in 2001 and the diminished effect of the grassroots movement to boycott American products due to the ongoing political situation in the region. Major local foodstuff importers have indicated a significant increase in U.S. foodstuffs imports thus far this calendar year. According to the U.S. census January-July 2004 data, total agriculture, fish and forestry products imports from the States increased about 22 percent, compared to the same period last year. Strong Euro relative to the U.S. dollar to which the Saudi Riyal is pegged (\$1=3.75 Saudi Riyals), is one of the reported reasons for the increased U.S. agricultural products exports to the Kingdom in the first seven months of this year.

Nowadays, an increasing threat to the expansion of U.S. foodstuffs exports to the Kingdom comes from a growing and fierce competition from both locally produced and imported food products from mainly EU, and nearby Arab and Asian countries. The number of food processing companies in the Kingdom continues to grow. Both local and foreign brand potato chips (Frito-Lay), snack foods, fruit juices, breakfast cereals, peanut butter, cheeses, tomato pastes, hot sauce, ketchup, and other products are produced in Saudi Arabia. Most food processors rely extensively, if not entirely, on imported raw ingredients.

Saudi consumers are discriminating consumers and they enjoy new food products. With a young and growing population as well as a significant increase in retail outlets,

U.S. food and agricultural exports to the Kingdom should continue to expand in the coming years.

The demand for institutional-size food products by the catering sector remains strong, given the huge number of expatriate third country nationals working in Saudi Arabia and the increasing number of foreign pilgrims visiting the two holy cities (Mecca and Madina). There are more than eight million expatriate workers in the Kingdom, most of whom are from the Sub Continent of Asia (India, Pakistan, Bangladesh) and the Philippines. The number of foreign pilgrims coming for Haj and Umra rituals is estimated at about five million per annum.

Dining at fast food restaurants is popular among Saudi families and expat workers. International fast food chains such as KFC, Burger King, and McDonald's and local chains such as Herfy import part of their ingredients from the US. Large catering companies, especially those serving Western expats, also buy a portion of their requirement directly from the United States.

Saudi Arabia has been negotiating to accede to the World Trade Organization (WTO) for the past few years. Of the six Gulf Cooperation Council (GCC) members (Kuwait, Oman, Qatar, United Arab Emirates, Bahrain, and Saudi Arabia), only Saudi Arabia is not a WTO member. In the area of agricultural trade, major stumbling blocks are shelf life issue, biotech labeling and meat import requirements. The country has reportedly made substantial progress in the past few months towards accession and the outlook for membership in the next few months is promising. To accede to organization, Saudi Arabia is required to reconcile its trade laws and practices with WTO obligations and negotiate acceptable schedules of market access commitments in goods, services and agriculture. Among other things the Kingdom is required to adapt an open, transparent and science based rules and regulations when it comes to food and agricultural related standards and regulations.

The Saudi Arabian Standards Organization (SASO) determines and sets production/expiry dates for all imported food products. On the shelf life issue, the US prefers that Saudi Arabia adopt the practice of "best if used by," allowing product manufacturers to determine shelf life dates.

The table below provides a summary of advantages and challenges of pursuing the Saudi market for imported foodstuffs:

ADVANTAGES	CHALLENGES
The Saudi population is growing at about 3.5 percent annually.	Increased competition from locally produced food products and from imported food products from Europe, nearby Arab countries and Far East.
The number of upscale supermarkets continues to increase, creating greater opportunities to display new-to-market American food products.	<p>Freight costs from the United States are higher compared to those from Europe and Hong Kong.</p> <p>Local importers usually prefer to start imports with small quantities while some U.S. firms prefer to start with larger orders.</p>
The growing number of fast food restaurants, hotels and resorts and the thriving catering sector depend heavily on imported institutional size food products.	<p>Arabic labeling, biotechnology labeling and shelf life restrictions.</p> <p>All consumer ready foodstuffs must arrive at Saudi ports with half shelf life or more remaining.</p>
The rapidly growing food processing sector depends on imported ingredients.	<p>Halal certification required for all meat and poultry products exported to Saudi Arabia.</p> <p>Additional statements on the health certificate accompanying poultry & livestock meat shipments to indicate that the animals slaughtered for export to the Kingdom were not fed animal protein, ruminants and were not treated with growth hormones.</p>

Saudi consumers like to try new products and shop more often at supermarkets.	Saudi regulations require that the number of different food items in one container not exceed 25.
The increasing positive attitude of Saudis to mass media advertisements.	Willingness by a significant percentage of the Saudi consumers to support calls to boycott American products for political reasons.
The U.S. is considered a supplier of quality foodstuffs.	High price of U.S. goods compared to other sources.
The potential for agricultural production is limited in Saudi Arabia due to the lack of arable land and water, hence imports of food will continue to be strong and will continue to increase in the future.	The Saudi economy is overly reliant on oil revenue and subject to sharp swings caused by volatile oil prices.
Young population: Virtually 70 percent are under the age of 30. Younger Saudis prefer Western-style foods more than their parents.	
Changing lifestyles. The number of working women is increasing, leading to more shopping at supermarkets to purchase prepared food items.	
Per capita income of \$9,139 in 2003 and this is expected to increase this year due to high oil prices.	

II. EXPORTER BUSINESS TIPS

Local Business Customs

All food products are imported by the private sector. The vast majority of food products are subject to a 5 percent import duty. Selected products produced in significant quantities carry a 12 or 20 percent import duty. For instance, imported poultry meat, table eggs and ice cream are charged a 20 percent import duty while peanut butter and mayonnaise are subject to a 12 percent duty. Rice, coffee, tea and red meat enter the country duty free. For religious reasons, Saudi Arabia bans imports of alcoholic beverages, live swine, pork & food ingredients or additives that contain pork products, including pork fat and gelatin. Meat and poultry shipments must be accompanied by a "Halal" slaughter certificate issued by an Islamic center in the country of origin. Additional statements on the health certificate accompanying poultry & livestock meat shipments must indicate that the animals slaughtered for export to

the Kingdom were not fed animal protein ruminants and were not treated with any growth hormones.

There are dozens of food importers in the Kingdom, with about 25 accounting for the bulk of food imports from the United States. Each importer operates differently:

1. Private labels are becoming common practice in Saudi Arabia. Some large Saudi importers pack foodstuffs under their own brand names locally and in foreign countries including in the United States. The firms have developed private labels, which appeal to Saudis and other Arabs in the Kingdom. Others use labels with Western-sounding names to appeal to British, Americans, and other Western expatriates. Salim Basamah Company, perhaps the largest importer of grocery products in Saudi Arabia, places its private label, "Goody" on a wide variety of food products imported from the United States. "Goody" appeals to American, British, and other Western expats. Basamah's cousin, also a large food importer, uses an Arabic sounding private label, "Al-Alali" to appeal to Saudis and Arabs, even though a significant percentage of his products are American origin.

Hence, a can of American peaches can be marketed in Saudi Arabia under several different labels:

- under an established U.S. brand such as Monarch or Libbys
- under a Saudi private label: like Goody or Al-Alali.
- or under a U.S. private label: such as Monarch.

2. Some importers deal with U.S. companies manufacturing and marketing national brands, such as Kellogg's, Campbell Soup, Budweiser non-alcoholic beer and usually require sole agency agreements. The Saudi importers will help build the brand, but request support from U.S. companies. Assistance offered by the U.S. companies includes promotional and marketing assistance.

3. Some companies import a wide range of food products for mass distribution, employing the use of consolidators in the United States. Many of the consolidators are sole regional agents of major U.S. manufacturers or brand owners covering the entire Middle East and African regions. Most U.S.-based consolidators assist Saudi food importers by sourcing products from wholesalers, such as Fleming, and providing services such as placing stickers on labels. Current Saudi regulations allow U.S. suppliers to place an Arabic language sticker on the original English language label. The stickers translate key ingredient and product information into Arabic. Stickers is a laborious task and most manufacturers do not want to bother with this. Most U.S. consolidators are based in Houston, New York, Miami and in other port cities and that have large wholesalers.

4. The newly inaugurated French hypermarkets and many local supermarket chains, especially those with the ability to handle large volumes, are importing directly part of their needs. One local company owning a modern supermarket chain imports several containers of American food products each month for sale in its stores, lending support to a wide range of brands without a binding agency agreement.

If a product has performed well in the market, a U.S. company may opt to go beyond the sticker stage and develop a bilingual label in both Arabic and English. Monarch is one of many U.S. companies, which have developed bilingual labels for the Middle East. Non-alcoholic Budweiser beer was launched in the Kingdom in 1999, with a red,

white, and blue bilingual label. However, significant quantities of U.S. origin grocery items found in Saudi supermarkets have stickers.

Saudi importers are constantly searching for new products, and often request support from suppliers for promotion and advertising. The Saudi consumer is a discriminating consumer, closely examining labels and looking for the best deal. Advertising is considered a necessity to win Saudi consumers. Two-for-one deals are very popular in larger supermarkets in moving near expiry foodstuffs. Major Saudi supermarkets are in the initial stage of introducing category management. As the system becomes more popular, many product brands are expected to be eliminated. The recent introduction of French hypermarket chains Géant and Carrefour (will open early in October 2004) to the Saudi retail market as well as the opening of Hyper Panda have launched a new era of retailing in the Kingdom with the state of the art shopping experience resulting in a fierce head on competition in the Kingdom's retail sector. Hyper Panda is owned by Al Azizia-Panda Inc., the largest local supermarket chain with 47 outlets in major cities of the Kingdom. Local distributors are being asked for listing fees raging from \$2,000 to up \$27,000 depending on the size and power of the distributor. The bigger the distributor, the more power he has to negotiate the least listing fee. In addition to listing fees, distributors are asked to provide specified percentage rebate on total annual turn over, contribute to advertising campaigns, provide at least 60 days payment terms, and reimbursements for expired items. Distributors authorize retailers to offer special offers to consumer such as buy one and get one free mainly for products with 60 days shelf life remaining.

Client Base and Consumer Preferences

Saudi Arabia is located between Europe and Asia. With its large expatriate population, the Kingdom is a multi-ethnic society. Consequently, foods from around the globe are found in Riyadh, Jeddah, Dammam, and other urban areas in the Kingdom. There are two basic consumer categories in the Kingdom:

Saudi citizens (16 million)

Expatriates temporarily residing in the Kingdom (8 million)

Most expatriates are from South Asia (Indian, Pakistan, Bangladesh, Sri Lanka) Egypt, Sudan, Yemen, the Philippines, and East Africa. The number of Western expatriates residing in the Kingdom is estimated at about 80,000, mostly Americans and British. However, the number has been going down significantly due to the continued terrorist attacks targeting mostly American and other Western citizens in Saudi Arabia, which intensified earlier last year. The American and British living in the country tend to occupy "white collar" or professional positions. Many Saudi supermarkets hire Americans and British as general managers, operation managers, and executives.

Saudis and Western expatriates are the largest consumers of American consumer-oriented products and the principal shoppers in Class A supermarkets. The Saudi consumer is becoming more enlightened to quality, nutritional value, price, and packaging. Saudis pay attention to expiry dates on products. Saudis and Westerners enjoy new products and supermarket managers acknowledge that those companies offering a wide variety of products will ultimately succeed in this competitive market.

A recent trend in the Kingdom has been the decline in canned food products in favor of fresh or frozen food items. Frozen foods are perceived by consumers as being fresher than canned foods. Saudis prefer eating fresh foods, but changing lifestyles and an increasing number of women entering the workplace have created a demand for

prepared foods. A significant percentage of Saudis continue to purchase a large percentage of their food at wholesale markets, but more and more Saudis are shopping regularly at Hypermarkets/supermarkets, especially women. Hypermarket/supermarket shopping is considered a primary form of entertainment for the Saudi family. The recently introduced hypermarkets are huge (up to 100,000 square feet), up to 57 check out counters, and provide more than 55,000 items including foodstuffs, textiles, clothing, tools, toys, computers, cleaning machines and various electronics. Some supermarkets have built large play areas for children and are surrounded by several boutiques, specialty shops such as photo and music shops, and fast food restaurants.

Corner grocery stores, commonly referred to as bakalahs, are found in every neighborhood in the Kingdom. They cater mainly to Saudis and third country nationals. Despite the tremendous increase in the number of Class A supermarkets and the growing number of hypermarkets, the number of bakalahs has not decreased, as once predicted. Perhaps the main reason is that Saudi women cannot drive and the fact that many third country nationals working in the Kingdom do not own automobiles. Most compounds, housing expatriates, contain one or two corner grocery stores. The Saudi company, "Arabian Food Supplies," for example, has small grocery stores located in many "Western" compounds in Riyadh, Jeddah, Al-Khobar and in SAUDI/ARAMCO compounds. With the continued growth in private residences in major cities of the Kingdom, corner grocery stores continue to be built. They are filled with many imported consumer-oriented products. Most have the capability to store frozen foods, and all contain refrigerators.

If and when women can drive in the Kingdom and if Saudi-ization results in the departure of more third country national expatriates from Saudi Arabia, some analysts expect that the number of bakalahs will decrease significantly. The Saudi government has put teeth over the past few years in its long-standing Saudization program by compelling private sector firms to increase the proportion of Saudis in their workplace by five percent per year. Saudi Government decreed in 2004 that all check out counters at hypermarkets\supermarkets must be manned exclusively by Saudi citizens. In 2000, the government banned expatriates from working in fruit and vegetable markets and in 2002 the ban was extended to bakalahs (corner stores) with less than 40 square meters. There are more than 50,000 bakalahs in the Kingdom.

In addition to corner grocery stores, there are thousands 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.

Food Standards and Regulations

Saudi regulations, which U.S. exporters must pay attention to and adhere to are as follows:

- Government-imposed shelf life requirements
- Arabic labeling
- Biotech Labeling
- Halal Slaughtering
- Animal ruminants and growth hormones certificates for imported meat

Shelf Life

The Saudi Arabian Standards Organization (SASO) sets shelf life requirements (production/expiry dates) for all food products. Production/Expiry dates for selected products were reduced or halved in 1993 per Saudi Standard 702/1993 and Gulf Standard No. 150/1993, however, shelf life for other products was actually increased. For more detailed information, please refer to SA4004 of February 2004 entitled "Saudi Arabia: Food and Agricultural Import Regulations and Standards."

General Prepackaged Foodstuffs Labeling

Regulations for labeling of prepackaged foodstuffs are found in Gulf Standard 9/1995. In sum, prepackaged food product labels should be in Arabic or include an Arabic language translation of the label. At a minimum, product labels must contain the name of the product, name of the packer, country of origin or manufacture, listing of ingredients, consumer instructions, and production/expiry dates.

Biotechnology Labeling

On December 1, 2001, the Saudi Ministry of Commerce (MOC) implemented the Ministerial decree number 1666 issued on December 11, 2000 regarding labeling of foodstuffs containing biotech animal products.

Following is the summary of the MOC's Directive No 1666:

1. Ban on Biotech Animal Products: One of the main features of the Ministerial Directive No 1666, is the **IMMEDIATE AND TOTAL** ban placed on the imports of foodstuffs containing genetically engineered animal products to the Kingdom. The directive did not give reasons for the total ban of animal products. However, ATO trade sources believe that the decision was taken to make sure all imported foodstuffs are Halal and do not contain products from swine and other animals banned for consumption by the Islamic religion.

2. Positive Biotech labeling: If a product contains one or more biotech plant ingredients, the information should be clearly communicated to the consumer by labeling. A triangle should be drawn and in it the text should read "**Contains Genetically Modified Product (s).**"

3. Bilingual Labeling: The biotech statement must be clearly written in both Arabic and English languages with an ink different from that of the main product.

4. Health Certificate: Biotech products or genetically engineered products, which are exported to Saudi Arabia, must have been approved in the country of origin for human consumption. Each shipment must be accompanied by a health certificate issued by biotech licensing government agencies (such as the FDA) stating that the biotech ingredient (s) used in the foodstuff is approved in the country of origin (United States) for human consumption. One certificate could be issued that certifies a list of biotech items used in a foodstuff.

5. Quality Standard: All biotech foods products should be in compliance with legal and ethical controls observed in the Kingdom and must meet pertinent Saudi Arabian standard specifications.

6. Locally Produced Foodstuffs: The biotech labeling requirements will also apply to locally produced agricultural products.

For U.S. grains imported to the Kingdom, the Saudi Minister of Agriculture (MOA) has accepted a USDA Grain Inspection, Packers and Stockyards Administration's (GIPSA) one-time biotech grain certification statements submitted to the Ministry by ATO\Riyadh in May 2003. The statements certify that the exported transgenic grains are the same as those consumed in the US. The MOA acceptance of the GIPSA statements eliminates the need for a shipment-by-shipment positive biotech certification for U.S. corn and soybean meal shipped to Saudi Arabia. Until other countries negotiate a similar arrangement with the Saudi officials, U.S. grain exporters are the only ones who are not required to obtain official biotech certificates for their grain exports to the Kingdom.

Certificate of Islamic Slaughter

Per Saudi Arabia Standard No. SSA 630/1998 (Animal Slaughtering Requirements According to Islamic Law), a Certificate of Islamic Slaughter must be issued for all meat and poultry products entering the Kingdom of Saudi Arabia. This certificate is issued by Islamic institutions in the United States, which are recognized by the Saudi Embassy and/or Consulates. Information related to the approved Islamic institutions may be obtained from the Saudi Embassy in Washington, D.C. or the nearest Saudi Consulate (New York, Houston, Los Angeles).

General Import and Inspection Procedures

The majority of Saudi food imports enter the country via Jeddah port on the Red Sea or Dammam port on the Arabian Gulf. About two-thirds of all foodstuffs enter Jeddah. Imports from Jordan, Syria, and nearby countries enter the Kingdom by truck.

King Khalid International Airport in Riyadh and King Abdulaziz International Airport in Jeddah also receive significant quantities of food items, particularly fresh fruits, vegetables and chilled meat. Fresh and chilled products are usually cleared within 24 hours of arrival.

Imports of Samples

Samples destined to Saudi importers or for display in food shows are exempt from Saudi labeling and shelf life regulations, but are subject to inspection at ports of entry. Samples shipped to Saudi Arabia by D.H.L. or Federal Express and similar carriers must contain a commercial invoice specifying that the product is not for sale and has no commercial value.

Certification and Documents Requirements

Saudi Arabia requires the following documents for imported foodstuffs:

(1). Commercial Invoice (2). Health Certificate from the Country of Origin (3). Halal Slaughter Certificate for Meat and Meat Products (4) Certificate of Origin (5). Animal Ruminants Feed and Growth Hormones Free Certificates for imported Meat and Meat Products (6). Biotech Certificate for products containing biotech ingredients (7). Bill of Lading (8). Packing List (highly recommended to expedite product inspection and clearing).

The first six documents listed above must be legalized by a Saudi Consulate or the Saudi Embassy. Some Saudi Consulate/Embassy officials may ask the documents first attested by U.S./Arab Chamber of Commerce or any U.S. Chamber of Commerce

located in the city or area where the exporting firm is based as a requirement for their endorsement. It is vital to note that documents number five and six must be certified by the USDA's FSIS to be notarized by the Saudi officials.

Product Inspection

The Saudi Ministry of Commerce inspects all imported foodstuffs at the port of entry, with the exception of herbal preparations. The Ministry of Health inspects health and supplementary foods while the Ministry of Agriculture tests live animals, plants, seeds and feed. If a consignment is rejected for not adhering to Saudi standards, the importer is requested to either re-export or destroy the product in the country.

Customs Clearance

As stated earlier, shipments of food products must be accompanied by a commercial invoice, health certificate, and other selected documents. An importer is responsible for translating the commercial invoice into Arabic (per Saudi Customs requirements) and to provide the translated document to his Customs agent in order to start the clearing process. Containers are normally cleared in less than ten days provided all documents are in order and imported products meet Saudi standards and specifications.

If the Ministry of Commerce's laboratory at the port of entry rejects a product, an importer may submit an appeal calling for a retest. The appeal must be submitted in writing to the Director General of the Quality Control and Inspections Department of the Ministry of Commerce. If an appeal is accepted, the Director General orders a retest by another laboratory. If the second test verifies initial results, the exporter is ordered to re-export or destroy the product.

Banned Products

For religious reasons, Saudi Arabia bans imports of alcoholic beverages, live swine, pork, and foodstuff ingredients or additives that contain pork products, including pork fat, and gelatin. Other banned products include meat of asses, mules, hinnies (fresh chilled, or frozen), frog legs, poppy seeds, hemp seeds, opium and hops and swine leather.

III. MARKET SECTOR STRUCTURE AND TRENDS

Retail Sector

Currently, there are three hypermarkets in the Kingdom all based in Riyadh. In 2005, the number is estimated to reach up to 10 outlets as the three hypermarkets (Hyper Panda, Géant, and Carrefour) open new branches in Riyadh, Eastern Province and Jeddah. Class A and B supermarkets in the Kingdom total more than 300 and are increasing in number. Most are comparable to those in the United States. Major supermarket chains include Tamimi Markets, Al Azizia-Panda, Giant Stores (no relation to Giant in the United States), Al Raya, Watani, Danube, Farm, Al Hamada, Al Sadhan Markets, Universal Marketing Centers, Marhaba Markets, Bin Dawoud and Star Supermarkets. All of these supermarkets have modern frozen food sections and handle a number of food products from the United States. Tamimi Markets and Al Azizia-Panda import fresh fruit and vegetables directly from the United States, such as strawberries, apples, celery, lettuce, and other selected produce are flown in while others are shipped in containers. Tamimi and Al Azizia-Panda also import a significant

percentage of dry goods, chilled beef, and dairy products directly from the U.S., employing the use of consolidators.

Tamimi Markets began as a partnership with Safeway USA, but has been wholly owned by the Tamimi family since late 70s. Tamimi continues, however, to sell Safeway brand products. All other supermarket chains in the Kingdom are wholly owned by Saudi companies with the exceptions of Géant, and Carrefour, which are joint ventures between the French owners and Saudi investors. Many are managed by Western expatriates, mainly American and British. Al Azizia-Panda has grown from a few stores in early 1990 to more than 47 today, mainly through acquisition of existing supermarket chains. The supermarket business has become very competitive. Larger volumes will enable selected chains to import directly, in an effort to lower costs.

Even though some supermarket chains are importing a percentage of their stock directly, importers play and will continue to play a major role in the food business. Strict shelf-life regulations imposed by the Saudi Arabian Standards Organization makes inventory control a challenge. Saudi supermarket chains get reimbursed from distributors for products expired on the shelf. If unopened carton full of products stored in retailers store expire, distributors do not have the obligation to take them back. Supermarkets also depend on merchandising services offered by importer/distributors, i.e., stocking shelves and keeping inventory. Many supermarkets also earn significant revenues suppliers including listing fees, gondola/shelf space rentals and various fees & discounts. It is not unusual for major supermarket chains to receive up to 90 days credit terms from their suppliers.

The recent introduction of hypermarkets and continued increase in the number of supermarkets in the Kingdom, have produced stiff competition among retailers as each hypermarket & supermarket chain strives to gain a larger client base. Managers are looking to cut costs and expand product range. Competitive pricing is essential, but promotional and advertising support are key as well as the ability of a vendor to offer a wide selection of products. Advertising is often geared toward women, who play a greater role in purchasing decisions.

Many countries including the European Union, China, India, Australia and New Zealand are active in offering promotional assistance to local importers. Most suppliers offer attractive credit terms and price discounts on bulk purchases. Many provide promotional materials and assist with advertising. France and Brazil dominate the frozen poultry trade through attractive financing and pricing. Australia and New Zealand provide "point-of-sale" material to retailers to promote mutton and sheep meat. Until late 2000, ATO Riyadh regularly sponsored the American Food Festivals but the activities were put on hold due to the strong anti-U.S. sentiments in the Kingdom following the second Palestinians uprising (Intifadh) in fall 2000 and the U.S. invasion and occupation of Iraq last year which exasperated the sentiments further.

Food Processing Sector

Local manufacturing of food products has expanded rapidly over the past few years. The Saudi government has assisted the food industry by providing attractive financing and subsidies on some equipment and by imposing higher import tariffs up to 20 percent on selected imports that compete with locally produced products (poultry meat, table eggs, sugar, macaroni and similar products, etc.). Locally-produced food products also have an advantage over imported food products because they can be exported duty free to other countries in the Gulf Cooperation Council (GCC): Kuwait, Oman, Qatar, Bahrain, and the United Arab Emirates. Hence, the market for locally

manufactured products consists of the entire Arabian Peninsula, including Yemen. The expanded market has prompted many international companies to set up licensing agreements with local manufacturers in Saudi Arabia to produce their brand. Such companies include Kraft/General Foods, Frito Lay, Delmonte, Pepsi, and Coca-Cola.

Potato chips, snack foods, juices, biscuits, peanut butter, hot sauce, cookies, cereals, and ice cream are all produced in the Kingdom. However, processed food products "produced" in Saudi Arabia depend heavily on imported ingredients.

Food Service Sector

About 70 percent of Saudis are in their teens. Dining at fast food restaurants is popular and is a major form of entertainment for the Saudi family. International fast food chains such as KFC, Burger King, McDonald's, Chili's, Fuddrucker's, T.G.I. Fridays, Pizza Hut, Dominos, and local chains such as Herfy, Al-Beck, Taza, Dajen, and Kudo continue to expand and are found in major urban areas. Many of the international fast food chains and selected local outlets such as Herfy import a significant share of required ingredients directly from the United States.

The demand for institutional-sized food products by the catering sector remains strong because of the large number of ex-pats (8 million) and the huge number of pilgrims visiting the Kingdom to perform Haj or Umra (more than five million annually). The Muslim pilgrims usually stay from two weeks to up to two months in the cities of Mecca, Medina, and Jeddah and require room and board. Also, with the new Saudi Government emphasis on tourism, Muslim pilgrims are allowed to visit other cities and stay up to two months in the Kingdom. This will further increase demand for food products.

A recent trend has been an increase in the number of resorts in the Kingdom, catering mainly to Saudis and other Arabs. Many are being built on the Red Sea and the Arabian Gulf.

IV. BEST HIGH-VALUE 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, and sauces
- Beverage ingredients
- Non-alcoholic beer
- Cheese
- Tree nuts
- Milk products, including infant formula
- Red meats
- Fresh apples and pears
- Processed fruits and vegetables
- Jams and jellies
- Fruits and vegetable juices
- Honey
- Sweet pastry and biscuits
- Dietetic foods

V. KEY CONTACTS AND FURTHER INFORMATION

Agricultural Trade Officer
American Embassy
P.O. Box 94309, Riyadh 11693
Saudi Arabia
Tel: 966-1-488-3800, Extension 4351
Fax: 966-1-482-4364

Internet E-Mail Address: Agriyadh@usda.gov

Food standards are set by the Saudi Arabian Standards Organization (SASO), with product inspection done by Saudi Ministry of Commerce Laboratories at various ports of entry. The following are coordinates for SASO and the Ministry of Commerce:

Dr. Khalid Al-Khalaf
Director General of SASO and Secretary General for Standardization & Metrology Org. of the Gulf Cooperation Council Countries.
Tel: 966-1-452-0000
Fax: 966-1-452-0086

Dr. Hamad Al-Awfy
Director General, Quality Control and Inspection Department
Ministry of Commerce
Tel: 966-1-401-3265
Fax: 966-1-402-2539

Live animals, plants and animal feed are inspected by the Saudi Ministry of Agriculture and Water (MAW). Following are coordinates of some of the important departments.

Mr. Rashid A. Al-Khidir
Director General
Plant and Animal Quarantine Department
MAW
Tel: 966-1-404-4292
Fax: 966-1-401-1323

Mr. Mohammed Al-Mazroa
Director General (registers and testes seed as well as pesticides used in foodstuffs)
Agricultural Research Department
Ministry of Agriculture and Water
Tel: 966-1-405-5848/401-6666 ext, 2062
Fax: 966-1-405-5848

VI. APPENDICES

Table A. Key Trade & Demographic Information

Agricultural Imports From All Countries (\$Mil)* U.S. Market Share	5,333 6%
Consumer Food Imports From All Countries (\$Mil)* U.S. Market Share	2,676 5%
Edible Fishery Imports From All Countries (\$Mil)* U.S. Market Share	126 1%
Total Population (Millions) Annual Growth Rate	24 3.5%
Urban Population (millions) Annual Growth Rate	N/A N/A
Number of Major Metropolitan Areas	15
Size of the Middle Class (millions)/Growth Rate	N/A
Per Capita Gross Domestic Product (U.S. Dollars)**	\$ 9,139
Unemployment Rate **	15-20%
Per Capital Food Expenditures (U.S. Dollars)	\$ 2,742
Percent of Female Population Employed**	4-6%
Exchange Rate	US\$1 =3.75 SR

* Data for 2001 obtained from the FAS Global Agricultural Trade System using data from the United Nations Statistical Office.

**U.S. Embassy/Riyadh data for 2002.

Table B. Consumer Oriented foodstuffs Imports

Saudi Arabia Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
CONSUMER-ORIENTED AG. Total	\$2,625	\$2,567	\$2,676	\$168	\$141	\$122	6%	5%	5%
Snack Foods (Excl. Nuts)	145	152	159	5	6	4	3	4	3
Breakfast Cereals & Pancake Mix	15	12	16	2	2	1	14	15	5
Red Meats, Fresh/Chilled/Frozen	215	150	200	7	5	5	3	3	2
Red Meats, Prepared/Preserved	24	19	20	7	3	3	27	16	15
Poultry Meat	368	389	331	5	2	1	1	1	0
Dairy Products (Excl. Cheese)	370	362	389	2	1	1	1	0	0
Cheese	221	197	212	2	2	2	1	1	1
Eggs & Products	8	10	13	1	1	1	4	1	2
Fresh Fruit	294	283	310	12	9	8	4	3	3
Fresh Vegetables	102	101	141	2	2	1	2	2	1
Processed Fruit & Vegetables	160	166	171	27	26	25	17	16	15
Fruit & Vegetable Juices	92	85	88	30	24	18	33	28	20
Tree Nuts	22	20	25	4	4	4	19	20	16
Nursery Products & Cut Flowers	9	10	9	1	1	1	7	3	9
Pet Foods (Dog & Cat Food)	2	2	2	1	1	1	13	16	12
Other Consumer-Oriented Prod.	578	611	591	62	53	49	11	9	8
FISH & SEAFOOD PRODUCTS	\$105	\$127	\$126	\$2	\$1	\$1	2%	1%	1%
Salmon	9	10	15	1	1	1	0	1	0
Surimi	1	1	2	1	0	1	0	0	1
Crustaceans	13	16	14	1	1	1	2	1	1
Groundfish & Flatfish	31	31	20	1	1	1	1	1	0
Molluscs	1	1	1	1	1	1	4	18	15
Other Fishery Products	50	70	74	1	1	1	2	0	1
AG. PRODUCTS TOTAL	\$5,012	\$4,438	\$4,815	\$520	\$420	\$307	10%	9%	6%
AG., FISH & FORESTRY TOTAL	\$5,495	\$4,925	\$5,333	\$543	\$452	\$331	10%	9%	6%

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office.

Table C. Consume-Oriented Agricultural Total

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400

Reporting: Saudi Arabia Top 15 Ranking	Import	Import	Import
	2000	2001	2002
	Value	Value	Value
	1000\$	1000\$	1000\$
Brazil	233921	276642	310376
Netherlands	216311	208329	205554
France	266431	233798	191902
Australia	135710	148085	168006
Ireland	174009	171097	157100
Syria	91177	96350	128001
Denmark	128315	99041	122521
United States	167784	140875	121681
Egypt	97765	84110	98777
New Zealand	89219	101723	94244
Germany	96273	87748	93479
Turkey	51435	68651	80410
United Arab Emirates	80204	76411	76965
China	46319	63142	64020
South Africa	50460	67677	59647
Other	699680	643545	703370
World	2625160	2567303	2676144

FISH & SEAFOOD PRODUCTS - 700

Reporting: Saudi Arabia Top 15 Ranking	Import	Import	Import
	2000	2001	2002
	Value	Value	Value
	1000\$	1000\$	1000\$
Yemen	19933	25375	33522
Thailand	16507	29422	28599
U.A.E.	19093	17644	16848
Oman	9347	10967	6874
Taiwan	4798	5569	5851
Bangladesh	5241	6094	5643
Japan	5615	7009	5519
Bahrain	2126	4007	4380
Pakistan	3584	3236	3162
Indonesia	2777	4659	2393
Qatar	1392	1937	1935
Morocco	1471	1079	1153
Uruguay	634	653	1092
Philippines	225	1191	957
Kuwait	236	860	932
Other	11733	7551	7292
World	104721	127263	126170

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office. This data is based on C & F values.