



Agri-Food Sector Profile^[1] - Riyadh, Saudi Arabia

June 2013

Produced by the Canadian Trade Commissioner Service

1. Sector Overview

Agricultural growth in Saudi Arabia is limited by scarce water resources. Recent development plans have sought to grow crops that need less water. In value terms, Saudi Arabia is the world's 19th largest agri-food importer. On average 80% of Saudi Arabia's food needs are imported. Saudi Arabia's agri-food imports average \$12 billion/annually. The top four products account for 40% of total imports. Limited agricultural production will lead to continuing and increasing imports in the future. The agriculture sector represents only 6% of Saudi Arabia's GDP. Top Saudi agri-food imports include barley, sheep, rice, chicken and wheat. Top suppliers are Brazil, India, Ukraine Australia and Canada. In 2012 Canada's share of the Kingdom's imports of agri-food products amounted to over \$260 million, Grains and cereals, mainly wheat, valued at over \$195 million, accounted for the majority of Canadian agri-food exports to Saudi Arabia. Other exports include processed food, frozen vegetables (mainly fries), cheeses, honey, pasta, oil seeds, boneless beef, pulses and ice-cream.

2. Market and Sector Challenges & Opportunities

Business opportunities in the agri-food sector in Saudi Arabia are being driven by GDP growth, retail & HRI expansion, high per capita income and a move towards Western lifestyle. A significant number of Saudis continue to purchase a large percentage of their food at wholesale markets, but they are increasingly shopping at supermarkets. Supermarket shopping is considered a primary form of entertainment for the Saudi family. Hypermarkets have large play areas for children and are surrounded by several shops and fast food restaurants. Another trend is the increased demand for prepared and packaged food. Changing and busy lifestyles such as the participation of women in the workforce as well as aggressive marketing campaigns from food companies have created a demand in this segment.

With about 70% of Saudis in their teens, and their preference for Western style foods over their parents' generation, international fast food chains such as KFC, Burger King, McDonald's, Fuddruckers, Taco Bell, Pizza Hut, Dominos – Canadian chains such as Tim Horton's, Big Smoke Burger, Second Cup and Booster Juice -- and local chains such as Herfy, Al-Baik, Tazaj, Dajen and Kudu are expanding and are found in major urban areas. International fast food chains and select local outlets such as Herfy and Kudu import a significant share of their ingredients and rely on institutional size food products.

Another demand driver for institutional-size food products is the increasing number of foreign pilgrims (more than five million annually) visiting the two holy cities of Mecca and Madina. There has also

been a significant increase in the number of resorts, many being built on the Red Sea and the Arabian Gulf, catering to Saudis and expatriate residents.

The expanded market has prompted many international companies such as Kraft/General Foods, Delmonte, Pepsi, Coca-Cola and Danone to set up licensing agreements with local manufacturers.

In 2009 the Saudi Government reduced local wheat production by 12% and will continue to do so on a yearly basis to cease production completely by 2016. Saudi Arabia consumes around 2.6 million tonnes (MT) of wheat annually and estimates that its consumption will increase to 3MT by 2016. In an attempt to combat threats to local food security, Saudi Arabia is targeting nearby countries for agri-food investments. The main products targeted for Saudi investments are rice, corn, barley, wheat, sugar, maize and forage as well as poultry, fish and livestock. These investments will include buying land to grow the above commodities as well as investing in infrastructure and mills to facilitate processing and shipping.

Among some of the key indicators of increasing opportunities in Saudi Arabia is the expansion in the HRI segment due to opening of several new hotels in major Saudi cities including Novotel, Holiday Inn and Marriott hotels which should generate demand for increasingly high end food products. Another major driving factor is the increased investment by leading industry players such as Carrefour, EMKE-owned Lulu and the local Panda hypermarket chain.

Saudi Arabia is home to the largest integrated herd of dairy livestock in the world, and has become self-sufficient in the production of eggs, poultry as well as a selection of fruits and vegetables. Dairy farms require millions of tonnes of imported feed annually, much of which is subsidised by the Saudi government. There is high potential for feed barley, alfalfa, soybean meal, canola meal and other high-protein animal feed and feed additives. According to BMI reports, more than 2.4 million tons of livestock forage will be imported by 2016.

Saudi Arabia's food processing industry, which continues to rely on imported raw materials and ingredients, is also expanding and is being supported by attractive financing and subsidies by the government. The meat processing, dairy and confectionary segments are becoming increasingly interesting to foreign investors. The food processing industry will continue to rely on imported raw materials and ingredients.

Appointing a local agent or distributor is the most common means of accessing the market. Some larger supermarkets import directly from foreign suppliers and consolidators. Regular visits to the market are advisable as business relations in this region are built on trust and personal relations. The increasingly positive attitude of Saudis towards mass media advertisements means that advertising is considered a necessity to draw Saudi consumers. Two-for-one deals are very popular in larger supermarkets. Distributors are also routinely charged slotting fees, with some supermarkets reportedly charging registration fees for new products. Some large Saudi importers are willing to test-market new food products under the condition that if it succeeds, the product will be labelled under its own private brand. Private labels are becoming commonplace in Saudi Arabia. Some Saudi companies have developed private labels which appeal to Saudis and other Arabs using Arab-sounding names, even though the majority of products are foreign. Others use labels with Western-sounding names to appeal to Western expatriates. Saudi consumers are attentive to quality, nutritional value, price, and packaging. Importers are constantly searching for new products, and often request support from suppliers for promotion.

Following the detection of BSE cases in Canada, Saudi Arabia imposed a ban on Canadian beef, beef products and live cattle. Following extensive negotiations, access was granted for boneless beef

from cattle that are under thirty months of age (UTM) in February 2009. Further negotiations are underway for expanded access of Canadian beef products. Beef products from USA and Brazil have been banned in the Saudi market since April 2012 as BSE cases have been detected in these two markets.

Import Regulations

Pre-packaged food product labels should be in Arabic or include an Arabic language translation of the label. All exported products should be accompanied by a commercial invoice, bill of lading and country of origin certificate. Meat and poultry shipments must be accompanied by a "Halal" slaughter certificate issued by an Islamic centre in the country of origin. Other requirements for meat and poultry products include a health certificate and a protein-free feed certificate stating that poultry and livestock meat shipments were not fed animal protein, fats or manure and were not treated with any growth hormones. Meat and poultry facilities need to be accredited by the Saudi Food and Drug Authority (SFDA) in order to be able to export to the Kingdom. Processed foodstuffs require a health certificate in addition to other documents. Grain shipments must be accompanied by a phytosanitary certificate, grain analysis certificate and a fumigation certificate.

In February, 2001 a directive was issued by the Ministry of Commerce imposing a requirement for positive labelling if a product contains genetically modified vegetable (plant) ingredients. Products containing GMO animal products are not permitted to enter the Kingdom.

The vast majority of food products are subject to a 5% import duty. Products produced locally in significant quantity carry a 12% to 20% import duty depending on the self-sufficiency level. Some foodstuffs are exempt from tariffs, such as: rice, fresh meat and feed grains. Imports of alcoholic beverages, live swine, pork and food ingredients or additives which contain pork products, including pork fat and gelatine, are banned.

3. Sub-Sector Identification

Products of high potential for Canadian exporters are cereals, animal feed, bovine genetic products, processed foods and high-end beef and seafood for the HRI.

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Useful Internet Sites

Country Sites

- [**Saudi Food & Drug Authority**](#)
- [**USDA Foreign Agricultural Service**](#)

Canada

- [**Agriculture and Agri-Food Canada**](#)
- [**Canada-Arab Business Council**](#)
- [**Industry Canada**](#)
- [**Foreign Affairs, Trade and Development Canada**](#)

Trade Shows

Local and Regional Healthcare Exhibitions

Gulfood / Dubai United Arab Emirates

Annual show in February

Dubai International Convention and Exhibition Centre

Food & Hotel Arabia/Jeddah KSA

Annual show in May

Al Harithy Company for Exhibitions

Saudi Agriculture/Riyadh KSA

Annual event

Riyadh Exhibitions Company

Footnotes

[1] The Government of Canada has prepared this report based on primary and secondary sources of information available at the time of writing. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information.