

Required Report: Required - Public Distribution

Date: June 14, 2024

Report Number: SA2024-0007

Report Name: Exporter Guide Annual

Country: Saudi Arabia

Post: Riyadh

Report Category: Exporter Guide

Prepared By: Hussein Mousa

Approved By: Mark Ford

Report Highlights:

Saudi Arabia is a major market (\$1.55 billion) for U.S. food and agricultural products, and there are plenty of opportunities to export a wide range of new-to-market U.S. food products. Unfortunately, there are also significant impediments to trade including burdensome export facility registration requirements along with numerous halal related restrictions on meat and poultry. Despite these issues, U.S. food products are well-positioned to meet Saudi Arabia's changing dietary habits and food security needs over the next several years.

FAS Exporter Guide

Executive Summary:

Saudi Arabia is one of the wealthiest countries in the world. In 2023, the country's GDP reached \$1.11 trillion, positioning the country as the 15th largest economy in the world and the most influential economy in the Middle East. Saudi Arabia is currently the largest exporter of petroleum in the world and depends on imports to meet 70 percent of its food demands.

Consumer-Oriented Agricultural Imports:

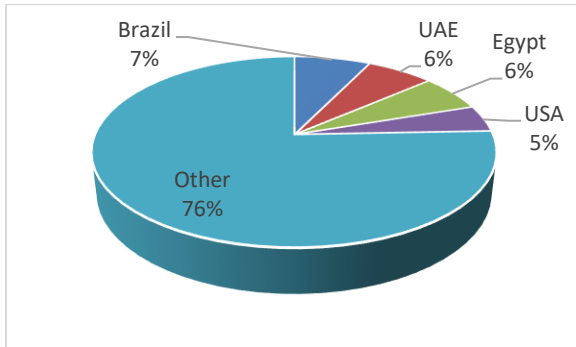


Chart 1: Top Exporting Countries to Saudi Arabia

Food Retail Industry:

Saudi Arabia's food retail sales reached approximately \$58 billion in 2023 and are expected to grow approximately 4 percent in 2024. The significant growth in the domestic retail food sector has been a major incentive for continued expansion of major retailers in the country such as: LuLu, Tamimi, Panda, Danube and Othaim. Together, the five chains represent more than 80 percent of retail revenues.

Food Processing Industry:

Saudi Arabia's food industry is comprised of 1,300 registered companies; approximately 80 percent of them are large companies with more than 100 employees. Food processing sales are a major focus in the domestic market and account for more than 75 percent of overall revenue. Total investment in this sector is estimated at \$60 billion.

Food Service Industry:

Saudi Arabia's food service sales reached \$29 billion in 2023 and are expected to grow approximately 8 percent annually over the next few years driven by demand from labor camps, tourists, and religious visitors.

Quick Facts CY 2023

Imports of Consumer-Oriented Products (US \$15.6 billion)

List of Top 10 Growth Products in Saudi Arabia

- | | |
|-----------------------------|-------------------------------|
| 1) Processed Meat & Seafood | 2) Baby Food |
| 3) Baked Goods | 4) Ice Cream & Frozen Treats |
| 5) Breakfast Cereals | 6) Processed Fruits & Veggies |
| 7) Ready Meals | 8) Savory Snacks |
| 9) Fruit Pie Fillings | 10) Beverages/mocktails |

Food Industry by Channels (U.S. billion)

Retail Food Industry	\$58
Food Service-HRI	\$29
Food Processing	\$60
Food & Agricultural Exports	\$1.4

Top 10 Saudi Retailers

- | | |
|---------------|---------------------------|
| 1) Panda | 2) Othaim |
| 3) Tamimi | 4) LuLu |
| 5) Danube | 6) Farms |
| 7) Bin Dawood | 8) Carrefour Saudi Arabia |
| 9) Manel | 10) Nesto |

GDP/Population

Population (millions):	33.10
GDP (trillion USD):	1.11
GDP per capita (USD):	27,680

Sources: World Trade Atlas

Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
<ul style="list-style-type: none"> -Well-established market with modern distribution channels. - Dependent on food imports and U.S. food is considered high-quality 	<ul style="list-style-type: none"> - Freight costs from the United States are higher than competitors
Opportunities	Threats
<ul style="list-style-type: none"> -Retail, food service and food processing sectors are growing 	<ul style="list-style-type: none"> -High level of competition from export-focused competitors

SECTION I. MARKET SUMMARY

Business Environment

The Kingdom of Saudi Arabia is a free market economy with the government playing an essential role to assure economic success, and the government provides various incentives to potential entrepreneurs to start businesses or expand existing ones. Saudi Arabia's Public Investment Fund (PIF) has a capital of approximately \$1 trillion and invests in companies across numerous sectors to help the government achieve its goals for Saudi Vision 2030. (Note: the government's "Saudi Vision 2030" is the driving force behind many new initiatives.)

Domestically, investments are underway on several mega construction projects, valued at more than \$1.5 trillion, which is expected to help diversify the country's economy and deliver positive results for several years. Some of the projects include Neom (a massive futuristic and fully automated business zone that will link Jordan and Egypt) and the Red Sea Project (a multibillion dollar luxury resort on Saudi Arabia's vast Red Sea coast).

Currently, the Kingdom is the largest producer and exporter of petroleum in the world. To help the country's nonoil revenues, the government has undertaken a broad range of economic reforms to improve economic stability. For example, to increase revenue, it issued more visas, and invested in tourist facilities, and eased restrictions on various social activities (e.g., opened cinemas, sponsored international music concerts, etc.). It also reduced various government subsidies and continued adding a 15 percent value added tax (VAT) on all products and services.

With a GDP of \$1.11 trillion, the Saudi economy is the largest economy in the MENA area. The Saudi population is currently 33.1 million with per-capita income of \$27,680. Disposable income is quite high and consumer tendency to spend remains strong thanks to a low unemployment rate (five percent), low annual inflation rate (less than two percent), and a low inflation on food (less than one percent). Online shopping for food at supermarkets and for delivery are very strong and growing. Consumers are looking for healthier food options, especially drinks and snacks.

Saudi imports approximately \$30 billion worth of food and agricultural products annually, and the United States supplies roughly five percent. The country has a growing population, a rapidly expanding food retail sector, a growing food processing and strong food service sector because of a new and developing tourism industry, expanding labor camps increased religious pilgrims travelling to the two holy cities of Makkah and Madina. The country depends on imports to meet about 70 percent of its food security needs and many anticipate that Saudi Arabia will remain a major importer of food and agricultural products, especially due to the continued expansion in the food service for reasons mentioned earlier.

Table 1 – Major Advantages and Challenges in the Saudi Market

Advantages	Challenges
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 Asian countries has impacted U.S. market share.
Saudi Riyadh (SR) is pegged to the U.S. dollar at the rate of \$1 to 3.75 SR, and historically favors U.S. exporters.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
High per-capita income and purchasing power has increased demand for healthier/organic type 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 have become 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 Saudis to opt for healthier food products.	Some food retailers return products that are not sold by the expiration date and seek full refunds as a result.
An increasing number of pilgrims and tourists come to Saudi Arabia every year creating demand for food products targeting institutional customers.	General lack of brand awareness and loyalty by most of the Saudi consumers.
The more than 12 million expats that live and work in Saudi Arabia create a strong demand for diversified and ethnic food imports.	Negative consumer attitude towards food containing or made from biotech products.
Saudi retail outlets are well equipped to carry all types of food products, including fresh as well as 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 issuing new regulations and standards at a rapid pace that has closed the market for several products.

SECTION II. EXPORTER BUSINESS TIPS

A. Local Business Customs

There are several food importers throughout Saudi Arabia and approximately 20 account for the bulk of food imports from the United States. Below are the ways food products are imported to Saudi Arabia.

1. **Private labels:** Some large Saudi importers and supermarket chains pack food under their own brand in foreign countries. These firms have developed private labels, which appeal to Saudis and expatriates in the Kingdom. For example, a jar of U.S. peanut butter can be marketed in Saudi Arabia under several different labels: an established U.S. brand such as Smucker's, AFFCO, or American Garden; or a Saudi private label like Goody's and Freshly.

2. **Agency Agreements:** Some importers are agents of major U.S. manufacturers of national brands (e.g., Kellogg's, Campbell Soup, and Florida Natural Fresh Juices). The Saudi importer will help build the brand but will request support from the U.S. company. The U.S. manufacturer usually also offers promotional and marketing assistance.
3. **Consolidation:** Some companies import a wide range of food products for mass distribution employing the use of consolidators in the United States. Often, 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 (e.g., C&S Wholesale Grocers, Sam's Club, and Costco Wholesale) and provide services such as placing Arabic stickers over labels. (Current Saudi regulations allow U.S. suppliers to place an Arabic language sticker on the original English language label.) The stickers translate key ingredients and product information into Arabic and is typically performed by U.S. consolidators as most manufacturers consider it a laborious task. Most of the U.S. consolidators are based in port cities that have large wholesalers like Houston, Miami, and New York.
4. **Direct Imports by Hypermarkets\Supermarkets:** Saudi based hypermarkets and major supermarket chains import part of their food products directly from suppliers. For example, the LuLu Hypermarket Group works with a U.S. sourcing company (Y International) based in Lyndhurst, New Jersey, and California that is expanding to Texas in a year or two. The company sources and exports most of its U.S. food products and consumer goods to LuLu stores in the GCC, Asia and Egypt.

However, 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. For example, "two-for-one deals" are very popular in large supermarkets and are often used to move items approaching their expiration dates. As a result, most major Saudi supermarkets have introduced category management and eliminated slow moving products.

Typically, most major supermarkets and hypermarkets request listing fees ranging from \$267 - \$17,067 per Stock Keeping Unit (SKU) from local distributors. The bigger the distributor, the more power it has to negotiate a lower listing fee. In addition to listing fees, distributors are asked to: provide a specified percentage rebate on total annual turnover, contribute to advertising campaigns, carry out store merchandizing activities seven days a week, provide payment terms of at least 60 days, rent gondolas, and provide reimbursement for expired items. Distributors frequently authorize retailers to make special offers to consumers (i.e., buy one, get one free); especially for products with 60 days or less of remaining shelf life. Hypermarkets and supermarkets depend heavily on merchandising services offered by importers and distributors.

B. General Consumer Tastes Preferences

Saudi Arabia is a growing market for high-value food products, and consumers have an affinity for new food products, which benefits new-to-market U.S. foods. Ready-to-eat foods, home meal replacements, fast food and "take-away" foods are increasingly popular with the younger Saudi population. The

approximately 13 million expatriates who live and work in Saudi Arabia also create demand for ethnic foods.

The high prevalence of obesity and diabetes in the country is driving healthier food options. Government regulations and awareness campaigns are also encouraging Saudis to opt for healthier foods where the United States has many respected brands. Demand for natural, diabetic, organic, and better-for-you products (e.g., low sodium, sugar free, high in fiber, or added vitamins) is growing. While supermarkets/hypermarkets are increasing the selection of these foods, mini market sized specialized health stores are also being established.

In the past two decades, Saudi Arabia has experienced rapid socio-cultural changes caused by a fast-growing economy. Higher disposable income allowed Saudis to travel to the West for education and tourism, and to learn more about western food and culture. The rapid expansion in western style retail outlets (supermarkets and hypermarkets) and fast-food restaurants has changed Saudi consumer tastes and preferences. An increasing number of Saudis look for high-quality foods and are willing to pay more, and as a result, most major retail outlets are selling cooked meals, marinated meat, ready-to-go salads, and frozen pizza to meet the growing demand for prepared foods.

One of the noticeable trends in the Kingdom has been the decline in consumers' preference for canned food products in favor of fresh or frozen food items. An exception to this statement is the continued popularity of canned beans and tuna. In general, frozen foods are perceived by consumers as being of better quality than canned foods.

An increasing number of women, along with changing lifestyles, are entering the workforce and driving the demand for prepared foods. Women's participation in the workplace has risen from 15 percent to over 40 percent in less than a decade. The Saudi government's decision in June 2018 to allow women in Saudi Arabia to drive also increased the demand in the food service sector for prepared food options. Dining at restaurants, going out for coffee, and ordering food for lunch are growing trends among Saudi women. Meanwhile, eating out on the weekends has been very popular among both Saudi and expatriate families the past several years.

Some U.S. fast food and casual dining chains and some local fast-food chains import part of their supplies from the United States, this includes Applebee's, Burger King, Chili's, Fuddruckers, Herfy, KFC, Kudu, McDonald's, Sizzler, and TGI Fridays. Large catering companies, especially those serving Western expatriates, also buy a portion of their food items directly from the United States.

Saudi Arabia and the other GCC countries allow the importation of biotech food products if products containing more than one percent genetically engineered content are labeled. U.S. biotech animal feeds, such as yellow corn and soybean meal, are freely imported. Even though Saudi Arabia has allowed the importation of biotech labeled consumer packed food products since 2001, no packaged foods with biotech labeling have been imported. High-value food importers in Saudi do not typically import food products with biotech labels as they are concerned these products could jeopardize their image.

C. Payment Method

Most Saudi food importers are financially sound and usually do not default on payments. However, it is recommended that new-to-market exporters ask a prospective importer for an irrevocable letter of credit until they build a close working relationship. Until both parties build a mutual trust, they should seek out other payment alternatives to reduce transaction costs.

SECTION III. IMPORT FOOD STANDARDS/REGULATIONS & IMPORT PROCEDURES

Import Food Standards & Regulations

The Saudi Food and Drug Authority (SFDA) is the only Saudi government entity that sets and enforces food products regulations and standards. It is also the main agency that conducts inspections of imported food products at ports of entry to determine if they meet established Saudi and/or GCC Standardization Organization (GSO) standards. The SFDA strictly enforces Saudi and GSO food import regulations, standards, and circulars; particularly those related to halal, allowable limits for food additives, and labeling requirements. [This link](#) provides general and product specific information on SFDA food products import requirements. The Ministry of Environment, Water, and Agriculture (MEWA) inspects imports of live animals, such as lobsters and horses.

Some of SFDA's regulations are not compatible with U.S. regulations or are costly to enforce or implement. For example, the ban on animal protein in animal feed and on the use of poultry stunning/immobilization has been problematic. [This link](#) leads to recently published FAS GAIN Reports on FAS Riyadh's Food and Agricultural Import Regulations and Standards (FAIRS) Report as well as reports on Export Certificates. These reports discuss detailed information on Saudi food regulations and certification requirements.

Meanwhile, [this link](#) takes you to an SFDA compiled list of approved, food, seafood and agricultural products technical regulations and standard specifications implemented in Saudi Arabia. The Saudi technical regulations and standards can be purchased from SFDA's [regulations store](#).

Import Procedures

Imported food products, including food ingredients used in food processing, must obtain preapproval, and be registered with SFDA. Registration of imported food products is the responsibility of local importers or agents. Each importer or agent is required to open an E-Account and set up an individual user name and password at SFDA's Operations Sector at [E-Services](#). Once the E-Account is created, importers can upload information about their products, including the harmonized code (HS Code), bar code, item code, and listed ingredients in English and Arabic, a picture of each product, and a copy of the product label. The label must contain all information required by the GSO under regulation number GSO 9:2013 "Labeling of Prepackaged Food Stuffs".

Individual importers are required to register all food products they intend to import even if all the products were already registered by another importer. The electronic registration is free of charge and there is no expiration date for registration. However, importers are required to re-register their products when there are changes in product formulations or labels. (Please note: SFDA will not allow the importation of food products that are not registered in its E-Account database.)

Documents Generally Required for Imported Agricultural and Related Products

In general, a commercial invoice, a bill of lading, a country-of-origin declaration, a certificate of weight, and a packing list should accompany official certificates. For a more extensive list of documents that are needed, please review FAS Riyadh's "Export Certificate Report", at the following [link](#).

Import Tariffs on Food/Agricultural Products

According to Saudi Customs, a clear majority of food products are subject to a five percent import duty ([Saudi Customs](#)) while selected processed food products are assessed higher import duties. To protect local production and food processors from competitively priced imports, Saudi Arabia ties import duties to the level of local production of similar products. Generally, a maximum import tariff rate of 40 percent ad-valorem is applied when local production of a food, or agricultural product, exceeds a self-sufficiency level. Currently, a 40 percent import duty rate applies to fresh, dried/processed dates while a 25 percent duty is applied on wheat flour. Meanwhile, poultry imports face a mixed tariff; 25 percent or SAR 1.00 (\$0.267) per kilogram, whichever is higher. Ad valorem duties are levied on the CIF value.

Imports of rice, baby milk and animal feed (barley, corn, rice, sorghum, and soybean meal, etc.) coffee, tea and fresh red meat enter the country duty-free. Saudi Arabia has no tariff rate quota, but in April 2017, the country began levying a 50 percent excise tax on soft drinks and a 100 percent tax on cigarettes, tobacco products, and energy drinks.

On December 1, 2019, the Saudi General Authority of Zakat and Income Tax (GAZT) started collecting a 50 percent selective tax on sugary drinks in the local market. GAZT defined sugary drinks "as any product in which any source of sugar or other sweeteners 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."

SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

In a normal economic situation, the hotel, restaurant and institutional (HRI) sector as well as the retail and food processing sector present great opportunities for U.S. exporters. Which sector to enter first depends on U.S. companies set up. However, for some first to market exporters, entering the retail sector could be a wise decision to get brand recognition and lay foundation to create demand by HRI sector.

- **Food Retail Sector:** In 2023, total retail sales in Saudi Arabia were estimated at more than \$58 billion. Of that amount, 55 percent was generated through traditional grocery stores and 45 percent through modern retail channels. Revenue in traditional retail channels has been declining due to rapid expansion of hypermarkets and supermarkets. The retail sector is expected to continue to expand with the creation of more urban centers. Online food purchases and deliveries have been increasing trends that created significant employment opportunities.
- **HRI Sector:** The HRI sector was expanding prior to COVID-19. However, the pandemic devastated the fine dining restaurant sector for several years, but the sector is fully recovered and thriving. In 2023, the HRI sector's total revenue was approximately \$29 billion, and is projected to grow approximately 10 percent annually over the next few years. The HRI sector depends on

imported food products to meet approximately 70 percent of its ingredient needs. The expanding cloud kitchens and online food ordering/delivery services have reduced foot traffic in restaurants, forcing closure of some outlets.

- **Food Production Sector:** Saudi Arabia's local food processing is significant. Current available data indicates that in 2023 the country imported more than \$4 billion worth of intermediate food products, with the United States supplying approximately 12 percent. The Saudi government provides various incentives for the expansion of the local food processing industry to improve food security. As such, the prospect for increased expansion of the domestic food processing industry should increase the demand for food ingredients. The total investment in this sector has been estimated at \$60 billion and its output is estimated at \$30 billion.

V. BEST PROSPECTS

Total Saudi food import data show an upward trend in the following products: healthier food options (fruits, tree nuts, diet foods, natural and organic products, etc.), beef, mocktails, beverage ingredients, non-alcoholic beer, high quality fish (salmon and black cod) seafood, snack foods and various dairy products. [This link](#) provides data on U.S. Exports of Agricultural & Related Products to Saudi Arabia over the past five years.

IV. KEY CONTACTS AND FURTHER INFORMATION

FAS Riyadh maintains an extensive network of food and agricultural contacts and can provide lists of relevant Saudi food and agricultural product importers to U.S. exporters upon request. U.S. suppliers can also contact post for matchmaking services with prospective importers, assistance resolving issues clearing consignments of U.S. food and agricultural products, or for more information on the Saudi market and import regulations. FAS Riyadh also covers Bahrain and Yemen.

1. Post Coordinates

Office of Agricultural Affairs, American Embassy

Tel: 966-11-835-4351

Internet E-Mail Address: Agriyadh@usda.gov

2. OAA Riyadh Reports

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

Attachments:

No Attachments