

Country Market Profile: Gulf Cooperation Council (GCC)

The Middle East regional market covers the Gulf Cooperation Council (GCC-6) members Bahrain, Kuwait, Oman, Qatar, The United Arab Emirates (UAE), and Saudi Arabia. Despite some softening due to Covid-19, lower oil prices and ending some subsidies as well as introducing a Value Added Tax (VAT) the UAE and Saudi Arabia remain the 16th and 23rd largest markets respectively from the U.S. for consumer foods and are frequently in the top 20 of most major processed food export categories. Their import share was 78% of the region's total in 2021, although food products may be transiting through the Emirates into other GCC and/or Middle Eastern markets and beyond.

Some markets indicate that private consumer spending is being weighed down by the 5%-10% Value Added Tax (VAT) and rising living costs as a result of higher electricity tariffs and gasoline prices introduced in 2018. For businesses, levies on expatriate labor and rising input costs pose additional challenges. While on the monetary policy side, the rate hikes in the U.S. in 2022 will translate into higher interest rates in Saudi given the U.S. dollar peg - this would raise the cost of borrowing for businesses and consumers alike.

The U.S. has Free Trade Agreements (FTAs) with two of the six GCC-6 countries. The U.S.-Bahrain Free Trade Agreement (FTA) entered into force on August 1, 2006. Bahrain is the first U.S. FTA partner on the Arabian Peninsula and the third FTA partner among Arab countries (Jordan and Morocco are the others). The U.S.-Oman FTA, which went into force on January 1, 2009, significantly opened U.S. trade with Oman in goods and services by eliminating most tariff and non-tariff barriers. Under the market access provisions of the FTA, almost all consumer and industrial goods and 87% of all agricultural tariff lines were given duty-free access. Both countries agreed to phase out all tariffs on the remaining eligible goods in 2019.

In 2021 U.S. exports of agricultural products to the GCC-6 region grew 11% and totaled US\$3 billion. U.S. exports of consumer food products to the region also grew by 11% and to US\$1.8 billion in 2021. That represented 60% of the agricultural total. This partner group is a solid importer of U.S. processed foods, totaling over US\$1.2 billion in 2021, an increase of 15% from the prior year and 40% of the agricultural total. Top U.S. processed food exports to the region in 2021 included:

- Food Preparations & Ingredients
- Processed/Prepared Dairy Products
- Fats and Oils
- Condiments and Sauces
- Snack Foods
- Processed Vegetables and Pulses
- Chocolate and Confectionery
- Non-Alcoholic Beverages

The GCC confers special trade and investment privileges to member countries. Processed food products manufactured in any of these countries can be exported to other GCC countries duty-free. The GCC formally instituted its Customs Union over a decade ago. A 5% across-the-board common external tariff now applies to most imported food and agricultural products that enter from non-GCC suppliers. Kuwait and Qatar have yet to implement the VAT as of 2022. In 2018 they began applying an additional 5% value-added tax (VAT). So effectively the cost of importing to a buyer has now doubled and also limits consumer spending.

The Gulf Cooperation Council-5, (the aforementioned less Saudi Arabia), countries covered by USDA's Office of Agricultural Affairs, OAA, in Dubai, hereinafter referred to as "Post" are a relatively homogeneous group of small nations with a total population of just over 22.9 million. Energy is the main source of revenue and per capita income levels are high. All GCC 5 countries experienced economic growth in 2021.

Among the GCC-5 countries, the United Arab Emirates (U.A.E.) with its larger population, larger influx of tourists and businessmen coupled with its vibrant re-export activities is the largest market for food products, followed by Kuwait. Within the U.A.E., Dubai is the country's commercial center and the region's trade hub. Efficient infrastructure (sea, land and air ports), large free trade zones and a strong business orientation make Dubai an important commercial center in the Middle East.

Dubai derives sizable revenue from the re-export business and invests heavily in infrastructure, while luring foreign investment and buyers. Other countries in the region and other Emirates in the UAE, particularly Abu Dhabi, the capital, are following Dubai's lead and model to improve their infrastructure and attract business interests.

Market Opportunities and Key Issues in the GCC-6 Food Market

Market Opportunities

- New ideas and trends are eagerly tried and accepted. High incomes create demand for diverse and high-quality food
- American products are considered high quality by consumers
- Product visibility through market promotion is widely available
- USA brand recognition is prevalent among consumers
- Expanding online retail sector for food products
- Many locations are modern transit hubs for the broader region and supportive of trade
- Import regulations are transparent and non-complex

Key Issues

- The market is saturated and highly competitive.
- Unwillingness of U.S. suppliers to provide small product quantities due to the limited size of the GCC 6 market

- Long shipping times and high freight costs
- Suppliers often required to bear the cost of market promotions
- Competitors dedicate significant resources for product branding and marketing
- International food brands and local products are available at competitive prices
- Specialized labeling and restrictive shelf-life requirements
- New regulations and rules are common, and subject to change without prior notice

Food Retail Sector Highlights:

Euromonitor has estimated 2022 retail sales in the GCC-6 packaged food market to be US\$39.1 billion. That represents an increase of 16.2% and US\$5.4 billion from 2018. They also forecast sales of packaged food in the regional market to reach US\$48.4 billion by 2026, an increase of US\$9.2 billion and 23.7% from 2022. High growth products in the forecast include:

- Ready Meals
- Confectionery
- Processed Meat, Seafood & Alternatives to Meat
- Sweet spreads
- Breakfast Cereals
- Ice Cream
- Savory Snacks
- Sweet Biscuits, Snack Bars and Fruit Snacks

Bahrain:

Euromonitor reports that in 2021, Bahrain's economy expanded in real terms, driven by increasing domestic consumption, public investment and external demand. However, the persisting pandemic-related risks, supply constraints and global inflationary pressures raise uncertainty and weigh on the country's economic outlook.

- Following real gross domestic product (GDP) growth of 2.2% in 2021, Bahrain's economy is expected to expand at an average annual real rate of 3.2% in 2022 and over the medium term.
- The unemployment rate is expected to remain unchanged at 3.8% in 2022 - below the pre-pandemic level and lower than the average of 11.2% in the Middle East and Africa in 2022.
- Inflation in Bahrain is forecast to increase to 2.4% in 2022 from 0.7% in 2021.
- While Bahrain's commodity exports increased by 46.1% and imports rose by 19% during 2021, the country became a net exporter of goods.
- Gross Fixed Capital Formation (GFCF) in Bahrain rose in real terms over 2021, as a result of economic recovery, fiscal stimulus measures and favorable financing conditions.

The population of Bahrain stood at 1.5 million in 2022 (CIA World Factbook Est.) with up to 45% of the population being immigrants. The median age is 32.9 years and the percentage of those over 65 years old is 3.3% so it is a relatively young country as well.

Bahraini authorities face the long-term challenge of boosting Bahrain's regional competitiveness — especially regarding industry, finance, and tourism — and reconciling revenue constraints with popular pressure to maintain generous state subsidies and a large public sector. Since 2015, the government lifted subsidies on meat, diesel, kerosene, and gasoline and has begun to phase in higher prices for electricity and water. As part of its diversification plans, Bahrain implemented a Free Trade Agreement (FTA) with the U.S. in August 2006, the first FTA between the U.S. and a Gulf state. It introduced a Value Added Tax (VAT) in 2018 of 10% on CIF + Duty and all other costs.

Direct U.S. exports of agricultural products to Bahrain in 2021 totaled US\$81.8 million, growth of 13% over that of 2020. Some US\$71.1 million were of the consumer oriented variety, which is 87% of the agricultural total and growth of 17%. U.S. exports of processed food totaled US\$52.2 million in 2021, growth of 20% and nearly 64% of the agricultural total.

Top U.S. exports of processed food products to Bahrain in 2021 included:

- Processed/Prepared Dairy Products
- Snack Foods
- Food Preparations & Ingredients
- Condiments, Sauces Jams & Jellies
- Processed Vegetables And Pulses
- Fats & Oils
- Chocolate & Confectionery

Food Retail Sector Highlights:

Euromonitor has estimated 2022 retail sales in Bahrain packaged food market to be just over US\$1 billion. That represents an increase of 11.8% and US\$108 million from 2018. They also forecast sales of packaged food in the Bahrain market to reach nearly US\$1.3 billion by 2026, an increase of US\$270.6 million and 26.4% from 2022. High growth products in the forecast include:

- Confectionery
- Ready Meals
- Ice Cream
- Dairy (Ex. Cheese)
- Cheese (Ex. Dairy)
- Sweet spreads
- Processed fruit and vegetables

Kuwait:

Kuwait has a geographically small, but wealthy, relatively open economy with crude oil reserves of about 102 billion barrels - more than 6% of world reserves. Kuwaiti officials report oil production to 2.7 million barrels per day by 2022. Petroleum accounts for over half of GDP, 92% of export revenues, and 90% of government income.

Euromonitor reports that in 2021, Kuwait's economy expanded in real terms, driven by increasing domestic consumption, public investment and external demand. However, the persisting pandemic-related risks, supply constraints and global inflationary pressures raise uncertainty and weigh on the country's economic outlook.

- Following real gross domestic product (GDP) growth of .7% in 2021, Kuwait's economy is predicted to expand at an average annual rate of 2.8% in real terms over the medium term but will grow strongly in 2022 at a rate of 7.4%.
- The unemployment rate is expected to remain unchanged at 2.2% in 2022 – above the pre-pandemic level, but lower than the average of 11.2% in the Middle East and Africa (MEA) region.
- Inflation in Kuwait is forecast to slow down to 2.6% in 2022 from 3.2% in 2021
- Kuwait's commodity exports increased by 57.4% and imports rose by 12.6% during 2021; the country remains a net exporter of goods.
- Gross Fixed Capital Formation (GFCF) in Kuwait rose in real terms over 2021, as a result of economic recovery, fiscal stimulus measures and favorable financing conditions.
- Public debt in Kuwait fell to 7.7% of GDP in 2021, compared to the regional average of 51%.

The population of Kuwait is estimated at 3 million in 2022 (CIA World Factbook) although Kuwait's Public Authority for Civil Information estimates the country's total population to be 4,420,110 for 2019, with non-Kuwaitis accounting for nearly 70% of the population. The median age in 2022 is 29.7 years and less than 3% of the population is over 65 years.

Direct U.S. exports of agricultural products to Kuwait in 2021 totaled US\$275.3 million, growth of 22% over that of 2020. Some US\$173.6 million were of the consumer oriented variety, which is 63% of the agricultural total and growth of 11%. U.S. exports of processed food totaled US\$175.5 million in 2021, growth of 23% and nearly 64% of the agricultural total.

Top U.S. exports of processed food products to Kuwait in 2021 included:

- Fats & Oils
- Food Preparations & Ingredients
- Processed/Prepared Dairy Products
- Condiments, Sauces Jams & Jellies

- Snack Foods
- Processed Vegetables And Pulses
- Canned, Dried & Frozen Fruit
- Chocolate & Confectionery

Food Retail Sector Highlights:

Euromonitor has estimated 2022 retail sales in Kuwait packaged food market to be US\$3.8 billion. That represents an increase of 21.4% and US\$665.2 million from 2018. They also forecast sales of packaged food in the Kuwait market to reach nearly US\$4.9 billion by 2026, an increase of US\$976.6 million and 25.1% from 2022. High growth products in the forecast include:

- Confectionery
- Sweet Biscuits, Snack Bars and Fruit Snacks
- Rice, Pasta & Noodles
- Ice Cream
- Sauces, Dressings & Condiments
- Processed Meat, Seafood & Alternatives to Meat
- Processed fruit and vegetables
- Ready Meals

Oman:

The inhabitants of the area of Oman have long prospered from Indian Ocean trade. In the late 18th century, the nascent sultanate in Muscat signed the first in a series of friendship treaties with Britain. Over time, Oman's dependence on British political and military advisors increased, although the sultanate never became a British colony. In 1970, QABOOS bin Said Al-Said overthrew his father, and ruled as sultan for the next five decades. His extensive modernization program opened the country to the outside world. He prioritized strategic ties with the U.K. and U.S., and his moderate, independent foreign policy allowed Oman to maintain good relations with its neighbors and to avoid external entanglements.

In 2021, the country's economy expanded in real terms, driven by increasing domestic consumption and public investment. However, the persisting pandemic-related risks, supply constraints and global inflationary pressures raise uncertainty and weigh on the country's economic outlook.

- Following real gross domestic product (GDP) growth of 2% in 2021, Oman's economy is forecast to grow substantially in 2022 at 5.5% and is also expected to expand at an average annual rate of 2.4% in the medium term.

- The unemployment rate is expected to fall by 0.9 percentage points, reaching 15.8% in 2022 – above the pre-pandemic level and higher than the average of 11.2% in the Middle East and Africa.
- Inflation in Oman is forecast to increase to 2.7% in 2022 from 1.2% in 2021.
- While Oman’s commodity exports declined by 20.1% and imports fell by 15% during 2021, the country remained a net exporter of goods.
- Gross Fixed Capital Formation (GFCF) in Oman rose in real terms over 2021, as a result of economic recovery, fiscal stimulus measures and favorable financing conditions.
- Public debt in Oman fell to 60.6% of GDP in 2021, compared to the regional average of 51%.

The population of Oman in 2022 is 3.7 million (CIA World Factbook Est.) and immigrants make up approximately 46% of the total population. The median age is only 22 years and the 65+ population is only 3.7% of the total so it is a very young country.

Oman is using enhanced oil recovery techniques to boost production, but it has simultaneously pursued a development plan that focuses on diversification, industrialization, and privatization, with the objective of reducing the oil sector's contribution to GDP. The key components of the government's diversification strategy are tourism, shipping and logistics, mining, manufacturing, and aquaculture.

Direct U.S. exports of agricultural products to Oman in 2021 totaled US\$83.5 million, growth of only 1% over that of 2020. The 2019 total was a record high at US\$169 million but during the pandemic their imports of food from the U.S. dropped 51% to US\$82.6 million. Of the 2021 total some US\$50.1 million were of the consumer oriented variety, which is 60% of the agricultural total and growth of 5%. U.S. exports of processed food to Oman totaled US\$43.4 million in 2021, growth of 12% and nearly 52% of the agricultural total.

Top U.S. exports of processed food products to Oman in 2021 included:

- Condiments, Sauces Jams & Jellies
- Alcoholic Beverages
- Processed/Prepared Dairy Products
- Fats & Oils
- Snack Foods
- Processed Vegetables And Pulses
- Canned, Dried & Frozen Fruit

Food Retail Sector Highlights:

Euromonitor has estimated 2022 retail sales in Oman packaged food market to be nearly US\$2.7 billion. That represents an increase of 19.2% and US\$431 million from 2018. They also forecast sales of packaged food in the Oman market to reach US\$3.2 billion by

2026, an increase of US\$547.8 million and 20.5% from 2022. High growth products in the forecast include:

- Breakfast Cereals
- Sweet Spreads
- Savory Snacks
- Baby Food
- Processed Meat, Seafood & Alternatives to Meat
- Rice, Pasta & Noodles
- Edible Oils
- Ready Meals

Qatar:

Ruled by the Al Thani family since the mid-1800s, Qatar within the last 60 years transformed itself from a poor British protectorate noted mainly for pearling into an independent state with significant oil and natural gas revenues. Former Amir HAMAD bin Khalifa Al Thani, who overthrew his father in a bloodless coup in 1995, ushered in wide-sweeping political and media reforms, unprecedented economic investment, and a growing Qatari regional leadership role, in part through the creation of the pan-Arab satellite news network Al-Jazeera and Qatar's mediation of some regional conflicts.

In 2021, the increase in energy prices supported Qatar's economic expansion over the year, with the country recording among the highest gross domestic product (GDP) per capita globally. Qatar's exports grew over 2021, with India becoming the country's major export partner. A budget deficit is set for 2022, while Qatar is expected to continue to invest heavily in preparation for the FIFA World Cup event. Furthermore, inflationary pressure is forecast to intensify in the upcoming years, due to high prices of commodities.

- Following real gross domestic product (GDP) growth of 3% in 2021, Qatar's economy is expected to expand by an average annual real rate of 2.2% in 2022.
- Inflation in Qatar is forecast to increase to 2.6% in 2022 from 1.8% in 2021.
- Qatar's exports increased by 66.2% and imports rose by 8.0% during 2021, with the country remaining a net exporter.
- The foreign direct investment (FDI) inflows into Qatar remained negative in 2020, reflecting the higher value of disinvestments than the value of inward direct investments in the country.
- Public debt in Qatar fell to 56.6% of GDP in 2021, from 72.6% in 2020, pointing to the country's improving fiscal health.

The 2022 population of Qatar is 2.5 million (CIA World Factbook Est.). The 2022 median age is 33.7 which is a little older than average in the region although the

population of those 65+ years is just over 1%. Nearly 71% of the population is between 25-54 years old.

U.S. exports of agricultural products to Qatar dropped 1% in 2021 and added up to US\$150.6 million. Consumer food exports however, grew 8% and totaled US\$108.8 million, or 72.2% of the agricultural total. Qatar imports high valued processed food products from the U.S. as well, totaling US\$71 million in 2021, growth of up to 47% of the agricultural total. Top U.S. processed foods exported to Qatar in 2021 included:

- Processed/Prepared Dairy Products
- Fats & Oils
- Condiments, Sauces, Jams & Jellies
- Processed Vegetables & Pulses
- Food Preparations & Ingredients
- Snack Foods
- Chocolate & Confectionery
- Non-Alcoholic Beverages

Food Retail Sector:

Euromonitor has estimated 2022 retail sales in the packaged food market in Qatar to be US\$2.4 billion. That represents an increase of 32.3% and nearly US\$604.7 million from 2018. They also forecast sales of packaged food in the Qatari market to reach US\$3.3 billion by 2026, an increase of nearly US\$866.3 million and 35% from 2022. High growth products in the forecast include:

- Ready Meals
- Baked Goods
- Sauces, Dressings & Condiments
- Sweet Spreads
- Savory Snacks
- Processed Meat, Seafood & Alternatives to Meat
- Rice, Pasta & Noodles

Saudi Arabia:

Euromonitor reports that the economy in Saudi Arabia expanded in real terms in 2021, driven by increasing domestic consumption, public investment and external demand. An anticipated budget surplus from surging oil revenues is expected to boost government reserves, strengthen the country's financial situation and shield from major future risks. However, the persisting pandemic-related threats, supply constraints and global inflationary pressures raise the uncertainty and weigh on the country's economic outlook.

- Following real gross domestic product (GDP) growth at 3.2% in 2021, the Saudi Arabia's economy is expected to expand by 7% in 2022 and average an annual rate of 2.4% in real terms over the medium term.
- Inflation in Saudi Arabia is forecast to grow strongly to 2.3% in 2022, from 3.3% in 2021.
- Saudi Arabia's exports increased by 58.7% and imports rose by 10.1% during 2021, with the country remaining a net exporter.
- Foreign direct investment (FDI) inflows into Saudi Arabia increased over 2020, and FDI intensity reached 0.8% of GDP.
- Public debt in Saudi Arabia fell to 29.9% of GDP in 2021 from 32.4% in 2020, pointing to the country's improving fiscal health.

Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy and to employ more Saudi nationals. Approximately 6.5 million foreign workers play an important role in the Saudi economy, particularly in the oil and service sectors; at the same time, however, Riyadh is struggling to reduce unemployment among its own nationals. Saudi officials are particularly focused on employing its large youth population.

Saudi Arabia's population is growing at a brisk pace. The total number of inhabitants was 35.3 million in 2022 (CIA World Factbook Est.) – an increase of 14.7 million since 2000. By 2030, the country will be home to 39.3 million – more than four times the total for 1980. Although the population is still relatively young, an ageing process is underway. Median age was 30.8 years in 2021, up from 21.3 years in 2000.

U.S. exports of agricultural products to Saudi Arabia grew 6% in 2021 and totaled US\$1.3 billion, making it the largest market in the GCC-6. U.S. That amount is also 43.3% of the agricultural total to the region.

Exports of consumer ready products to Saudi Arabia decreased 5% to US\$532.9 million in 2021, and 41% of the agricultural total. That is the 2nd highest total in the region after UAE. The Kingdom is an active importer of U.S. processed foods as well, the top market in the GCC-6 bringing in some US\$458.2 million in 2021, an increase of 5% from the prior year. Top U.S. processed food exported to Saudi Arabia in 2021 included:

- Processed/Prepared Dairy Products
- Fats & Oils
- Condiments, Sauces, Jams & Jellies
- Processed Vegetables & Pulses
- Food Preparations & Ingredients
- Snack Foods
- Chocolate & Confectionery
- Non-Alcoholic Beverages

Food Retail Sector:

Euromonitor has estimated 2022 retail sales in the Saudi packaged food market to be US\$22.7 billion. That represents an increase of 14.7% and nearly US\$2.9 billion from 2018. They also forecast sales of packaged food in the Saudi market to reach US\$27.7 billion by 2026, an increase of nearly US\$5 billion and 21.9% from 2022. High growth products in the forecast include:

- Ice Cream
- Processed Meat, Seafood & Alternatives to Meat
- Savory Snacks
- Sweet Biscuits, Snack Bars & Fruit Snacks
- Ready Meals
- Confectionery
- Dairy
- Soup
- Sweet Spreads

United Arab Emirates:

Euromonitor reports that the economy in the United Arab Emirates (UAE) expanded in real terms in 2021, driven by increasing domestic consumption, public investment and external demand. Surging oil revenues, high foreign direct investment (FDI) flows and economic diversification initiatives are expected to drive the country's economic growth. However, the persisting pandemic-related threats, supply constraints and global inflationary pressures weigh on the country's economic outlook.

- Following real growth of 1.5% in 2021, the UAE's economy is expected to expand by an average annual real rate of 3.8% in 2022.
- Inflation in the United Arab Emirates is forecast to increase to 1.5% in 2022 from 0.2% in 2021.
- As the UAE's exports increased by 7.6% and imports rose by 2.6% during 2021, the country remained a net exporter.
- As foreign direct investment (FDI) inflows into the United Arab Emirates increased over 2020, FDI intensity reached 5.2% of GDP.
- Public debt in the United Arab Emirates rose to 37.2% of GDP in 2021 from 37.1% in 2020, compared to the regional average of 51%.

The UAE's population has risen at a shocking pace. In 2022, the total number was 9.9 million (CIA World Factbook Est.), up from just 3 million in 2000. Median age is rising and in 2022 was estimated to be 38.4 years – significantly higher than the regional average. Foreign citizens make up around 88% of total population and are mainly responsible for the rapid gains in population. However, almost all immigrants are young or middle-aged adults and their presence ensures a relatively high median age. In

addition, immigration has led to an imbalance between the male and female populations – there are two men for every woman in the UAE.

The standard of living in the United Arab Emirates is one of the highest in the world. A liberal, business friendly and market-oriented growth strategy has reshaped the economy. The non-oil sector steadily expanded as diversification of the economy proceeded. However, greater diversification meant that the UAE was hit more severely by the global financial crisis than its neighbors.

U.S. exports of agricultural products to the UAE in 2021 totaled nearly US\$1.1 billion, growth of 18% and 36.5% of the agricultural total to the region. U.S. exports of consumer ready food products to UAE totaled US\$897.5 million in 2021, very strong growth of 22% from that of 2020. The UAE is the largest U.S. consumer food export market in the Middle East and the 16th largest overall. That amount was also an astounding 81.5% of the agricultural total.

The UAE also imported US\$421.4 million of U.S. processed foods in 2021, also good growth of 25%. The UAE is the 2nd largest U.S. export market for processed foods in the Middle East after Saudi Arabia. Top U.S. exports of processed food products to the UAE in 2021 included:

- Food Preparations & Ingredients
- Snack Foods
- Processed/Prepared Dairy Products
- Condiments, Sauces Jams & Jellies
- Chocolate & Confectionery
- Alcoholic Beverages
- Processed Vegetables & Pulses

Food Retail Sector Highlights:

Euromonitor has estimated 2022 retail sales in the UAE packaged food market to be nearly US\$6.3 billion. That represents an increase of 12.7% and US\$711.6 million from 2018. They also forecast sales of packaged food in the UAE market to reach US\$7.9 billion by 2026, an increase of US\$1.6 billion and 25.6% from 2022. High growth products in the forecast include:

- Ready Meals
- Sweet Spreads
- Processed Fruit & Vegetables
- Baked Goods
- Dairy
- Sauces, Dressings & Condiments
- Baby Food