

## **SAUDI ARABIA**

### **Market Overview**

USDA's Office of Agricultural Affairs (OAA) in Riyadh hereinafter referred to as "Post" reports that there are plenty of opportunities for a wide range of new U.S. food products in the Saudi market; especially, healthier products aimed at a generation with more disposable income. Saudi Arabia was the 24th largest market (US\$1.34 billion) for U.S. food and agricultural products last year. A return to pre-COVID living and working conditions are invigorating U.S. agricultural exports to the Kingdom in 2022. U.S. Customs data for January – August 2022 shows an 11% increase in U.S. agricultural exports to Saudi Arabia compared to the same period in 2021. Unfortunately, there are also significant impediments to trade including several halal-related restrictions on meat and poultry products, as well as export facility registration requirements. Despite these issues, U.S. food products are generally viewed as a higher quality product and are well-positioned to meet Saudi Arabia's changing dietary habits over the next several years.

U.S. exports of consumer-oriented food products to Saudi Arabia increased from US\$535 million in 2021 to US\$655 million in 2022 due to expansions in the foodservice sector, an increase in foreign visitors, and the continued development of several major real estate projects. Top U.S. processed food exported to Saudi Arabia in 2022 included processed meat, baby food, baked goods, frozen treats, and breakfast cereals.

### **Market Opportunities and Challenges for U.S. Exporters in Saudi Arabia**

#### **Opportunities:**

- Saudi Riyadh (SR) is pegged to the U.S. dollar at the rate of US\$1 to 3.75 SR, and historically favors U.S. exporters.
- U.S. is recognized among the business community as a reliable supplier.
- The 6.5 million expats that live and work in Saudi Arabia create a strong demand for diversified and ethnic food imports.
- Saudi retail outlets are well equipped to carry all types of food products, including fresh as well as frozen items.
- Major retail chains are constantly looking for new to-market U.S. products.

#### **Challenges:**

- Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
- Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
- High markups, listing and other fees that major retailers charge significantly increase the cost of launching new products in the Saudi market.
- 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.

### **Retail Sector**

Post reports that in 2022, total retail sales in Saudi Arabia were estimated at approximately US\$50 billion. Of that amount, 52% was generated through traditional grocery stores and 48% 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.

Top product prospects include healthier lifestyle products (diet foods, organic, etc.), beef, beverage ingredients, non-alcoholic beer, tree nuts, plant-based meats, fresh fruits and vegetables, processed fruits and vegetables, fruit and vegetable juices, honey, snack foods, and various dairy products.

### **Foodservice Sector**

Post reports that the HRI sector was expanding prior to COVID-19. However, the pandemic devastated the fine dining restaurant sector for several months, but now the sector has fully recovered due to the lifting of all COVID-19 measures. In 2021, the HRI sector's total revenue was approximately US\$29 billion and is projected to grow approximately 10 % annually over the next few years. The HRI sector depends on imported food products to meet approximately 70% of its ingredient needs.

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, Fuddruggers, 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.

Top product prospects include dairy products, fresh fruit, fresh vegetables, red meats, condiments and sauces, beverage, and other coffee shop ingredients, baked frozen pastries, and frozen sandwich bread.

### **Food Processing Sector**

Post reports that Saudi Arabia is home to a growing food manufacturing sector that benefits from population and income growth, lifestyle changes, state support, and favorable trade agreements. Demand for packaged foods is growing and more multinational companies are entering the market as a result.

Saudi Arabia's local food processing is significant. Current available data indicates that in 2022 the country imported approximately US\$3 billion dollars' worth of intermediate food products, with the United States supplying roughly 11% of that total. 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.

Top product prospects include poultry meat, beef, skimmed milk powder, full cream milk powder, block cheese, fats and oils, processed vegetables, pulses, and other processed dairy products.