

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Saudi Arabia imported \$14.8 billion worth of agricultural and related products in 2016, with the U.S. accounting for about 10 percent of total Saudi imports. In 2016, Saudi Arabia's regulatory authorities continued to strictly implement food import regulations and standards which have affected the flow of some U.S. food products exports to the Kingdom. The strict enforcement of import regulations included animal protein-free feeding requirements for livestock and poultry slaughtered for export to Saudi Arabia. This report includes updates on Saudi Arabia's regulations and customs clearance procedures for importing food products, and highlights issues that U.S. exporters should be aware of when exporting food products to the Saudi market.

I. MARKET OVERVIEW

Saudi Arabia is the largest importer of food and agricultural products in the Gulf Cooperation Council (GCC). Its population is 150 percent larger than that of the other five GCC states combined (UAE, Kuwait, Qatar, Oman and Bahrain). Saudi Arabia's population is estimated at 31.7 million in 2017, and is expected to reach 40 million by 2025. This will help boost demand for food imports, as Saudi Arabia relies on foreign suppliers to satisfy 75 percent of its food consumption needs.

Low international oil and petroleum products prices have reduced the country's per capita income from about \$24,000 in 2011 to about \$21,784 in 2016. However, the reduced per capita income has not significantly changed consumer consumption patterns. The continued increase in the country's population, the increased number of pilgrims coming for Umrah and Hajj rituals, and the relatively high disposable income will continue to increase demand for food imports. The relatively high per capita income in Saudi Arabia as well as changing lifestyles and diets, are expected to boost the demand for high quality food products.

The latest available U.N. trade data shows Saudi Arabia imported \$14.8 billion of agricultural and related products in 2016, a decline of about 23 percent from 2015. The huge decline in Saudi agricultural and food products imports was mostly due to lower prices of grains, such as corn, wheat, barley and rice, and lower prices of dairy products and frozen broiler meat imports.

The top five suppliers of food products to the Saudi market last year were Brazil with 14.3 percent of the market, India and U.S. each with approximately 9.9 percent, Germany (4.8%), and Egypt (4.2%).

In 2016, consumer-oriented food products accounted for about 53 percent of total agricultural and related products imports, and reached about \$7.8 billion, a 20 percent decrease from 2015. Brazil was the largest supplier of high value products, with 17 percent of the market, followed by Egypt (7.9%), India (7.3%), the U.S. (6.6%), and France (5.9%).

According to U.S. Customs data, U.S. agricultural and related products exports to Saudi Arabia in 2016 reached a record level of about \$1.44 billion (FOB value), an increase of about 10 percent compared to 2015. Significant increases in the U.S. bulk and intermediate products exports were the reasons for record U.S. exports in 2016.

In 2016, U.S. exports of consumer-oriented food products to Saudi Arabia declined by about 11 percent to \$507 million, compared to about \$570 million in 2015. Last year, U.S. consumer-oriented food products accounted for 35 percent of total U.S. agricultural and related products exports to Saudi Arabia. Bulk products accounted for about 38 percent of the total U.S. exports, while intermediate products accounted for about 27 percent. U.S. bulk and intermediate food products exports were up by 35 and 18 percent, respectively, in 2016 compared to the previous year.

U.S. food products are generally viewed as meeting higher quality standards compared to food produced locally or imports from other countries. Although U.S. food products command higher prices and higher margins compared to imports from Asia and Arab countries, demand for U.S. food products in the Saudi market has been increasing.

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 to determine if they meet established Saudi and/or GCC Standardization Organization (GSO) regulations and standards. The SFDA has been strictly enforcing Saudi and GSO food import regulations, standards and circulars - particularly those related to allowable limits for food additives and labeling requirements, which they were lenient in enforcing in past years. For example, SFDA has rejected several containers of U.S. prepackaged food products for having misleading health benefits claims.

Advantages and Challenges for U.S. food exports to the Saudi Market

Advantages	Challenges
Saudi Arabia depends on imports to meet about 75 percent of its food needs.	Price competitive local products and imports from Arab and Asian countries have reduced U.S. market share.
The Kingdom is a growing market for high value food products. Consumers have affinity for trying new food products, offering greater opportunities for new-to-market U.S. food products.	Freight costs from the U.S. are higher than those from export competitors in Europe and Asia.
Ready to eat foods, home meal replacements, fast foods and "take-away" are increasingly popular with the youthful Saudi population.	Some consumers perceive U.S. food products as promoting a relatively unhealthy lifestyle.
The high per capita income and changing lifestyle and diets in Saudi Arabia continue to boost demand for high quality food products.	High markups, listing and other fees that major retailers charge significantly increase the cost of launching new products in the Saudi market. Some food retailers require that they be reimbursed for expired products.
The U.S. is a recognized reliable supplier of quality food products. Major Saudi importers are constantly looking for new-to-market food products.	Negative consumer attitude towards food containing or made from biotech products.
The more than 13 million expats that live and work in Saudi Arabia create demand for greater diversity and ethnic foods.	Local importers prefer to initiate business deals with small orders; conditions many U.S. exporters are not willing or able to meet.
An increasing number of religious pilgrims come to Saudi Arabia every year (approximately 8 million pilgrims in 2016) creating demand for institutional food services.	Rejection of food packages which contain health claims and trade logos that may imply religious connotation, such as the "Cross" or the "Stars of David".
Most Saudi food regulations and standards are typically based on CODEX Alimentarius regulations and to some extent on European Union (EU) and U.S. Food and Drug Administration (FDA) regulations, but are modified to reflect local religious, cultural and climatical conditions.	The requirement that chicken and beef not be produced using feed containing animal protein is a significant barrier to U.S. producers.

II. EXPORTER BUSINESS TIPS

A) Local Business Customs

There are dozens of food importers in the Kingdom, with about 40 accounting for the bulk of food imports from the United States. Below are the ways food products are imported to Saudi Arabia.

1) Private labels are becoming common in Saudi Arabia

Some large Saudi importers and supermarkets chains pack foodstuffs under their own brand names locally and in foreign countries, including in the United States. These firms have developed private labels, which appeal to Saudis and expatriates in the Kingdom. 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. Other well-known private labels include Freshly, Al-Alali and Harvest.

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 and Freshly
- Under a U.S. private label representing the exporter/consolidator: such as American Garden or AFFCO.

2) Agency Agreements

Some importers are agents of major U.S. manufacturers of national brands, such as Kellogg's, Campbell Soup, Florida Natural Fresh Juices and Budweiser non-alcoholic beer. The Saudi importer will help build the brand, but will request support from the U.S. Company. The U.S. manufacturer usually 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, 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. Stickering is a laborious task and most manufacturers do not want to bother with this. U.S. consolidators are generally based in port cities that have large wholesalers like Houston, New York, and Miami.

4) Direct Imports by Supermarkets

The French hypermarket chain, Carrefour, Dubai based Lulu, as well as many locally-based supermarket chains, such as Othaim, Panda, Tamimi, Manuel and Danube import part of their food products needs directly from suppliers. Tamimi and Danube, two of the most upscale Saudi supermarkets, import

several containers of American food products each month for sale at their outlets, lending support to a wide range of brands without a binding agency agreement. Lulu has established a sourcing center for U.S. products in New Jersey where it purchases and packs products for its stores.

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, a significant number of U.S. origin grocery items found in Saudi supermarkets continue using 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 large supermarkets in moving items that are approaching their expiry dates. Major Saudi supermarkets have introduced category management and eliminated slow moving product brands. The entrance of the French hypermarket chain Carrefour in the Saudi retail market in 2004 along with the opening of Hyper Panda (local chain) in the same year has launched a new era of retailing in the Kingdom characterized by a state of the art shopping experience and aggressive competition.

Local distributors (depending on the size and power of the distributor) are being asked for listing fees ranging from \$267 to \$17,067 per Stock Keeping Unit (SKU) by major hypermarkets. 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 for its products seven days a week, provide at least 60 day payment terms, rent gondolas and reimburse for expired items. Distributors frequently authorize retailers to conduct special offers to consumers such as buy one and get one mainly for products with 60 days or less of remaining shelf life. Hypermarkets and supermarkets depend heavily on merchandising services offered by importers/distributors, i.e., stocking shelves and keeping inventory.

B) General Consumer Tastes Preferences

The Kingdom is a growing market for high value food products and consumers have affinity for trying new food products, offering greater opportunities for new-to-market U.S. foods. Ready to eat foods, home meal replacements, fast foods and "take-away" foods are increasingly popular with the young Saudi population. The approximately 13 million expatriates who live and work in Saudi Arabia create demand for greater diversity and ethnic foods. In the past two decades, Saudi Arabia has experienced rapid socio-cultural changes caused by the fast growing economy and increased personal income that 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 supermarkets and fast food restaurants has significantly changed Saudi consumer tastes and preferences. Increasing numbers of Saudis look for high quality foods and are willing to pay more for quality. Most hypermarkets are now selling cooked meals, marinated meat, ready to go salad and chilled pizza to meet the growing demand for prepared foods in retail outlets.

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. Frozen foods are perceived by consumers as being

of better quality than canned foods. Changing lifestyles and an increasing number of women entering the workplace are driving demand for prepared foods.

Dining at fast food restaurants has become very popular among Saudi families and expatriate workers. American fast food chains such as KFC, Burger King, and McDonald's as well as casual dining restaurants such as Chili's, TGI Fridays, Applebee's, Sizzler, On The Border, Fuddrucker's and some local fast food chains such as Herfy and Kudu, import at least part of their food needs from the United States. Large catering companies, especially those serving Western expatriates, also buy a portion of their requirements directly from the United States.

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 (about 19.7 million) in 2016

Expatriates workers residing in the Kingdom (13 million)

Per capita income \$21,784

Saudi consumers are discriminating consumers and enjoy new food products. With a young and growing population supporting a significant increase in retail outlets, U.S. food and agricultural exports to the Kingdom will continue to expand in the coming years.

A growing import demand for institutional-size food products by the catering sector is being driven by the large number of expatriate third country nationals working in Saudi Arabia and the increasing number of foreign pilgrims visiting the two holy cities (Makkah and Medina). There are more than 13 million expatriates residing in the Kingdom, most of whom are single and from the Sub Continent of Asia (India, Pakistan, and Bangladesh) and the Philippines. The number of foreign pilgrims coming for Hajj and Umrah rituals is estimated at about eight million per annum.

Middle class Saudis and middle income expatriates are the largest consumers of American consumer-oriented products and the principal shoppers in Class A supermarkets. The consumers in Saudi Arabia are becoming increasingly educated about quality, nutritional value, price, and packaging. They pay attention to expiry dates on products and enjoy new products. Domestic supermarkets that offer a wide variety of food products will have the best chance for prospering in this competitive market.

Saudi Arabia and the other GCC countries allow the importation of biotech food products as long as 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.

Despite the fact that Saudi Arabia has allowed the importation of biotech labeled consumer packed food products since 2001, no packaged foods with positive biotech labeling have been imported so far because of limited knowledge and negative attitudes towards foods containing or made from biotech products. Saudi importers of high value food products do not import biotech foods as they are concerned that biotech labeling could jeopardize their product image and result in losing market share. Saudi Arabia requires positive biotech labeling if a product contains more than 1 percent of biotech vegetable (plant) ingredients.

The demand for organic foods is very small but growing. There is a lack of sufficient marketing for organic foods and most people are not educated about organic foods.

C) Selected Imported Food Requirements, Standards and Regulations

SFDA sets and enforces food product regulations and standards. It is the sole Saudi government body with this responsibility. SFDA is also the main agency that conducts inspections of imported food to ascertain that it meets established Saudi and/or GSO regulations and standards. The SFDA has recently started to strictly enforce Saudi and GSO food import regulations, standards and circulars particularly those related to allowable limits for food additives and food labeling requirements, which they had been more lenient in enforcing. Recent examples of SFDA's strict implementation of import requirements include the following:

1. Animal Protein Free Feeding

The SFDA regulations for livestock and poultry meat products require that the health certificates accompanying shipments of livestock and poultry meat clearly indicate that the livestock or birds slaughtered were not fed with processed animal protein.

In order for the U.S. Food Safety and Inspection Service to issue the required animal protein free certification, U.S. exports of beef, poultry and products to the Kingdom must come from slaughter facilities that participate in the Export Verification (EV) Programs established by the Agricultural Marketing Service (AMS). These are the [Export Verification Program for Bovine - Saudi Arabia](#) and the Protein Free Verification ([APFV](#)) Program for beef and poultry, respectively.

The SFDA lifted its four-year old import ban on U.S. beef at the end of June 2016. The ban was rescinded after several months of negotiations between SFDA and U.S. Trade Representative and U.S. Department of Agriculture officials that resulted in the establishment of a USDA EV Program that attests that beef and/or beef product exported to Saudi Arabia has not been derived from animals fed on processed animal protein. Detailed information on the USDA EV Program Specified Product Requirements for Bovine – Saudi Arabia is provided on AMS website at this link [USDA Export Verification \(EV\)](#).

On August 22, 2016, the SFDA lifted its import bans on poultry and poultry products from 15 U.S. states. Saudi Arabia banned imports from the 15 U.S. states due to the detection of avian influenza in poultry farms from September 2014 to May 2015. The states affected by the bans were Montana, North Dakota, South Dakota, Wisconsin, Iowa, Oregon, California, Washington State, Idaho, Minnesota, Missouri, Kansas, Arkansas, Nebraska and Indiana. Saudi Arabia has thus far not moved from state by state to county level regionalization of outbreaks.

2. Pesticide Residue

SFDA has established 1 Part per million (PPM) as the maximum allowable aggregate pesticide residue limits for foodstuffs (MRLs) and strictly enforces the limit. In 2014, the SFDA rejected several containers of grape leaves for allegedly containing levels of pesticide residue higher than the maximum allowable level of 1 PPM, which prevented several U.S. shipments of grape leaves from entering the Saudi market. Most of the U.S. brands of grape leaves are now back in the Saudi market, and reportedly meet the SFDA's maximum pesticide residue level of 1 PPM.

3. Ochratoxin Level in Food Products

In the absence of SFDA or GSO regulations, Saudi Arabia applies regulations from international regulatory bodies such as Codex Alimentarius, the EU or FDA regulations to determine the safety of imported food products and their fitness for human consumption. The SFDA does not have a specification or regulation that limits the Ochratoxin level in food products. Since 2014, SFDA has been rejecting shipments of U.S. origin paprika sauce if Ochratoxin level in food products exceeds 15 microgram per kg. Since there is no GSO or Saudi standard that limits the Ochratoxin level in food products, it chose to implement an EU regulation that limits the Ochratoxin level in food products to 15 microgram per kg. The SFDA has opted to implement the EU standard, since the U.S. (exporting country) does not have a standard for Ochratoxin levels in paprika sauces. This SFDA's requirement has forced U.S. exporters to incur additional laboratory testing costs to make sure the Ochratoxin level is not higher than 15 microgram per kg in paprika sauce.

4. Rejection of Misleading Health Benefit Statements on Food Labels

In 2015, the SFDA started to strictly implement its 2011 regulation #255 which bans putting "misleading health benefits claims" on the labels of prepackaged food products. This resulted in the refusal of Saudi Customs to clear several shipments of U.S. breakfast cereal containing health claims such as "May help to reduce cholesterol". The SFDA said that these nutritional or health benefit claims are unverifiable, thus misleading for consumers. Product packages containing the logo of the American Heart Association have been refused Customs clearance for similar reasons. The SFDA also bans imports of prepackaged food products containing alcoholic connotations such as "cocoa liqueur" as an ingredient. This requirement has practically prevented the imports of some high quality U.S. chocolate products.

The SFDA indicated that its decision to ban "misleading health benefits claims" is based on the following three articles of the GSO 9/2007 which was replaced by GSO 9/2013 "Labeling of prepackaged food stuffs "

- Article 7/1/5: legally or forbidden names, symbols, marks or photos shall not be used.
- Article 8/1: information written on the label of food products shall not contain any statements having drug or treatment characteristics.
- Article 4/2: any foodstuff shall not be described or offered for sale with any label which may be deceptive, misleading or false or is likely to create an erroneous impression regarding its nature or characteristics in any aspect.

More information on this and other Saudi food regulations and requirements are available in our report on Saudi Food and Agricultural Import Regulations and Standards-Narrative at this link [FAS GAIN Reports](#).

D) General Standards for Food Products Imports

SFDA strictly applies GSO regulations and standards on imported foods products. If GSO regulations and standards are not available, it applies its own issued regulations and standards. In the absence of Gulf and Saudi issued regulations and standards, SFDA applies Codex or supplying countries standards

such as FDA, EU and other developed countries standards. The table below lists the main GSO and Saudi standards that all U.S. food products exporters should take into consideration when considering exporting to Saudi Arabia.

Standard Title	Standard No
Conditions of storage facilities for dry and canned foodstuffs	GSO 168
Maximum limits for pesticide residues in agriculture food products part 2	GSO 383
The two pieces aluminum round cans used for canning food, beverages & stuff	GSO 1793
Round, metal, installation, used for canning stuffs : determinations, dimensions and capacities	GSO 1797
Edible casein and caseinates	GSO 1374
Sweeteners permitted for use in food	SASO 1548
Flavoring permitted for use in food stuffs	GSO 707
Additives Permitted for Use in Food Stuffs	GSO 2500
Labeling of prepackaged food stuffs	GSO 9
Limits of radioactivity levels permitted in foods stuff part -1	GSO 988
Refrigerated cabinets for the sale and/or display of food products, part 1: general requirement	GSO 1686
Code of practice for the prevention and reduction of lead contamination in foods	GSO CAC RCP56
Food packages - part1 : general requirements	GSO 839
Food packages - Part 2: Plastic package - General requirements	GSO 1863
Food packages made of aluminum foil	SASO-2173
Expiration periods of food products	GSO 150
Principles for food import and export inspection and certification	GSO CAC/GL 20

The above standards are copyrighted documents and can be purchased by logging into the GSO's webpage at [GSO Standards Store](#)

E) Food Products Preregistration Requirement

In January 2014, Saudi Arabia implemented mandatory requirements for preregistration and electronic customs clearance of all imported food and feed products. The registration of imported food products is the responsibility of the 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 Executive Department for Imported Food Control (EDIFC) [E-Services](#). Once the E-Account is created, importers can upload their food product's information, including harmonized code (HS Code), bar code, item code, and listed ingredients in English and Arabic, a picture of each product as well as a copy of the product label. The label must contain all information required by the Gulf Standard Organization regulation number GSO 9/2013 "Labeling of Prepackaged Food Stuffs". Importers are also required to register the addresses of their warehouses, and provide contact information to SFDA (including the Customs brokers contracted in each Saudi port of entry). Individual importers are required to register all food products they intend to import, even if some or all of the products they intend to import have been already registered by

another importer. The electronic registration with the SFDA is free of charge and there is no expiry date for the registration. Importers, however, are required to re-register their products when there are changes in product formulations or labels. The registration process seems to be simple and can be quickly completed if needed information is readily available and required documents are uploaded. It is important to know that SFDA does not allow the importation of food products that are not registered in its E-Account database.

F) Voluntary Registration of Foreign Establishments Exporting Food Products to Saudi Arabia

SFDA has begun voluntary registration of foreign establishments that export food, seafood and feed products to Saudi Arabia with no deadline for registration. The SFDA system: “Foreign Establishment Registration Service” aims to ease the process of registration and accreditation of the current and future exporters’ of foreign slaughterhouses and factories of meat, chicken, and fish and all other food related producers. The registration process consists of nine steps for all types of establishments with the exception of slaughter houses. The requirements may include SFDA site inspections and approval as additional registration conditions. In any case, foreign establishments must first create individual electronic accounts (E-Account) with SFDA by logging to ([Foreign Establishments](#)) and completing the electronic form. Once the form is completed, the system will send an activation code to the registered company’s email address. After receiving the activation code, the firm can choose one of the two options to active its E-Account: by clicking on the link sent in the SFDA’s e-mail or by opening this link ([Login](#)).

G) Import Procedures

Below are the SFDA’s procedures for importing food products into Saudi Arabia:

- Importers must have a commercial registration that includes food trade.
- Importers must have created an E-Account with SFDA and registered all their imported food products.
- Required Documents: The following documents must be submitted to the SFDA in order to commence the required product inspections process:
 - Original invoice certified by a Chamber of Commerce where the exporting company is located.
 - Some of the following certificates (according to the food item) shall be made available:
 - i. Certificate of origin (Copy)
 - ii. Halal Certificate (original)
 - iii. Certificate of slaughtering for meat and poultry (original)
 - iv. Any other documents or certificates required by the SFDA
 - v. In addition to the general requirements listed above, there may be special requirements specified by SFDA according to the nature of imported food products.

H) Inspection Procedures at Border Inspection Posts (BIPs)

Most all imported foodstuffs are inspected by the SFDA's Executive Department of Imported Food Control (EDIFC) at Saudi ports of entry or BIPs. Exceptions include herbal preparations, health and supplementary foods (inspected by the Ministry of Health) and live animals, plants, seeds and grains (inspected by the Ministry of Environment, Water, and Agriculture). Imported processed animal feed and feed ingredients are inspected by SFDA's Executive Department of Animal Feed (EDAF). Imported foods are inspected independently by EDIFC's inspectors at one of Saudi Arabia's BIPs without any interference from SFDA headquarters in Riyadh. Laboratory officials pull random samples from full consignments and testing is done fairly quickly. If the imported consignment is in compliance with pertinent GSO or Saudi regulations and standards it is cleared. Otherwise, it is rejected. The domestic importer has no access to SFDA internal reports during the process. SFDA informs the importer of its final decision whether to clear the product for sale in Saudi Arabia or reject it due to lack of compliance with established regulations and standards. Rejected products have to be re-exported or destroyed domestically under SFDA's supervision.

EDIFC inspectors perform the following mandatory four stage verification process when food consignments arrive at BIPs:

- **Documentation Check:** all certificates and documents accompanying a consignment are checked and presence of all required documentation is verified.
- **Identity Check:** the identities of all food items imported in the consignment are verified against information in the accompanying documents.
- **Physical Examination:** all food items contained in the consignment are physically verified to ascertain conformity with the technical regulations and standards, and that the labeling requirements are met as specified by the pertinent technical regulations and standards. The interior temperature of the container is checked to insure that it meets the established pertinent regulations and standards.
- **Laboratory Test:** if the inspector has reasons to believe that a laboratory test is needed to take a final decision about the consignment they may take a random sample and send it for analysis at an authorized laboratory.

If the imported food product meets the established pertinent regulations and standards, it is released by EDIFC on the same day and referred to the Customs for final clearance. Failure to comply with pertinent regulations at any of the above stages may result in a rejection of the imported food product and prevent its entry. If a product is rejected by one of BIPs inspectors for alleged lack of adherence to established specifications at any of the above four stages, the local importer has the right to appeal the decision in writing to EDIFC at the SFDA headquarters and ask for reconsideration of the inspection results. In such cases, EDIFC forwards the appeal to SFDA's special committee. It reviews the shipment documentation and test results to verify compliance with established rules and regulations. If the BIP action is found to be in compliance with the rules and regulations pertaining to the rejected product, then EDIFC considers the BIP findings and decision as final. If, for any reason, there was a misjudgment by the BIP

inspectors, EDIFC repeals the decision and informs the importer to clear the consignment through Customs. Containers can be cleared in less than five working days provided all required documents are in order and imported products meet Saudi Arabian/Gulf specifications.

I) Customs Clearance

As mentioned earlier, shipments of food products must be accompanied by a commercial invoice, health certificate, and other selected documents. It should be noted that the Saudi Customs Authority requires that commercial invoices are issued on a CIF basis (cost, insurance and freight). If products are sold on FOB (free on board) basis, the Saudi importers will have to pay for freight and insurance costs and submit the invoices to Saudi Customs along with commercial invoices when the consignment arrives at the Saudi port of entry. Saudi Customs requires the CIF information for imported food products to assess and levy import duties. Containers are normally cleared in less than ten days provided all documents are in order and imported products meet Saudi standards and specifications.

J) Imports of Product Samples

Samples for potential Saudi buyers or for display in Food Shows are exempt from Saudi labeling and shelf life regulations, but are subject to inspection at ports of entry. A commercial invoice specifying that the product is not for sale and has no commercial value must accompany samples, which are usually sent to Saudi Arabia by D.H.L. and similar carriers.

K) Clearance of Food Stuff Purchased via the Internet

SFDA allows imports of food products purchased via the internet for personal or commercial purposes without going through the required online pre-registration and import authorization requirements. However, the imported food products will be subjected to the necessary inspection procedures at the Saudi ports of entry to ensure that they comply with SFDA's regulations and requirements to ascertain they are fit for human consumption.

L) 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, hops and swine leather.

III. MARKET SECTOR STRUCTURE AND TRENDS

1) Retail Outlets

In 2016, the total value of Saudi retail food sales was estimated by Euromonitor at about \$40 billion, an increase of about 10 percent compared to sales in 2015. The total value of retail food sales is forecast to reach about \$60 billion in 2020, an increase of 50 percent over 2016.

Key factors driving the huge growth in retail food sales:

Population Growth: the Saudi population, which was estimated at 31.6 million in 2016, grows at a rate of about 2.7 percent annually and is expected to reach 40 million by 2025. Currently, more than 70 percent of Saudis are under the age of thirty.

a) Increased Disposable Income:

Saudi Arabia's \$21,784 per capita income allows many to shop for high quality food products at retail outlets; and Saudis spend about 27 percent of their income on food. The Saudi government offers various indirect subsidies to keep the prices of staple food products at very low levels.

b) Increase in the Number of Retail Outlets:

In 2016, the total number of food retail outlets in Saudi Arabia was estimated at 43,987, an increase of about 2.3 percent over 2015 (Euromonitor). The total number of food retail outlets is projected to reach more than 47,509 by 2020, an increase of about 8 percent over 2016. The total value of Saudi retail food sales in 2016 was estimated at about \$41.8 billion, an increase about 10 percent compared to sales in 2014. The total value of grocery sales by the retail outlets is forecast to reach about \$46.6 billion in 2020. Saudi food retailers carry a wide range of food products, from domestically processed foods to imported upscale specialty and organic food products. The fast growth of retail food outlets in Saudi Arabia provides an excellent opportunity for U.S. suppliers of consumer products to expand their exports throughout the Kingdom.

In 2016, U.S. exports of consumer-oriented food products to Saudi Arabia totaled \$507 million. The top ten U.S. processed foods product categories imported to Saudi Arabia were dairy products, tree nuts, processed vegetables, condiments and sauces, fresh fruit, snack foods, prepared foods, chocolate and cocoa products, processed fruit, and non-alcoholic beverages.

c) Other Factors:

Other factors that have been contributing to the growth of modern retail chains are increased urbanization, more exposure to high quality foods and westernized food consumption patterns via satellite television advertisements, grocery shopping as a family outing, lifestyle changes, and Saudi consumers' desire for more variety foods.

2) Hotel, Restaurant and Institutional

The hotel, restaurant and institutional (HRI) food service sector in Saudi Arabia has been rapidly growing for the past decade. Major changes in Saudi citizens' work and life styles as well as in their consumption patterns have led to Saudis eating outside their homes and traveling domestically more often. The annual revenue derived from consumer food services, restaurants and cafés in 2014 was estimated at \$15 billion, and is forecast to reach \$18 billion by 2020. The Saudi Commission for Tourism and Antiquities estimates that total revenues generated from sales of food, beverages and food

service at restaurants and cafés have increased by 87 percent since 2006. The value of food purchased the HRI sector to produce meals in 2014 was estimated at of \$5 billion.

The institutional food sector in Saudi Arabia offers services to schools, workers camps, company cafeterias, hospitals, universities, Hajj catering, military, prisons, airline catering, and special events. There is no official government data on the value of the institutional food service market in Saudi Arabia. However, experts from major catering companies interviewed for this report estimate the annual value of the market to be about \$5 billion. This subsector serves several millions of meals a day and relies mostly on imports to meet its huge demand for institutional food products.

Saudi Arabia is among the most visited destinations in the Middle East, even though the Kingdom is not a tourist destination and does not issue tourist visas. In 2014, about 17.4 million visitors entered the country for various religious and business purposes, an increase of 34 percent over the number of visitors in 2010. In 2014, visitors to Saudi Arabia spent \$13.1 billion mainly on food and accommodation, of which Hajj and Umrah pilgrims accounted for 63 percent of the total expenditures.

Saudi Arabia relies heavily on imports to satisfy the HRI sector's food needs, with more than 80 percent of the sector's food requirements coming from outside the Kingdom. The sector is fully self-sufficient in only two products, fresh milk and table eggs.

3) Food Processing Sector

The Saudi food manufacturing and processing sector has rapidly grown in the past ten years. Support from the Saudi Government includes direct subsidies for selected food production equipment, low land leasing prices, long term interest free loans, duty free imports of raw materials, and highly subsidized utilities. This support helped boost investment in the food and beverage production sector and increased the number of food processing factories in Saudi Arabia, from 737 units in 2007, to 1,018 units in 2017, an increase of about 38 percent. During this period, the total investment in the Kingdom's food processing industry increased by a factor of four, reaching \$23 billion by the end of 2017 compared to about \$8.2 billion in 2007. Besides the various government subsidies, major factors for the continued increase in the domestic food processing industry are: increased demand for packaged foods, increases in per capita income, a high population growth rate, changing lifestyles and diets, and the growing popularity of rapidly expanding food retail outlets and the food service sector.

Domestically produced food products are considered good quality and competitively priced. Major food products that are locally processed using imported raw materials and ingredients include bread, dairy products, processed livestock and poultry meat, frozen vegetables, jams, potato chips, snack foods, juices, biscuits, peanut butter, spices, hot sauce, tomato paste, ketchup, cookies, confectionaries, fruit drinks, vinegar, pasta, honey, tea, canned beans, cooking oil, butter, mayonnaise, breakfast cereals and ice cream.

In 2016, Saudi Arabia exported \$3.8 billion worth of locally produced food and beverage products, an increase of 24 percent compared to 2010. Saudi food and beverage products are exported duty free to the other five GCC countries (Kuwait, Oman, Qatar, Bahrain, and the United Arab Emirates) which gives them a competitive advantage over imports from other countries including the United States.

Hence, the market for locally manufactured products consists of the entire Arabian Peninsula, including

Yemen. Significant quantities are exported to other Middle East countries, Africa, Europe and limited quantities to North America to cater to Muslim and Arab communities.

4) Marketing and Product Promotion Trends

Saudi retailers are constantly searching for new products, and often request support from suppliers for promotion and advertising. Advertising is considered a necessity to win Saudi consumers. Competitive pricing, weekly promotional offers, advertising support from vendors and the ability of retailers to offer a wide selection of products at competitive prices are key promotional strategies followed by retailers.

IV. BEST CONSUMER ORIENTED PRODUCTS PROSPECTS

The following is a list of some consumer ready food products with high export potential:

- Potato chips and savory snacks
- Mayonnaise
- Tomato ketchup
- Sauces
- Beverage ingredients
- Non-alcoholic beer
- Tree nuts
- Dairy products
- Red meats
- Fresh apples and pears
- Processed fruits and vegetables
- Jams and jellies
- Fruits and vegetable juices
- Honey
- Sweet pastry and biscuits
- Dietetic foods
- Snack foods
- Poultry meat
- Fresh fruit
- Processed fruit and vegetables
- Organic foods

V. KEY CONTACTS AND FURTHER INFORMATION

1. Post Coordinates

Office of Agricultural Affairs

American Embassy

P.O. Box 94309, Riyadh 11693

Tel: 966-11-488-3800 Ext. 4351

Fax: 966-11-482-4364

Internet E-Mail Address: Agriyadh@fas.usda.gov

2. OAA Riyadh Reports

Several OAA Riyadh issued reports on the Saudi food industry can be obtained by visiting [FAS GAIN Reports](#).