

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 11/18/2013

GAIN Report Number: UAE 09 - 2013

United Arab Emirates

Exporter Guide

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Approved By:

Jude Akhidenor

Prepared By:

Mohamed Taha

Report Highlights:

This report is an introductory tool for U.S. food suppliers who wish to export food products to Bahrain, Kuwait, Oman, Qatar and the UAE (GCC-5). It also provides information on best business practices and a list of U.S. products with high potential for increased sales in the region.

Post:
Dubai

Executive Summary:
SECTION I. MARKET OVERVIEW

The Gulf Cooperation Council-5 (GCC-5) countries covered by the Office of Agricultural Affairs (OAA) are a relatively homogeneous group of small nations with a total population of about 17.5 million. Energy related businesses are the main source of revenue. Per capita income in each country is relatively high, estimated in 2012 at \$102,000 for Qatar, \$49,000 for UAE, \$43,800 for Kuwait, \$28,300 for Bahrain and \$28,500 for Oman. Inflation rate in the region ranges from 2 to 5 percent.

The United Arab Emirates (U.A.E.), compared to other GCC-5 countries, is the largest market for food products, followed by Kuwait. Dubai has always been the commercial center and the region's trade hub. This is backed by efficient infrastructure (sea, land and air ports), several free trade zones and a strong business orientation. Dubai generates sizable revenues from the re-export business and invests heavily in infrastructure improvements, to attract more foreign investors. Other countries in the region, as well as other Emirates in the UAE, particularly Abu Dhabi, the capital, continue to follow Dubai's lead and model to improve their infrastructure and attract business interests.

The harsh climate, limited water resources, poor soil and water conditions continue to limit agricultural production in the GCC-5. Consequently, they inevitably have to import nearly 90 percent of their food needs, including raw materials for further processing. Annual GCC-5 food imports are estimated at \$10 billion, of which the U.A.E.'s share is about 60 percent. Rising populations and a dollar peg for all but one of the GCC-5 currencies have helped boost exports of U.S. agricultural products to the region, particularly consumer-ready food products which account for about 60 percent of total U.S. food exports to the GCC-5. Due to the vast number of exit points, accurate re-export trade data are not readily available. It is estimated that 40-50 percent of U.A.E. food imports are re-exported to other Middle Eastern, Asian and African countries. Population growth is not the only determining factor for import growth. The increasing level of investments in the GCC-5 and recruitment of skilled labor and executive officers, growing business and tourism travel are key factors fueling import growth. Dubai's economy is expected to continue to expand, as a result of new mega mega-construction projects in the pipeline. Many food importers have reported expansion plans, as a result of improvement in sales, boosting optimism about the future, especially in retail foods and groceries. Prospects for luxury food items are less clear.

Consumers' demand for seafood products is mostly met through local production and imports from Oman, Iran and India. High-end specialized items are imported from other countries, particularly the European Union and far eastern countries. Small quantities of specialty U.S. sea food products are imported for the HRI sector. Population growth rates across the region are estimated at 3.5 percent annually. An interesting aspect of the GCC-5 population is that in Kuwait, Qatar and the U.A.E., the local population is outnumbered by expatriates, majority of whom are from Asia, particularly the Indian subcontinent, and, to a lesser extent, from other Arab countries. These expatriate groups tend to perform manual labor. They also occupy a sizable share of the clerical, technical and middle and upper management positions. A significant population of Western expatriates from Europe and North America also work in professional positions. In Dubai, home to regional headquarters of most multi-national companies operating in the Middle East region, the expatriate population comprises an estimated 80 percent of the population. Thus, the expatriate community throughout the GCC influences food product imports. Of the local population, a sizeable percentage travel annually to Western countries for business, pleasure or for studies at colleges and universities. Consequently, they are exposed to Western culture and cuisines, including those of the United States. With the spread of international television via satellites and cable networks, consumers buying decisions are increasingly being influenced by region-wide targeted advertising campaigns. Also, the increasing number of working women, particularly married ones, has helped introduce new consumption patterns such as dining out, as well as prepared and semi prepared meals.

Table 1: U.S. Agricultural Exports to the GCC-5 Countries (Million U.S. Dollars, FOB)

Country	CY 2010	CY 2011	CY 2012	January – July Comparison	
				CY 2012	CY 2013
Bahrain	45.1	54.4	67.4*	41.3	43.5
Kuwait	147.9	209.2	195.8	98.3	136.9
Oman	49.0	121.5	140.7*	114.6	34.9
Qatar	50.4	64.5	74.6*	40.7	46.1
U.A.E.	955.3	1189.9*	1149.6	632.9	783.4
Total GCC-5	1247.7	1639.5*	1628.1	927.8	1044.8*

*Record

<i>Advantages</i>	<i>Challenges</i>
<i>High quality image of U.S. products.</i>	<i>High price of U.S. goods</i>
<i>Weak dollar provides advantage as GCC currencies are pegged to the dollar except Kuwaiti Dinar</i>	<i>Higher freight rates for U.S. foods compared to other suppliers</i>
<i>High regional per capita incomes.</i>	<i>Significant competition from producers in EU, Asia, Australia, New Zealand and, increasingly, from local and regional processors.</i>
<i>Broad familiarity with U.S. culture.</i>	<i>Large Indian subcontinent population with easy access to "home grown" products and modest incomes.</i>
<i>Increasing interest in U.S. products.</i>	<i>Lack of interest from some U.S. exporters who are not willing to entertain small orders, consolidate shipments and meet local labeling requirements.</i>
<i>Increasing number of tourists to Bahrain, Oman and the U.A.E. in particular; U.S. military presence in Kuwait and Qatar.</i>	<i>Importers often want to start with small quantities and consolidate shipments.</i>
<i>Low tariffs and relatively transparent import procedures.</i>	<i>Food products must carry production/expiry dates and Arabic labels.</i>

SECTION II: EXPORTER BUSINESS TIPS

1. Study Each Market: Importers often complain that U.S. suppliers are not well-informed about local market conditions, requirements and governing regulations, which are regularly updated. Market information and trade data for the GCC-5 can be obtained from the internet at <http://www.fas.usda.gov>. U.S. companies may obtain information on Office of Agricultural Affairs' activities by contacting the office directly.

2. Visit the Region: Making personal contacts is perhaps the single most important action a U.S. company can take. Letters, faxes and e-mails alone do not generally suffice in terms of generating serious interest among potential buyers. Repeat visits are also important and encouraged, as they demonstrate a commitment to the market.

3. Participate in Local Food Shows: If serious about penetrating the market, participating in local food shows are the shortest and fastest way for U.S. suppliers to meet with food importers from the GCC countries. The UAE hosts the following recommended shows:

1. **Gulfood Show:** Currently, it is the Middle East's largest food show. This annual Dubai-hosted food show, is regarded as the 3rd largest in the world, after Anuga and SIAL Paris shows.
2. **SIAL Middle East:** Hosted by the Emirate of Abu Dhabi. This annual show is gaining popularity among both food importers and exhibitors.

There are also several smaller specialized shows such as Seafex for seafood, Snack and Sweets, and many others.

4. Exhibit at a Major U.S. or International Food Show: If you cannot visit the region or attend local shows, notify potential customers of your participation in various U.S. or other international food shows. Give your contacts plenty of advance notice to make travel arrangements. Each year approximately 40-50 major GCC-5 based food importers travel to the U.S. and other foreign food shows such as ANUGA, SIAL Paris, Private Label Show, NRA, Bakery Ingredients, SNAXPO and Fancy Foods.

5. Target Reliable Importers: In addition to the foreign buyers lists that are available through USDA offices in Washington, you may contact the Dubai based Office of Agricultural Affairs (OAA Dubai) by Fax: 971-4-354-7279; E-mail: atodubai@state.gov to request lists of food importers in any of the GCC-5; also for a directory of GCC-5 companies known to be importing U.S. food products. This directory is arranged by product category, brand and country. It is updated annually.

6. Study Local Food Regulations and Requirements and Be Prepared to Discuss Product Price, Preferably on a C&F Basis: Be sure to include the cost of label modification to meet local regulatory requirements. Production and expiry dates are mandatory on the original package label. You will also be required to include an Arabic label or sticker on your product.

7. Bring Samples and be Prepared to Discuss Marketing Strategy and Possible Promotional Assistance: Samples are an important market introduction tool. To help encourage introduction of new-to-market products, offering importers assistance with advertising, in-store displays and even price discounts may be necessary.

8. Help Advertise: Print advertising is perhaps the most cost effective means of promoting a new product. Television advertising is quite effective if targeting a regional audience, but it is expensive. Be prepared to assist with payment of listing and shelf keeping fees, these costs have increased considerably in recent years.

9. Provide Website URL: Provide contacts and consumers with contact information through which they can submit in inquiries on the products. Websites help importers to browse through your line of products and view your label.

10. Be Willing to Entertain Smaller Orders, to Consolidate Shipments, or to Share a Shipment with Someone: In many cases, local importers will want to purchase small initial quantities, particularly for new-to-market products, to test the product's market potential and to develop the supplier/buyer relationship.

11. Be wary of agency agreements: The GCC-5 countries take different stands towards agency agreements. These agreements are virtually impossible to terminate without penalty in some of the GCC-5, even if the local company fails to comply. The U.A.E. and Oman have opted to not recognize any new food agency agreements for most products

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

U.S. agricultural, fishery and forestry product exports to the GCC-5 have grown over the past few years to unprecedented levels, reaching a record \$1.6 billion in 2012. Exports in 2013 are expected to grow further. OAA Dubai estimates that 55 percent of this trade went directly to food retail. In the U.A.E., it is estimated that up to 40 percent of imported foods are re-exported to other GCC countries, East Africa, Iran, Iraq, Yemen, former Soviet Union countries, and South Asia.

The Hotel, Restaurant and Institution (HRI) sector consumes about 40 percent of imported U.S. consumer-ready food products and beverages, particularly red meats (beef and poultry). The HRI sector is expanding in the GCC-5 markets as

countries develop their tourism and business sectors. Numerous 5 star hotels have been added in recent years, particularly in the UAE, Oman and Qatar. Institutional demand is driven in large part by labor camps that provide housing for thousands of laborers and middle to lower wage workers, many of whom are from South and East Asia. Semi-processed commodities like frozen chicken and rice are more in demand in this sector as compared to more highly processed food products. U.S. military troops and ships are served by ship-chandlers. Kuwait is an important re-export center to Iraq in general and to U.S. troops in particular. Products of particular demand in the HRI sector in the GCC-5 include red meat, poultry meat, dairy products, rice, edible oils, nuts, processed and fresh fruits and vegetables, snack foods, and processed eggs.

About 420 food processing firms operate in the UAE and a smaller number of food processors in other Gulf countries such as Kuwait, Oman and Bahrain. This sector consumes much of the bulk, intermediate and semi-processed products the United States sell to the region. In the food-processing sector, U.S. ingredients are mainly used in the following product categories: flour and bakery products, vegetable oil, canned beans, carbonated and non-carbonated beverages, chicken franks, manufactured snack foods and reconstituted juices. A soybean crushing facilities with a 4 million metric ton processing capacity/year is operating in the UAE. It is currently used for crushing rapeseed and soybeans for the production of oil and meals. Soybeans are sourced from the United States and Latin America. Local dairies and poultry farms are not large enough to meet local demand. Consequently, a number of local companies reconstitute dairy products from milk powder, primarily sourced from Europe, New Zealand and Australia. It is expected that an increasing number of multinational food companies will look to partner with local processors. A major U.S. food manufacturer has built a cheese processing plant in Bahrain to serve the MENA area. More details on the food-processing sector in the U.A.E. are available in the Food Processing Sector Gain Report.

Food Retail Consolidation: While expansions in hypermarkets and superstore types have flourished in the past 5 years, the trend has shifted to smaller stores. This is attributed mainly to lack of sufficient spaces in highly populated areas; and b) the surge in cost of acquiring land, as well as development and investment cost. Consumer Cooperatives are strong in the UAE and Kuwait markets, and to a lesser extent in Qatar. While they dominate almost 70 percent of the retail market in Kuwait, they have a 25 percent market share in the U.A.E. In addition to their loyal local shareholders and customers, the Coops attract a wide range of middle class consumers of Arab and Indian origin. Increasingly, several retail chains are providing home delivery service to their customers. The casualties of this competition will likely be small and some medium-sized grocery stores, depending on their locations.

Tourism's Potential: The Gulf region offers business and casual visitors excellent moderate wintertime weather, a long inviting coastline for water activities, and first-rate hotels with top quality food and hospitality services. In addition, the region offers some of the richest international sporting events ranging from golf and tennis tournaments, formula 1 car racing (in Bahrain and UAE), horse-racing's largest purse in Dubai, power boat racing, camel races and a host of trade events that draw large attendance from across the Middle East and beyond. The GCC-5 countries, in particular the U.A.E., are working hard to make travel to the region more pleasurable. Overall, OAA Dubai projects U.S. food export growth to the GCC-5 at 5-10 percent annually for the next few years.

Trends in promotion/market strategies and tactics: Promotions and aggressive product marketing are essential, in view of the intense competition between countries, companies and brands, not only to gain but to also maintain market share. Newcomers to this market should be prepared to include product marketing and promotional support in their plan as the importer may not be prepared to invest in new-to-market products without initial support from the supplier.

While the spread of satellite channels are making multi-market advertising easier, the cost for small to medium size companies could be prohibitive. Regular in-store promotions and newspaper ads are still the most commonly used advertising tools in this field.

Product Category	Market Size	Imports	Annual Import Growth	Import Tariff Rate	Key Constraints over market development	Market attractiveness for USA
					--High cost of	--The growing

Beef	74,263 MT	\$ 333 Mil	5-10%	5%	U.S. beef --Competition from lower quality beef	tourism industry and introduction of new hotels present opportunities for high quality beef
Mutton and lamb	62,868 MT	\$ 331 Mil	5-10 %	5 %	--U.S. sheep are considered fatty and expensive compared to other imported products	--High per capita GDP opens door for products that are expensive and of high quality
Poultry Meat	334,000 MT	\$ 584 Mil	10 %	5 %	--Competition from other suppliers -lack of interest among U.S. suppliers to improve the handling and packaging of U.S. products	--The GCC-5 countries import nearly 90 percent of their food needs
Hay	2 MMT	\$ 500 mil (estimates)	20 %	0 %	--High freight rate compared to other products imported from Europe and nearby countries	--Demand for high quality hay is growing among the consumers --Increasing investment in growing hay in the U.S.
Rice	293,123 MT	\$175 Mil	5 %	0%	--GCC nationals and expatriates of Indian subcontinent origin which represent larger share of the population favor Basmati rice imported from India & Pakistan	--Expatriates of Arab origins such as Egypt prefer the calrose rice. --The growing population could trigger interest in other rice varieties such as wild and brown rice.
Almond	48702 MT	\$ 179 Mil	5 %	5 %	None	--U.S. almonds are regarded as superior products. --Growing re-export market for U.S. almond through

						Dubai
Cheese	334528 MT	\$ 747 Mil	5-10%	5 %	--Consumers and other end users are not very familiar with the wide range of U.S. cheeses.	--The UAE imports large volume of cheeses from many countries and retailers always like to expand the range of displayed products

Above data is based on UAE Foreign Trade Statistics for Abu Dhabi, Dubai and Sharjah Customs information and best OAA and trade estimates.

SECTION IV: BEST HIGH-VALUE PRODUCT PROSPECTS

- | | |
|---------------------------------------|---------------------------------|
| 1. Almonds (shelled) | 10. Breakfast Cereals |
| 2. Beef & products (chilled & frozen) | 11. Confectionary Products |
| 3. Poultry Meat (frozen parts) | 12. Frozen Vegetables |
| 4. Snack foods | 13. Pulses |
| 5. Fresh Apples & Pears | 14. Planting Seeds |
| 6. Edible oils | 15. Sweeteners & Beverage Bases |
| 7. Cheeses | 16. Pet Foods |
| 8. Fruit and vegetable juices | 17. Rice |
| 9. Condiments and Sauces | |

SECTION V: KEY CONTACTS AND FURTHER INFORMATION

U.S. MAILING ADDRESS:

OFFICE OF AGRICULTURAL AFFAIRS
6020 Dubai Place
Dulles, VA 20189-6020

OFFICE OF AGRICULTURAL AFFAIRS
U.S. CONSULATE GENERAL
P.O. BOX 121777
DUBAI, UNITED ARAB EMIRATES

TELEPHONE: +971-4-309-0000
FAX: +971-4-354-7279
E-MAIL: atodubai@state.gov

Pertinent Government Food Import Contacts:

Bahrain: Mr. Ahmed Al Mannai, Head of Food & Water Control Section, Ministry of Health
Tel: 973-17-273-683
Fax: 973-17-279-253

Kuwait: Engineer Esteglal A. AL Mussallam, Manager Imported Food Department, Kuwait Municipality
Tel: 965-2487-4969/5387
Fax: 965-2487-9706

Oman: Mr. Saleh M. Al-Zadjali, Director, Specification and Measurements, Ministry of Commerce
Tel: 968-248-13418
Fax: 968-248-15992
E-Mail: dgsm@mocioman.gov.com

Qatar: Dr. Mohamed Al Thani, Director of Public Health Department, Ministry of Public Health
Tel: 974-4407-0100
Fax: 974-4407-0818
E-mail: gchanpong@nha.org.qa

UAE

Abu Dhabi:

Mr. Rashed Mohamed Al Shariqi, Director General, Abu Dhabi Food Control Authority
Tel: 971-2-672-5007
Fax: 971-2-678-5961
E-mail: rashed_alshariq@adfca.ae

Dubai:

Mr. Khalid M. Sherif, Director, Food Control Department, Dubai Municipality
Tel: 971-4-206-4200
Fax: 971-4-223-1905
E-mail: foodcontrol@dm.gov.ae

:1 Bahrain, Kuwait, Oman, Qatar, Oman and the U.A.E.