

Palestine Trade Centre



Market Study for the Kingdom of Saudi Arabia for processed food

Commissioned by PalTrade

According to your TERM OF REFERENCE (RFQ-PTC-061-09-2018 – Saudi Arabia) to develop a market study to understand market trends and characteristics and to understand the preferences and requirements of potential buyers for the Palestinian processed food products.

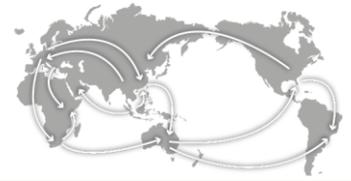
This study follows the structure as described in your terms of reference document.



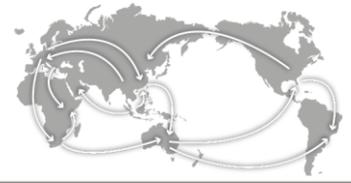


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1 Introduction

The Palestinian food industry has experienced export to Middle East, Europe, USA, Africa and Asia. Most of the Palestinian products are qualified for or have acquired already the necessary certifications of ISO versions and HACCP. 95% of foodstuffs are covered by the technical specifications of the Palestinian standards. Many firms have also acquired the necessary national certificates PS, and the international HACCP, ISO 22000 standards.

The food industry has been employing more than 11,400 Palestinians. The sector is producing 120 different food commodities, These are: Meats, Vegetables (fresh and frozen), Oils and fats, Dairy, Flour mills, Animal feed, Chocolates and confectionaries, Spaghetti, Water and soft drinks and beverages, Chips and snacks and others

The food companies involved in this study are:

- 2 Alzaituna Company
- 3 PRESTIGE Company for Trade and Investment
- 4 Al-Hijaz Company
- 5 Palolea
- 6 AL Hammouri Food Products
- 7 Al- Hamoda Co for Food & Dairy Products
- 8 Mahamis Al-Maslamani
- 9 Al'Ard Palestinian Agri-Products - Anabtawi Group
- 10 Pure Palestine
- 11 West Bank Salt Company
- 12 ZETA Palestine Turkish Co
- 13 Haifa Co. for Agricultural Marketing
- 14 Euromed

1.1 Product description

The market research in this report focuses on processed food in general, which is a very broad category. Given the production of the companies that participated in the supply survey, we have focused our findings to the information applicable for the following products:

Olive oil (HS code 1509)

Freekeh (HS code 19049080)

Couscous (Maftol, HS code 190240)

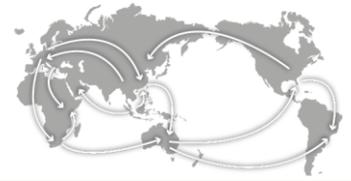
Watermelon seeds (HS code 120770)

Nuts (HS code 0802)

Dates (HS code 080410)

Cheeses (HS code 040610)

Conserved/pickled vegetables (HS code 2001) and tomato paste (HS code 2103)



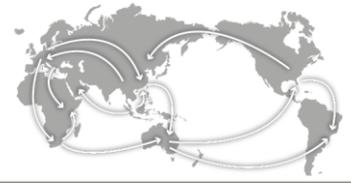
In order to give sufficient depth especially where it comes to a recommended market approach, we have grouped specific findings and written separate recommendations for each product category in paragraph 3.15.

1.2 Objectives and methodology

Our primary objective for the market study was to gather the information necessary for Palestinian exporting companies, in particular, those who participates in the supply survey, and understand the overview of the characteristic of the Saudi Arabia market and a perspective on their chances to sell into this market.

In order to do so, we have used the following approach for each of the topics as highlighted in your Terms of Reference:

Describe the characteristics and structure of the Saudi market; including the identification of potential importers, distributors, end-users etc...;	Compiling existing research reports. We identified the best-selling products currently offered in each category in the market, complete with pictures of the goods and their packaging. Listing leading retailers and wholesaler.
Assess the potential for augmenting demand and/or changing to new sources of supply ;	Research on trends and volumes in the market. Calls with industry organizations and various parties in the value chain.
Identify impediments affecting imports;	Calls and meetings with importers/distributors
Determine areas in which specific enterprise-level assistance may be requested such as licensing, customs duties, taxes, quality control, other rules and regulations affecting imports etc...	Calls and visits with importers in Saudi, and exporters on the Palestinian side
Provide information about trade procedures, trade logistics, needed documents and standards to enter KSA.	Compiling information obtained from governments, custom authorities, and industry organizations.
Identify areas where measures are required to facilitate imports from diversified sources of supply.	Based on the information gathered for the previous points, we can easily identify these and provide recommendations.



2 Summary of conclusions and recommendations

2.1 Market overview

The market size is about USD 17.3 billion in 2017 and expected to grow at a compound annual growth rate of 5.9% by 2020. It has the largest ethnic group in the GCC, about 39.3% are Indian, Bangladeshi, Pakistani, African and Asian, Syrians, Palestinians, Egyptians and Yemenis all over the country and the main cities; Riyadh, Jeddah Makkah and Dammam.

Consumers are increasingly looking to purchase organic but traditionally the two main obstacles are price and availability, over a half of Saudi consumers (51%) also believe it to taste better.¹

Saudi Arabia imports from all over the world; Europe, Africa, Asia, Canada, USA, Japan, Turkey, India and many other Middle East countries. Both, the exporter and the local partner invest a lot in local marketing activities and advertisements.

2.2 Distribution channels and import

Towards the consumer food & beverages are either sold through foodservice channels like restaurants and hotels, or through distributors and/or agent. Shopping malls with hypermarkets are the most important distribution channels for both mass and premium products. Palestinian exporters can appoints different agents or distributors for each region. Or they can appoint a master franchisor or distributor for the whole country, which later could include other nearby countries: Kuwait, Qatar, Bahrain, Oman, and the UAE.

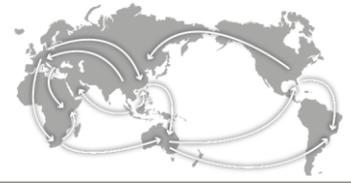
Palestinian customs started to refund the value of customs duties paid by Palestinian importers for goods subject to customs exemption under this Agreement, Palestinian traders enjoy duty free quota free access for all goods to and from all Arab countries in GAFTA².

2.3 Options to enter the market

With a large ethnic group in Saudi Arabia has made the population relatively open for new food products, there is a strong trend for healthy, organic or even vegan products, and the origin of the food is an important aspect.

¹ <https://www.arabianbusiness.com/retail/396062-saudi-appetite-for-organic-food-said-to-be-growing-survey>

² https://www.paltrade.org/en_US/page/trade-agreements



Palestinian food producers that have organic certification and that have products that can easily linked to the Middle East (like olive oil or Zataar) can have a good chance in the Saudi market. However, packaging that is appealing for the Saudi public and storytelling around the product is highly important. Competing on price or competing with just efficiently packaged processed products will not work.

2.4 Market entry recommendations

Based on the contacts that we had with potential buyers we see that some importers are open to new products. This openness is not a guarantee for closing a deal but can be a good start. However, this requires a good presentation of the companies and the products.

For those products that are new to the Saudi market, it is important to invest in market development with advertisements, background stories, blogs and sampling. However, this process requires a local consultant who will be involved, as well as local designers and product managers.

Recommendation 1: help Palestinian exporters to position, package and present their products better.

For the Palestinian companies, it would be the most efficient to have a joint pavilion on one of the bigger trade fairs in Riyadh, preferably the SAUDI AGRO FOOD in Oct 2019, or the. This would also allow to invite the interested importers to see the products and learn more about the companies.

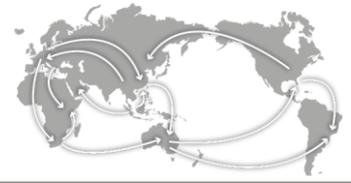
Recommendation 2: stimulate Palestinian exporters to attend fairs together, with a joint pavilion.

There is the option to do an individual importer search. This allows for more intense interaction with an importer. However, this process requires a local consultant who will be involved for a longer period.

Recommendation 3: do individual importer searches where necessary.

It would be useful to make these products countrywide available on online Platforms. Souq is open for food products and offers local warehousing and fulfilment. If a product sells online, it will also be easier to convince potential importers.

As products won't sell automatically, even when placed on an e-commerce platform, also some marketing support is needed, e.g. writing recipes, doing sampling or general advertising.



Recommendation 4: facilitate online sales in the Saudi Arabia, and combine this with media publications.

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2.5 What Alliance experts can do for you

Recommendation 1: We can provide detailed market insights, packaging and positioning advice

We now know both the products and the market, and our local specialists can easily point out where the current packaging and positioning go wrong. We can advise your packaging designers, bringing in examples of what works well in the market, or consult with a designer in the target country. We can help reformulate your brand story, enhancing those aspects that are commercially important and can be the basis for a marketing campaign.

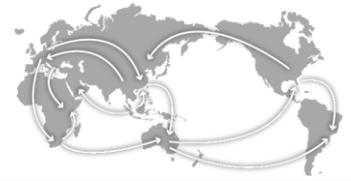
Recommendation 2: We can advise on how to present yourself at a trade fair and invite potential buyers to come to the Palestinian pavilion

Together with Paltrade and the participating companies in a trade fair we can advise how to best present Palestine and the products of the respective companies. With our current contacts with importers and distributors, we can also personally invite them to visit the Palestinian pavilion and let them meet with the most relevant companies. If necessary, we can also extend this invitation round to more companies. This is a limited extra investment that strongly will increase the yield of participating in the exhibition.

Recommendation 3: do individual partner searches

Alliance experts is specialised in selecting the right agent or distributor in the over 30 countries where we are active. We live there, work there, know the culture and speak the language. And we think from the perspective of the local distributor. This helps us to make connections and arrange appointments.

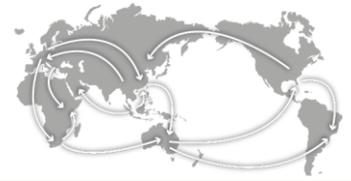
Based on your strategy for your market entry, we draft a partnering profile, describing your company and the type of partner that you are looking for. In parallel, we list a broad range of potential distributors or agents. We discuss this long-list with you, to see what type of companies you want to focus on. We then approach the companies with your profile in hand. We call them in the local language, get through to the right decision maker, and send your profile and follow-up to see whether he or she is interested in an appointment. Once we have a short-list of interested companies, we try to arrange meetings for you shortly after one another, so that you can come over and spend your time efficiently.



Recommendation 4: facilitate online sales in the KSA, and combine this with media publications.

With our initiative <https://exporteers.online> we help companies to sell their products abroad on local e-commerce platforms. We set up a local company who is formally the seller, do the customer care and manage the fulfilment. The only thing you have to do is to ship your goods per box or pallet to a central warehouse from where the individual packages are shipped. Your goods remain your ownership up to the moment we have sold them to the customers. This way your products are easily available in the market. We will offer this service also in the KSA starting in 2019.

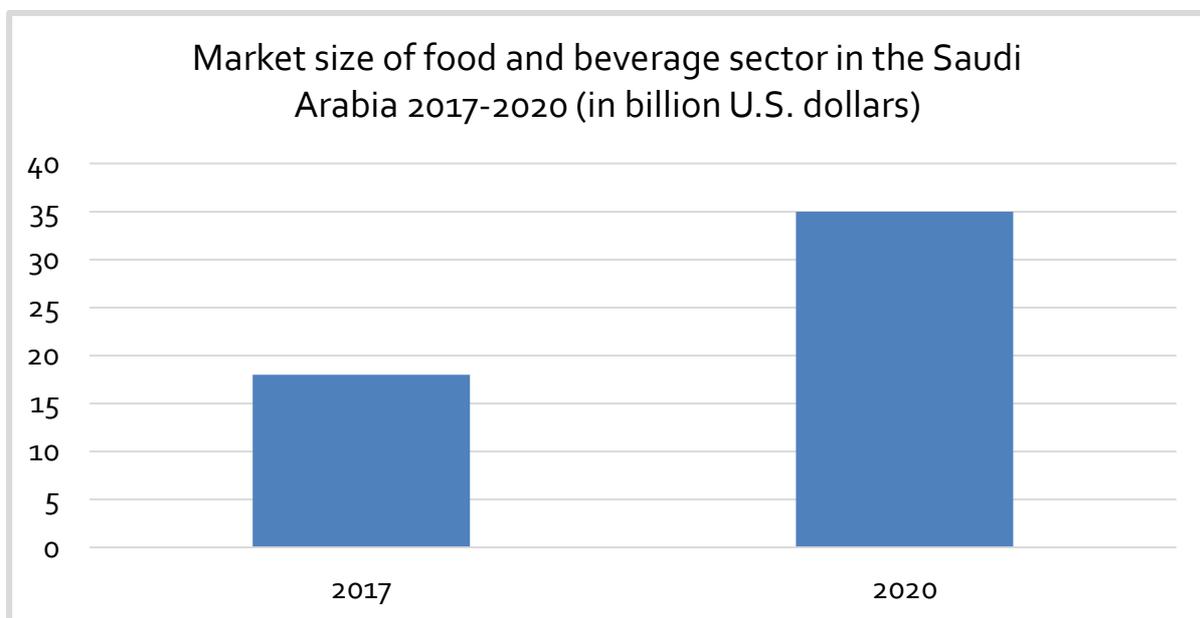
Having your products online does not guarantee sales. You also have to invest in marketing, and this is strongly dependent on the product. We help you get your product under the attention of blogger, we arrange Facebook postings and can manage your local online advertising. Once your product gets traction, it will also be easier to find a local distributor.



3 Import profile of the sector

3.1 Market size

The recent statistics from FOODEX, Saudi describes the market size of the food and beverage sector in Saudi Arabia and indicates that it will grow from USD 17.3 billion in 2017 to USD 35 billion in 2020. Saudi Arabia relies mostly on foreign suppliers to satisfy about 80% of its food consumption needs, where food accounts approximately 15% of its total imports.



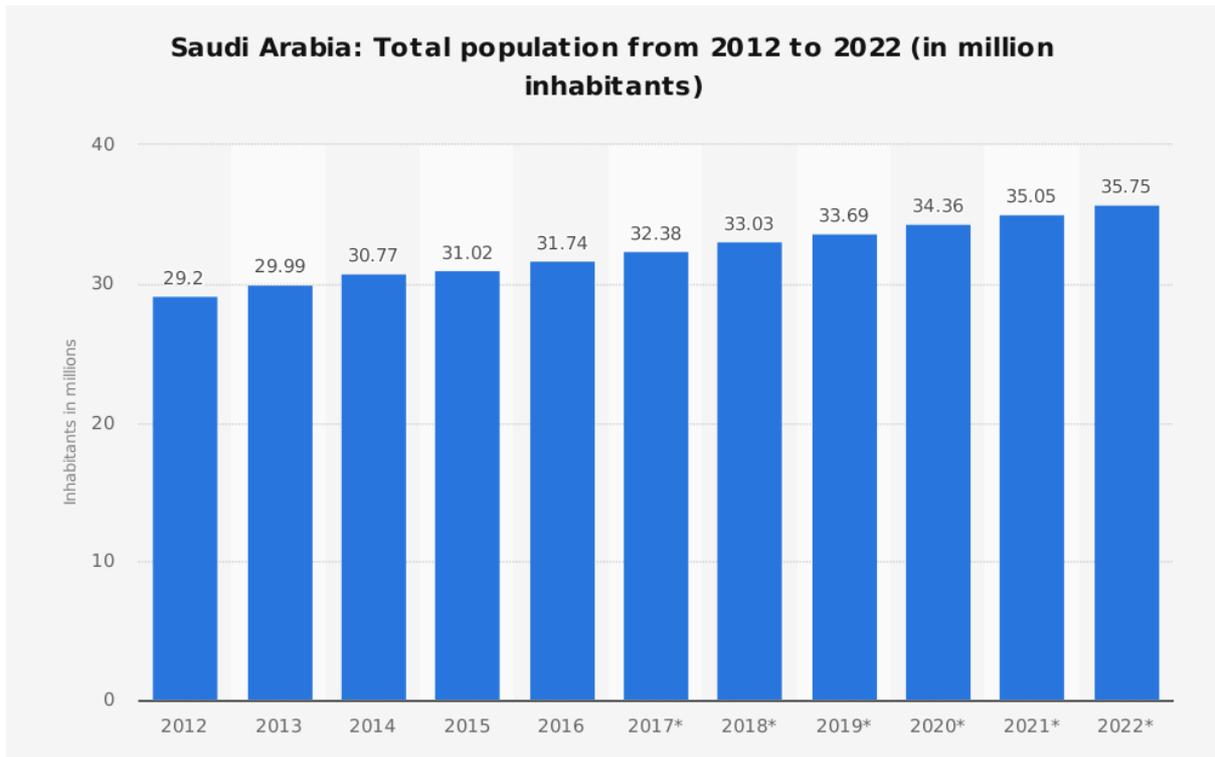
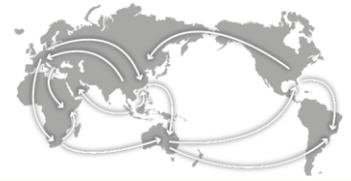
3.2 Growth rate

Saudi Arabia is the largest economy in the Arab world and also has the largest food industry. The food industry in Saudi Arabia is expected to grow at a compound annual growth rate of 5.9% by 2020. This is highly supported by the population growth rate.³

The Saudi food processing sector has been rapidly growing due to government support of food processors, rising per capita income, and major demographic and socio-economic changes. These factors have supported an increase in the number of Saudi food processing companies, from 691 firms in 2005 to 938 firms in 2016.⁴

³ <https://www.thenational.ae/business/saudi-arabia-food-industry-expected-to-grow-at-5-9-a-year-1.627589>

⁴ <https://www.fas.usda.gov/data/saudi-arabia-food-processing-ingredients-1>



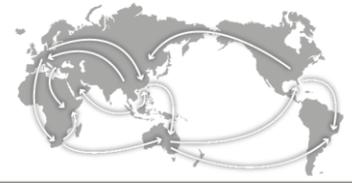
Investment in this sector increased by approximately 11% per year from 2007 to 2016, and reached \$23 billion in 2016. Attractive investment conditions have lured some multinational corporations to establish production facilities in Saudi Arabia. Most Saudi food manufacturers depend on imports to secure their needs of food ingredients and raw materials. In 2016, Saudi Arabia imported about \$2.345 billion worth of food ingredients for further processing. U.S. suppliers provided about 6 %of these food processing products.

Key factors driving the growth in Food Industry

- 1. Increasing Number of Pilgrims:** Every year, more than one million people from all over the world fly into western Saudi Arabia to perform Hajj, making it one of the largest annual jumps in global air traffic. In 2018, flights to Mecca are up by a massive 20% ahead of the Hajj. ⁵Due to overwhelming increase in the number of pilgrims, the demand for processed food is rising in KSA.
- 2. Population Growth:** Saudi Arabia's population is increasing gradually and registered an annual growth rate of 2.52% last year. With rising population, the demand for food is also rising. Moreover, with the rising youth population, processed food is having significant growth in the region. ⁶

⁵ <https://www.traveller24.com/Explore/International-Getaways/holy-city-of-mecca-sees-20-increase-in-arrivals-ahead-of-hajj-2018-20180815>

⁶ <http://saudigazette.com.sa/article/531861/SAUDI-ARABIA/252-Kingdoms-annual-population-growth-rate>



3.3 Market history

The beginning of the food industry in the Kingdom of Saudi Arabia is about half a century ago in 1373. There was only 3 factories, one for ice producers in Mecca and the other in Jeddah, and a soda factory in Jeddah. From 1394, the real progress and development in the food industry took place. In value terms, Saudi Arabia is 19th largest importer of agri-food globally. On average 80% of Saudi Arabia's food needs to be imported. Saudi Arabia's agri-food imports average \$12 billion/annually. The top four products account for 40% of total imports.

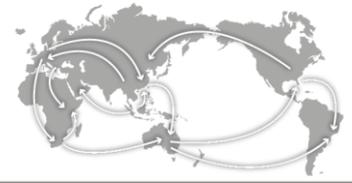
The food industry in the Kingdom is divided into more than 12 basic activities. Some of the key Saudi agri-food imports are barley, sheep, rice, chicken and wheat. Top sourcing destinations are Brazil, India, Ukraine Australia and Canada. In 2012 Kingdom's agri-food imports from Canada amounted to over \$260 million. Major food items such as grains and cereals, mainly wheat with value of over \$195 million was imported from Canada. Other Canadian exports include processed food, frozen vegetables (mainly fries), cheeses, honey, pasta, oilseeds, boneless beef, pulses and ice-cream.

The growth factors of the food industry is mainly due to the increasing proportion of pilgrims each year, the gradual growth of the population, investment in the oil industry have led to an increase in the growth of food industry and automated industrial like the advanced packing systems.

The people of Saudi Arabia are descendants of tribes of nomadic sheep and goat herders and maintain many of the traditions of their past. Traditional foods such as dates, fatir (flat bread), arikah (bread from the south-western part of the country), and hawayij (a spice blend) are still consumed by the Saudis today, although most Saudis have settled in towns and cities and no longer follow the nomadic lifestyle. Saudi Arabia is also home to Mecca, the origin and spiritual centre of Islam. The culture, as well as the laws of Saudi Arabia, is founded on Islamic principles, including the dietary restrictions against eating pork or drinking alcohol.

In the 1930s, oil was discovered on the Arabian Peninsula. Income from oil has allowed Saudi Arabia to become modernized and to begin to develop stronger industries in other areas such as agriculture. Saudi Arabia now produces all of its own dairy products and most of its own vegetables. Many foreign workers are needed to maintain the new industries, and foreign foods, as well as fast food chains, are now available in Saudi Arabia. However, it is mostly the foreigners who eat those foods; most Saudis prefer traditional fare.

With time passing by, within 2006, almost 605 factories were established in the food industry. Saudi Arabia has over 18 million date palms that produce 600 million pounds of dates each year. Saudis rank as the highest consumers of broiler chickens in the world, eating an average of 88.2 pounds of chicken per person per year. Saudi Arabia is the world's largest importer of live sheep.



From 1954 to 2006, Saudi Arabia's food industry product exported only locally. But from 2002 to 2012, the food industry product exported in the GCC Gulf and neighbouring countries. Presently, from 2013 onwards the food industry product started exporting around the world.

The Kingdom has succeeded in achieving self-sufficiency in many food industries, like dairy industries, and has succeeded in raising the rate of sufficiency in high rates in other industries like, the Juice and Beverage Industry. It usually manufactured in parallel with milk product and the Grain and Grain Milling also the bread & its products Juice & Beverage Grain bread product.

Camel (or sheep or goat) milk has long been the staple of the Bedouin diet, and dairy products are still favourites with all Saudis.

For the localization of the food industry in Saudi Arabia, the dairy industry became the first of the food industry in Saudi Arabia that for its size, diversity and increasing demand for it. Hence Saudi Arabia went for the localization of the dairy industries. Coffee has been a central part of Saudi life for centuries.⁷

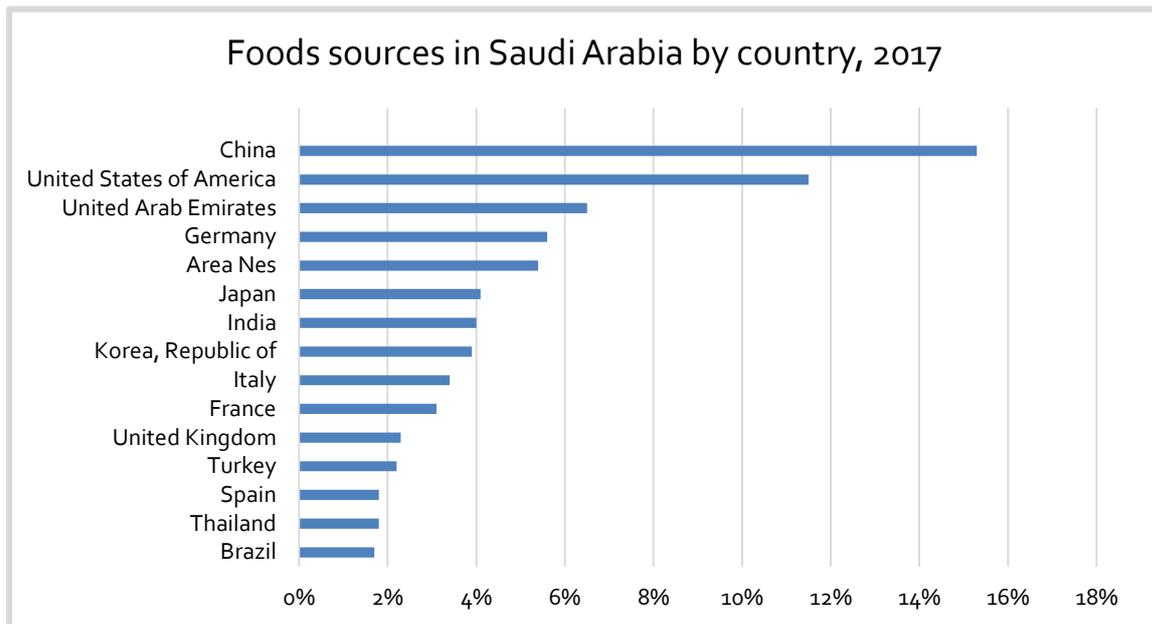
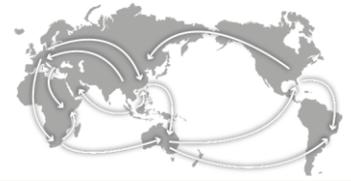
In 2017, the top partner countries to which Saudi Arabia imports foods from were China, USA, United Arab Emirates, Germany, Japan, India, Korea, Italy, France, UK and Turkey. The kingdom had already imposed a tax (2017, 10th June) on selective goods and beverages such as tobacco products, soft drinks, and other harmful products. While 5% value-added tax (VAT) will be applied by January 2018, on most goods and services in order to increase the country non-oil revenues and to help the economy adjust to the low oil prices.

The country is also trying to increase agricultural investments abroad, targeting wheat, rice, barley, yellow corn and green forage in order to re-export these grains back to Saudi Arabia. Producing grains abroad with Saudi companies will help the country count on more stable supplies.

Saudi food market is moving towards the diversification of production. Expansion of the food industry deserves support at all levels.

Saudi Arabia's fast food market alone is expected to reach a value of \$4.5 billion in the next three years driven by the strong demand from its young and wealthy population. Analysts also predict the country's changing dietary pattern from carbohydrate-rich to protein-rich and high-value food products will create new opportunities for food companies in the Kingdom. In order to address the growing food demands of consumers, the Saudi Arabian government plans to inject \$22.1 billion into its food security initiative, which aims to reduce the country's dependence on food imports as well as provide employment for up to 46,000 people.

⁷ <https://www.slideshare.net/Fayaljeaan/the-food-industry-in-the-kingdom-of-saudi-arabia>



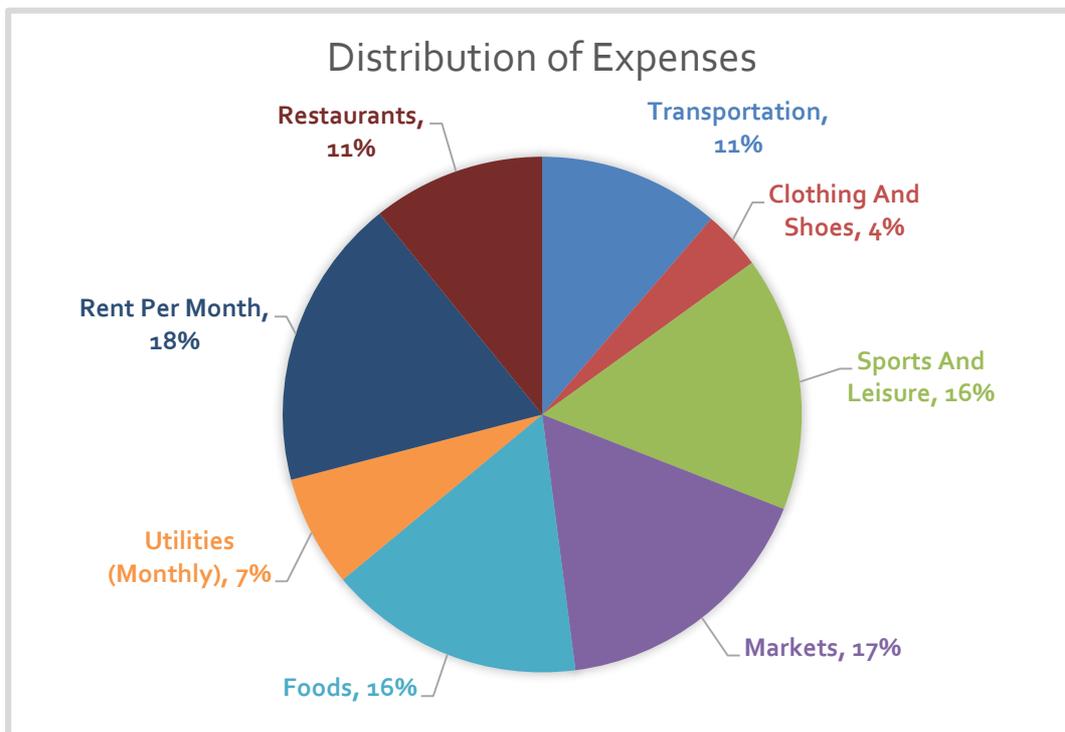
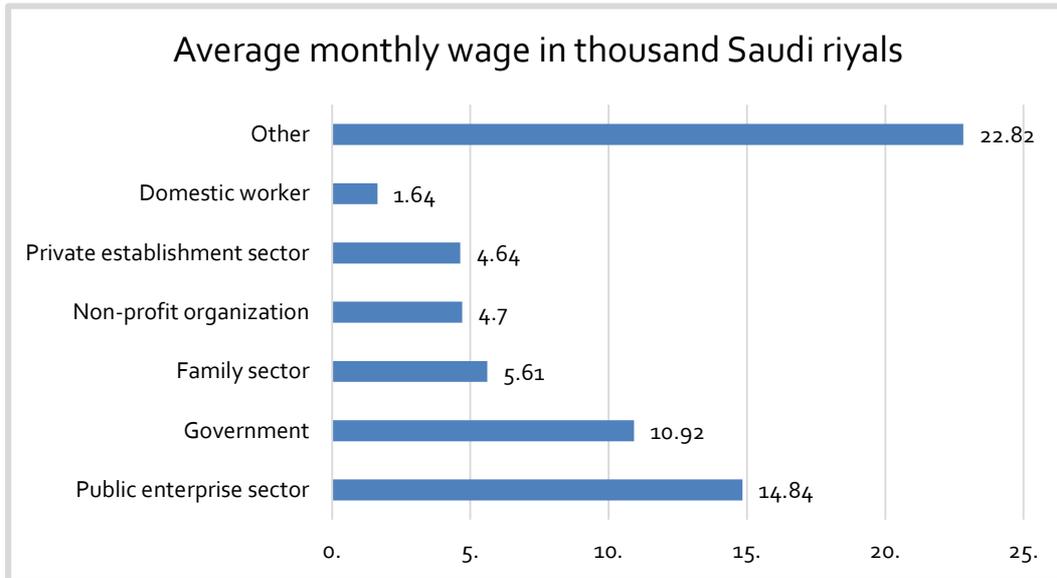
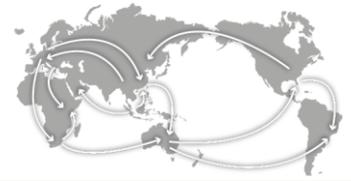
The Kingdom has significant number of expats from other countries. Saudis comprise 60.7% of the entire population which is approximately 19.3 million, hence, the largest ethnic group in the country. The other 39.3% are Indian, Bangladeshi, Pakistani, African and Asian, Syrians, Palestinians, Egyptians and Yemenis

All these large ethnic group have brought their own food preferences and made a huge range of products and dishes available in the Saudi market. Especially in the last decades, with easier communication and more air travel, this has influenced the food market strongly.

3.4 Market Potential

The average monthly wage for a public sector worker in Saudi Arabia in the first half of 2017 was about SAR 14,800 where they spend about 27% of their income on food and restaurants. The GDP advanced 1.61% year-on-year in the second quarter of 2018, following a 1.15% growth in the previous period. ⁸

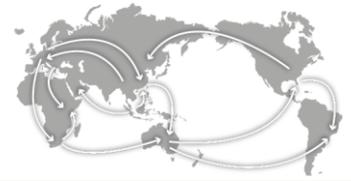
⁸ <https://www.statista.com/statistics/717265/saudi-arabia-average-monthly-wage-by-sector/>



Saudi Arabia is self-sufficient in only 15% of all food and imports the other 85% from around the World. It imports significantly more than it exports.

In this case, we are talking about imported products. Saudi Arabia's agro-food trade deficit was US\$12.7 billion, within the last five years from 2012 to 2016 and imports grew at a compound annual growth rate (CAGR) of 3.5%.⁹

⁹ http://www.aljziracapital.com.sa/report_file/ess/SEC-443.pdf



The consumer food service industry continues to expand due to the growing number of women in the workforce and is expected to see a volume compound annual growth rate (CAGR) of 5.4% during the forecasted period from 2016 to 2021.

3.5 Competition in market

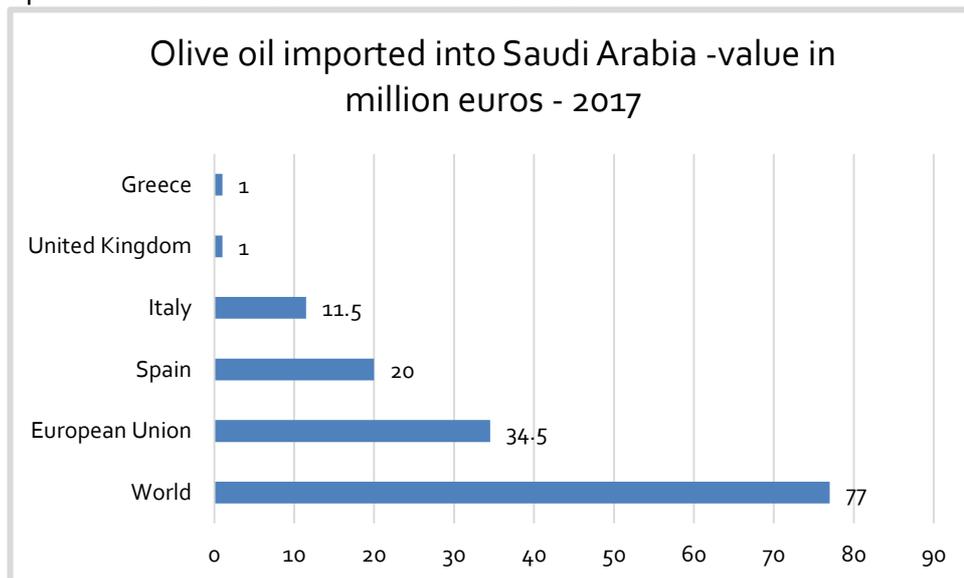
Competition in the market is existent on various levels:

1. On an income spending level, where now around 10 to 27% of the household spending is being spent on food & beverage products.
2. On a product level, where foreign and more exotic products have to compete with local and more traditional products
3. On a brand level, where one brand of olive oil competes with the other
4. On a distribution level, where one chain of supermarkets competes with the other.

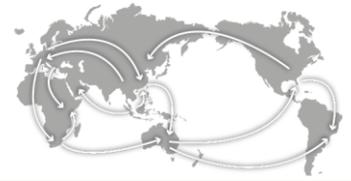
For this research, we will first focus on competition on a product level, and then where possible on competition on a brand level.

If we look at the list of products that we focus on, we see that they are known and common in the Saudi Arabia market and that there will be competitive with other sources:

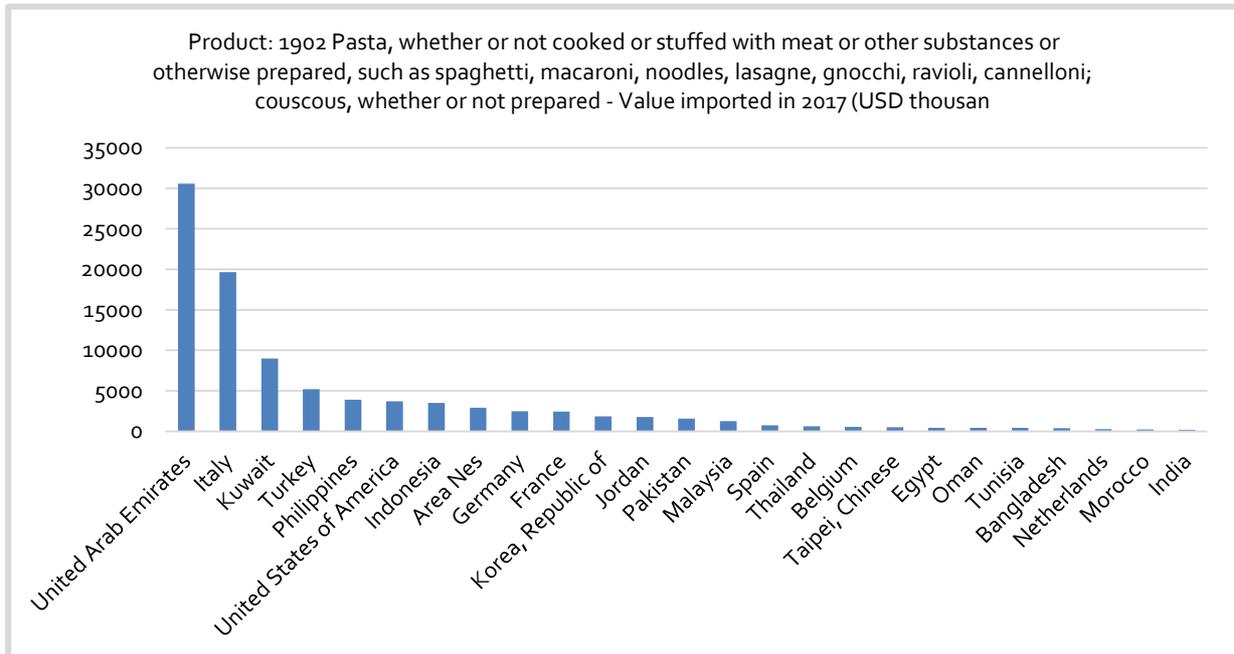
- Olive oil is known, during 2016, the value of olive oil imported into Saudi Arabia from Spain amounted to around 20 million euros. ¹⁰



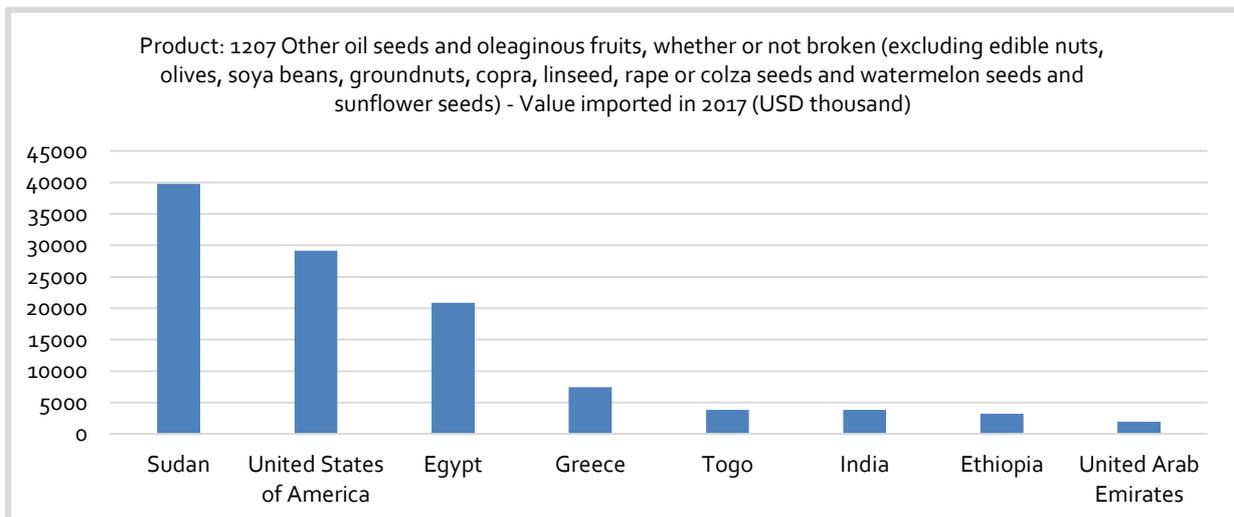
¹⁰ <http://www.trademap.org>



- Couscous (Maftol) and Freekeh are more commonly known as an ingredient and for household they know how to prepare the right dishes with it in many ways.¹¹



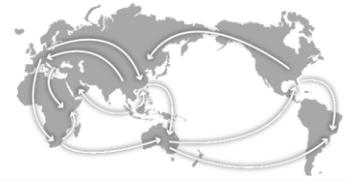
- Watermelon seeds are competing with other seeds, the right flavouring, packaging or mixing with nuts may be the way to grow this category.¹²



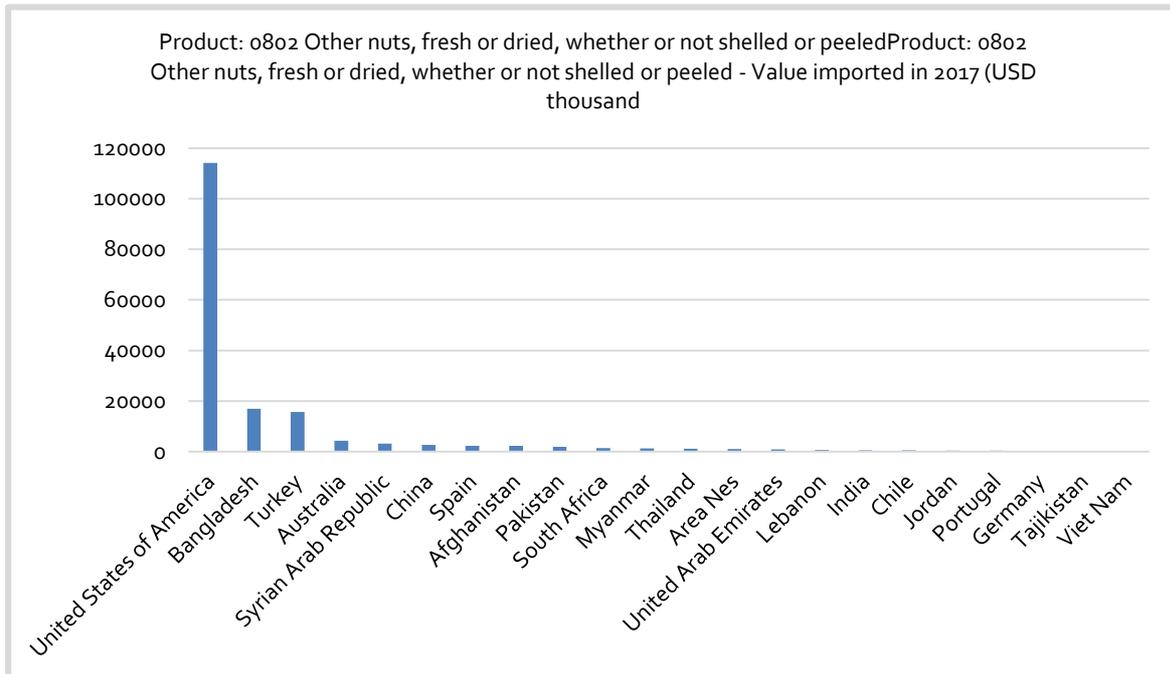
- Nuts and especially the peanut are highly consumed, imported from various countries, a Palestine brand should have no disadvantage, but there is broad

¹¹ <http://www.trademap.org>

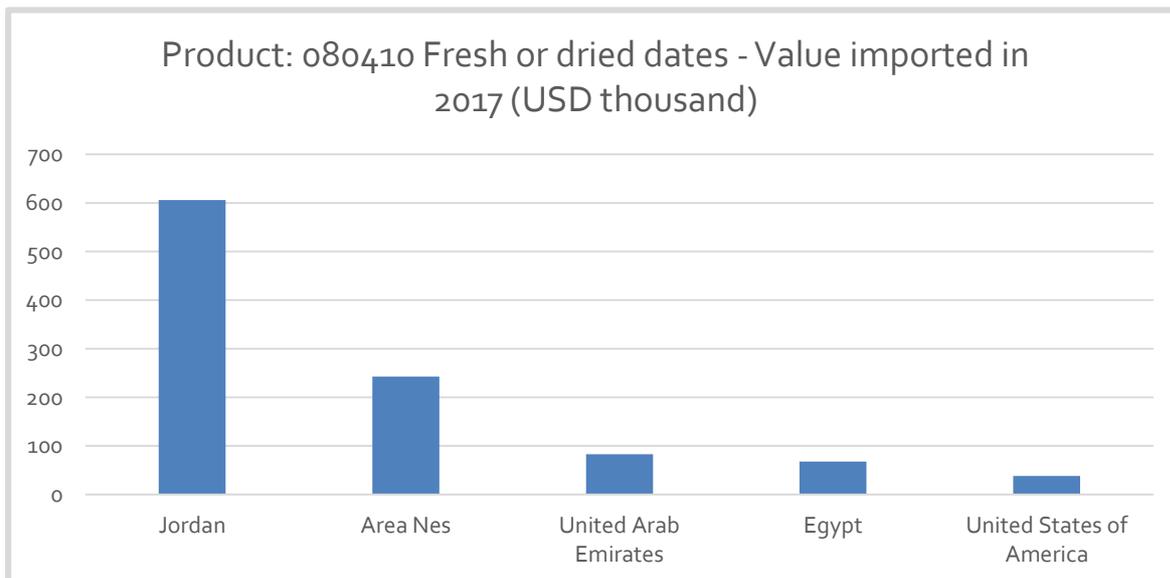
¹² <http://www.trademap.org>



competition. A large part of the number of nuts coming from the United States is peanuts.¹³

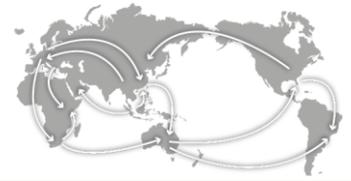


- Dates, Saudi Arabia has about 28.5 million palm trees in 123 thousand agricultural holdings, while the total date production was 1.3 million tons during 2016.¹⁴

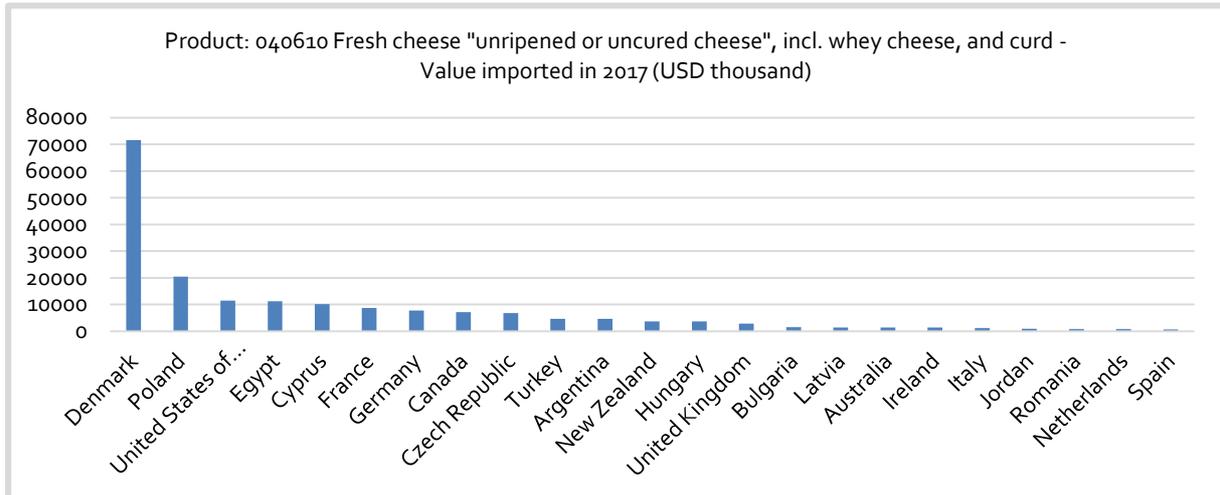


¹³ <http://www.trademap.org>

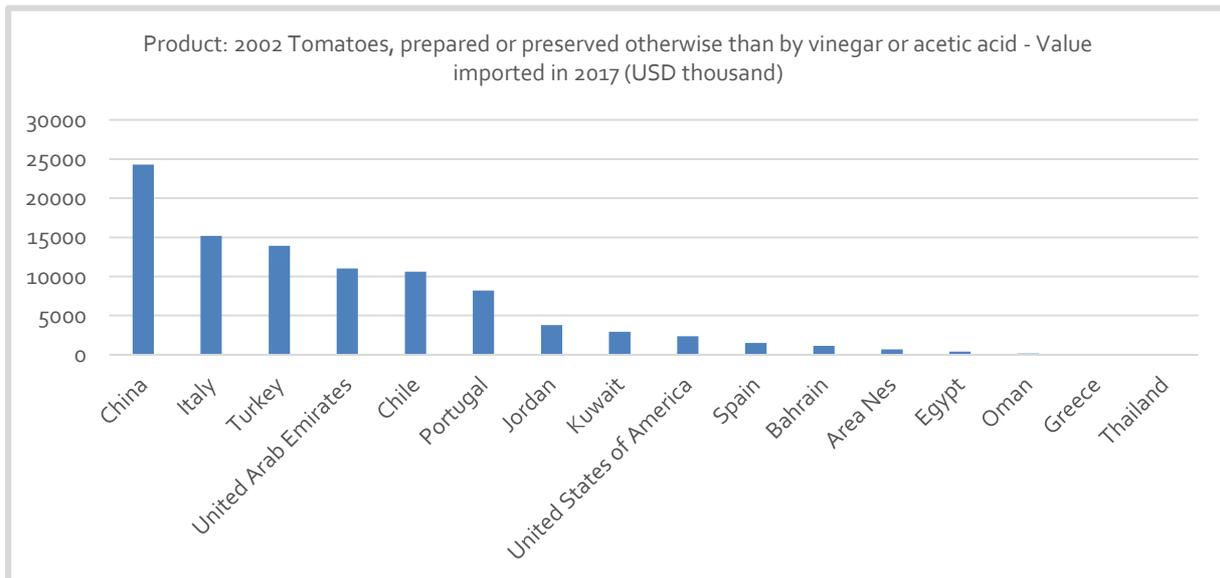
¹⁴ <http://www.trademap.org>



- Cheeses, during the period from 2017 to 2021 the consumption of cheese is expected to grow by 5% compared to an annual growth rate about 8% between 2012 and 2016. The top cheese exporters to Saudi Arabia are Denmark, Egypt, New Zealand, France and Ireland. ¹⁵



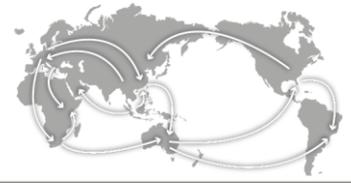
- Conserved/pickled vegetables are known, but have the tide against them, since people are looking more for fresh foods. The only exception is in 'traditional, hand crafted' pickled food, preferably positioned as organic or vegan. Tomato paste is more like a commodity, unless it is of exceptional rich taste. ¹⁶



We will detail the possibilities for each product category further in paragraph 3.15.

¹⁵ <http://www.trademap.org>

¹⁶ <http://www.trademap.org>



3.6 Distribution channels

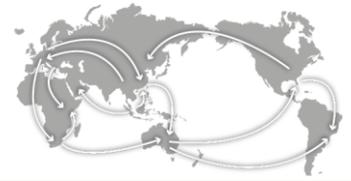
There are three major regions in Saudi Arabia: the western region, where the city of Jeddah; the central region, where the capital city of Riyadh; and the Eastern province, where the oil and gas industry is heavily concentrated. Dammam is the capital city of the eastern province, each city has a distinct business community and cultural flavour and there are only a few companies dominant in more than one region.

Palestinian exporters can appoint local Saudi agents as their representatives to sell their food products in KSA and this kind of activity is governed by Commercial Agencies Law. The law prescribes that foreign companies other than Saudis are not allowed import and export and operate as commercial agents or distributors in KSA. Moreover, a foreign distributor outside KSA cannot appoint a sub-distributor or sub-agent in KSA. Hence, it is required that there should be a direct legal relationship between the agent or distributor of products and the originator company outside KSA.

Many Saudi companies are active in numerous product lines. A Saudi agent will typically expect the Palestinian exporters to assume many of the market development costs, such as the hiring of a dedicated sales staff. Foreign suppliers often assign a sales person to the Saudi distributor to provide training, marketing, and technical support. Without such an arrangement, firms should travel to Saudi Arabia regularly to support their Saudi distributor.

There are many distributors companies in Saudi Arabia such as: Binzagr, Deemah, Aljabal Factory, Alabdullatif Group, Nafa and Napco National.

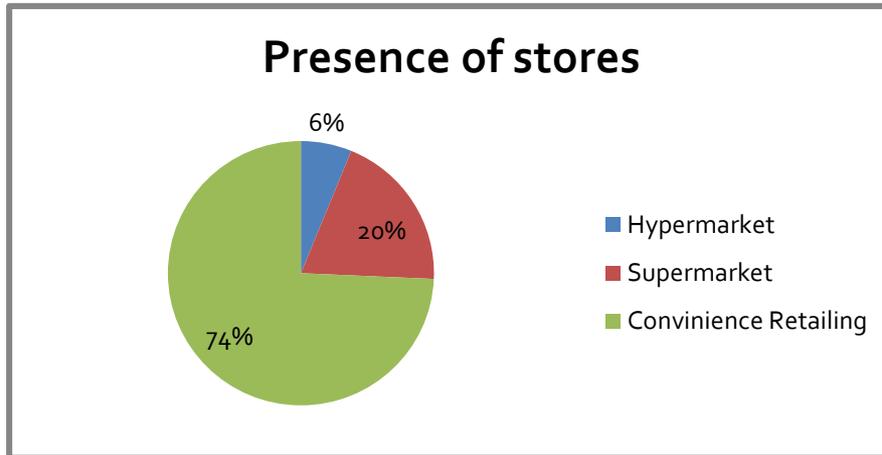
Distribution network in the country is further supported by the variety of widely spread sale and distribution channels in the Kingdom, including standalone stores in malls, in addition to over-the-counter sales in salons, pharmacies, as well as bazaars. For supermarkets and pharmacies you may have to pay slotting fees, which is a compensation for the retail chain for the risk they take in granting you shelf space. If you work with local distributor, they mostly passes these costs on to you. To read more about the slotting fees, please visit: <https://www.allianceexperts.com/en/knowledge/exports/listing-slotting-fees/>



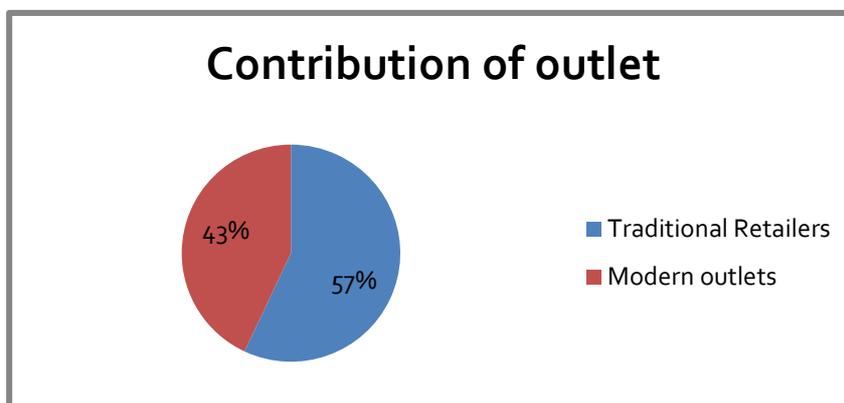
3.6.1 Grocery stores

As is clear from the list, a large part of food is being sold through general supermarkets or grocery stores.

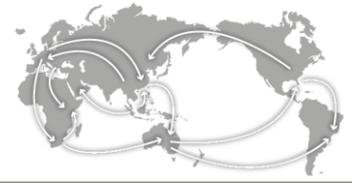
In number of stores in the KSA:



- **Hypermarkets:** 333 stores, they offer the customers about 50,000 items including foodstuffs, clothing, tools, toys, electronics and a variety of essential commodities. These stuffs needed under one floor, such as in Hyper Panda, Othaim
- **Supermarkets:** 1,050 stores, offering a wide variety of consumer goods of regular use (like food items) such as Farm supermarket, Al Raya supermarket, Tamimi, Danube, Bin Daowd and Balsharaf.
- **Convenience Retailing "Baqala":** 40,000 stores sell all types of general consumer goods for regular use like bread, butter, paper and pencils, etc. More than 40,000 Baqala in the market, some of them may remain open 24/7.



There are modern and traditional grocery retailers in Saudi Arabia. According to Euromonitor, there were a total of 43,987 food retailers in Saudi Arabia in 2016. Traditional



retailers accounted for approximately 87% of the outlets, while modern retailers accounted for 13%. In terms of total food sales, traditional and modern retailers accounted for 57% and 43% market share, respectively last year.

In 2018, the total number supermarkets and hypermarkets in Saudi Arabia was estimated at 1,255 stores. This is a relatively small number, and accounts for only 2.9% of the retail outlets. However, that 2.9% of outlets accounted for approximately 37 %of total grocery sales in Saudi Arabia in 2016.

Changing lifestyles in Saudi Arabia have created an excellent opportunity for hypermarkets to introduce ready-to-eat meals and take-away food dishes as a substitute for home cooking. This food service is very popular, especially with working women and single foreign expats.

3.6.2 Online shopping

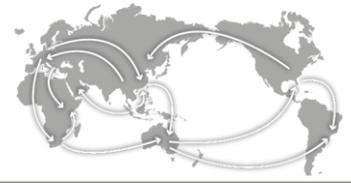
According to the E-commerce Foundation, total e-commerce revenue across all product categories was USD 6.13 billion in 2017. **Fashion** is currently the leading product category in Saudi Arabia, accounting for 1.91 billion USD market share, followed by **Electronics & Media**, which generates 1.85 billion USD in sales .¹⁷ Saudi online shoppers are rather frequent buyers, as 23% of e-commerce customers purchase a product at least once every two weeks, while only 3% buy less frequently than every six months .The average Saudi consumer spends USD 618 yearly, in online, which is expected to grow to USD 660 by 2020. Games, consoles, music, film, event tickets and travel services are purchased mostly online.¹⁸ Following is a list of the most popular online markets in Saudi Arabia:

- <http://web.danubeco.com/>
- www.souq.com
- <https://www.trycarriage.com/en/sa>
- <https://www.aswaq.com/en/>
- <https://www.nana.sa/en>

A lot of traffic to these web stores comes from social media. Saudi Arabia has a total of nearly 20 million social media users (59% of the total population and 79% of Internet users) and 16 million of them also access their social media accounts via mobile (Hootsuite Survey 2017).

¹⁷ <https://www.eshopworld.com/blog/saudi-arabia-ecommerce-insights-2018/>

¹⁸ https://en.portal.santandertrade.com/analyse-markets/saudi-arabia/distributing-a-product?accepter_cookies=oui&actualiser_id_banque=oui&id_banque=18&



Almost all social media users are reported to have a Facebook account (nearly 19 million). Whatsapp is used by a large number of Internet users (88% of the total - 21.2 million people). Twitter and Snapchat registered their highest usage rates in Saudi Arabia across the MENA region, with 40% and 45% of social media consumers using these platforms. Twitter is with 7.6 million users and Snapchat with 8.5 million.

3.6.3 Traditional Retail and Convenience Stores

The convenience store market is highly fragmented, with a large number of retail operators. Store operators may be divided into several types:

- Gas Stations –a company like NAFT has sixteen “EZMART” stores in Jeddah and Riyadh, these stores are operated under NAFT supervision and expansion to other stations are underway. Customers can get food, snacks, hot and cold beverages and more. Another example is Petromin stations that operating Primo: it is a brand that is associated with selling high quality products, availability of a wide range of grocery items. The place has “Primo Café. Which is provided complemented by free Wi-Fi services and high standard rest rooms and comfortable seats. The customers can also enjoy their snacks on the outside terrace.
- Convenience Outlets at Supermarkets - Panda Retail Co is continuing to expand rapidly by increasing the number of hypermarkets-63, Supermarkets 204 and Pandati convenience stores-262. Panda is the number 1 retailer in Saudi with a 20% share of modern retail or 8% share overall.

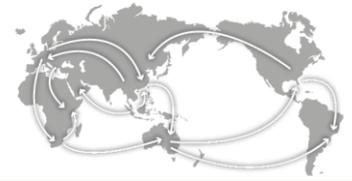
Al Othaim, owned by Abdullah Al Othaim Markets Company, has a total of 129 stores. The bulk of their sales are derived from supermarkets, with this category accounting for a 48% value share of its sales in 2013. The retailer targets average and below-average income groups with more emphasis on local foods than its competitors.

Danube (Bin Dawood Group) and Lulu Hypermarket also expanded their chains by adding new outlets. Other supermarket chains such Farm Superstores and Al Jazeera Superstores are continuing strong expansion programmes and are looking to increase the availability of imported brands.

Al Raya have a total of 30 stores across the Kingdom. They carry a good range of imported products with their target market being expats and wealthy locals.

Carrefour is expanding rapidly and is targeting middle class and wealthy locals and expats. They currently have 14 stores, with 6 hypermarkets.

The trend towards greater convenience saw Bin Dawood Group become the first Saudi grocery retailer to launch a smartphone app in 2016, enabling consumers to



place orders for its Danube brand online and then either have their purchases prepared for in-store collection or delivered to their home. The modern retail trade accounts for around 46% of the total market, but is growing strongly. This is reflected in the number of stores being opened by all the current chains.

Saudi Arabia began permitting foreign direct investment (FDI) in the retailing sector in the early 2000's. The importance of the retail sector's contribution to the national economy is undisputed. Economists agree that giving the retail sector a thrust will not only boost the national economy; it also has the potential to help rejuvenate specific targeted sectors, including the semi-urban and rural sectors. However, the outflow of money from the economy due to the large number of foreign retail operators has also drawn criticism (www.arabnews.com, Accessed Jul 3, 2013).

Saudi Arabia's competitive retail landscape is largely dominated by family businesses that have operations across a number of other sectors as well. The retail league includes the largest shopping centre developers and landlords in the country. Family-owned businesses have focused on acquiring exclusivity and franchise agreements with well-known international suppliers and brands. Among them, some large companies dominate the branded apparel market listed above, each representing a considerable number of international franchises. Their role is mainly concentrated in the distribution of labels and brands through franchises and joint ventures.

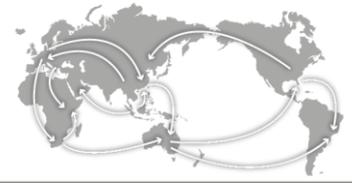
(PDF) What, Who, How and Where: Retailing Industry in Saudi Arabia. Available from: https://www.researchgate.net/publication/298808626_What_Who_How_and_Where_Retailing_Industry_in_Saudi_Arabia [accessed Dec 25 2018].

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Source: Planet Retail

Company	Total sales area SQM	Average sales area SQM	Grocery banner sales (EUR)
Panda	634,100	3,269	1,822,898,679
Al Othaim	177,145	1,582	794,054,317
Bin Dawood	200,000	6,897	679,522,850
Al Raya	75,900	2,300	418,580,583
Carrefour	97,500	6,500	300,129,030

- Symbol (Convenience) Groups and Franchises - In order to protect against the advance of the supermarket chains in the convenience sector, the number of convenience stores affiliated with a symbol group is growing rapidly. Symbol and



buying groups offer small retailers a range of benefits including strong marketing and branding, wider product ranges, and more sophisticated supply chain systems. Major players in this sector are Savola, Al Othaim and Al Hokair.

3.6.4 The foodservice market

The food service sector in Saudi Arabia has been rapidly growing over the past decade. The total revenue generated by restaurants and cafés operating in the Kingdom was estimated at \$15.1 billion in 2016 and is forecast to exceed \$20 billion by 2020. Revenues from the food catering sector were estimated at \$5 billion and steadily growing, with a huge number of foreign workers and more than 8 million visitors to Saudi Arabia to perform Hajj and Umrah every year. The Saudi foodservice sector relies heavily on imports, with more than 80 per cent of its food needs coming from outside the Kingdom. Booming hotel construction sector is expected to add more than 100,000 additional rooms in the Kingdom's hotel capacity by 2020, thus boosting demand for high-quality food services.

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.

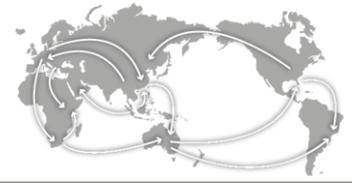
3.7 Market characteristics

What are the main characteristics of the Saudi food market, and where are the best chances for Palestine companies to promote and sell their products?

The market is dynamic with the presence of a vast number of players and is dominated by modern retail chains such as supermarkets and hypermarkets. The Saudi Arabian retailers are constantly searching for new products and are focusing on product promotion and advertising. Vendors in the market are aiming for better market positions through competitive pricing, weekly promotional offers, and by offering advertisement support to the customers.

However, Saudi Arabia is facing some serious questions pinning point towards its functional adequacy, representative character and financial viability to fulfil its aspiration to become a developed country. It is one of the world's fastest-growing countries with per capita income i.e. \$ 20,813 with a forecast to reach \$33,500 by 2020. As a result of high per capita income, consumers have buying capacity for varied kind of food products of their choice.

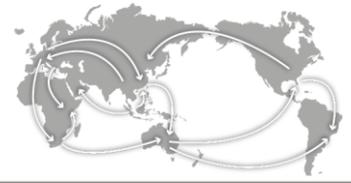
Forecast: As many changes are taking place in the environment of Saudi Arabia, the consequences of them are going out of control. It is very difficult to ascertain the future of any individual, organization and the country. Food retail industry of Saudi Arabia will sustain in the good position provided that it understands the demand of time and be adaptive to the vision that times pose before itself.



3.7.1 General trends in the Saudi food industry

The following trends will have an impact on the Saudi food market:

1. Saudi Arabia's quest for food security, it's attempting to strengthen its position in what seems certain to be a growing competition for food among the nations of the Middle East, nowadays Saudi Arabia has investment in Sudan, Ethiopia, Vietnam, the Philippines, Mozambique and Ukraine and many other countries, they import back the goods into their market, that which has a direct impact on the total imports from certain products. The government is actively supporting the growth of the organic fresh fruit and vegetable market through measures such as reimbursing the certification fees and providing technical assistance to farmers with the aim of growing the industry.
2. The introduction of value-added tax (VAT) will directly impact the prices of commodities. More than 60,000 businesses have registered for VAT since registration started on Aug. 28, 2017.
3. Fast food sales are expected to grow at a Compound Annual Growth Rate (CAGR) of 7.1% between 2010 and 2020. The fast food sales value in the year 2010 was \$4 billion, which now expected to grow by \$7.9 billion in 2020 almost double of the value of the year of 2010. Fast food has a nominal growth rate which is nearly double than that of the region's overall GDP growth by country. While GDP is expected to grow 49% in that same period (2010 – 2020) but fast food sales is expected to grow by 98%.
4. Expat Fees Scheduled to Increase Every Year. Finally, the government announced plans in January 2018, to increase fees to \$107 per expat employee with plans to continue raising the rates each year. Over the past year alone (comparing Q1 2017 vs 2018), the number of employed expats dropped by 730k workers or about 6% of the total number of non-Saudi workers. Riyadh lost 220.8k expat workers and Makkah some 168.3k. The unemployment rate among Saudis, however, did not improve: rising to 12.9% in Q1 2018, slightly higher than the value registered a year ago (12.7%).
5. The Saudi Arabia sees major changes in the food industry because of the effects of social media and the internet.
6. Demand for food is in the increasing trend. Convenience, ease of preparation and health are the major aspects for fulfilling the demand of the consumers. With the introduction and penetration of modern retail systems, influencing and attractive packaging, sizes and promotional activities in the food industry influencing the purchasing practices of customers. Hectic lifestyles of people are also impacting the dietary habits which also cause change in the purchasing patterns of the consumers.
7. Consumers, especially young women, are now become increasingly aware of healthy lifestyles. For this type of trending activities local manufacturers have introduced new product developments that are health-oriented and also affordable.



3.7.2 Organic food

While the popularity of organic food began with fruit and vegetables we are now witnessing consumers exploring categories such as organic dairy, meat and grocery. Consumers are increasingly looking to purchase organic but traditionally the two main obstacles are price and availability

Interestingly, in addition to perceiving organic to be healthier, over a half of Saudi consumers (51%) also believe it to taste better. This could differ across categories of organic products. Ethical food choice motives – concern for the environment (19%) and animal welfare (12%) – also have a strong influence on consumers' attitudes, as organic agriculture is largely considered environmentally friendly.

3.7.3 Private label

Most Saudi hypermarket retailers have their own ambient ranges, based around grains, dry groceries or canned foods. However, with increasing retail competition, private labels are becoming a viable method to improve brand awareness and profit margins. In the coming years, the range of private labels is expected to become more sophisticated, with Panda leading the field.

3.7.4 Characteristics of the foodservice market

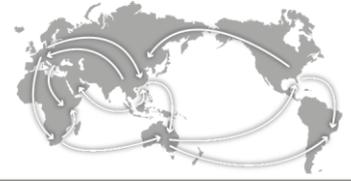
Saudi Arabian total foodservice sales are around \$9.5 billion and fast food \$9.7 billion, accounting for nearly half of the GCC market.

Restaurants and cafés have begun offering special menus used gregariously by working professionals and visitors, a lot of them female. Cafés and bakery segments, whose sales remained relatively subdued, with an annual growth rate of 7.5% between 2012 and 2016, American chains such as McDonald's, KFC, Burger King and Hardee's operates all over the Kingdom.

More players are now increasingly expanding their menus to also include healthier food options to cater to this expanding segment, and thus widening their revenue base as they attract more customers.

3.8 Import policy and procedures

The Saudi Food and Drug Authority (SFDA) is the government agency responsible for establishing laws concerning food and processed feed products and ensuring that



established standards are implemented for both locally produced as well as imported processed food and animal feed products.

SFDA is an autonomous agency chaired by the Crown Prince and reports directly to the King. The agency has a Board of Directors consisting of eight Ministers, including Health, Commerce and Industry, Agriculture, Water & Electricity, Finance and Municipality and Rural Affairs. The Board of Directors also includes the Executive President of SFDA and members from other organizations, such as Saudi Arabia Standards Organization (SASO), the Council of Saudi Chambers of Commerce and Industry, and food and drugs experts.

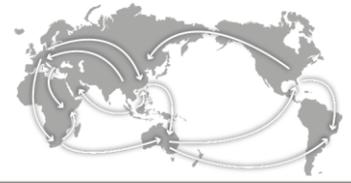
All food, drinks and edible agricultural products, including food ingredients and processed animal feed whether locally manufactured or imported to Saudi Arabia, are required to comply with regulations and standards laid down by SFDA or the Gulf Standardizations Organization (GSO).

The SFDA's Food Sector has nine Executive Departments:

- (1) Imported Food Control
- (2) Technical Regulations and Specifications
- (3) Laboratories
- (4) Control of Local Markets
- (5) Risk Assessment
- (6) Animal Feed
- (7) Monitoring and Crisis Management Centres
- (8) Awareness and Communication
- (9) Pesticides.

3.8.1 General requirements

1. Importers should have already created an account with the Saudi Food and Drug Authority (SFDA), and registered their food items.
2. Imported food item shall meet all the regulations, requirements, technical regulations and standards applied in KSA.
3. Importer must have a Commercial Register, which includes (food trade).
4. Original invoice shall be certified from the competent authority in the country of origin.
5. The following certificates (according to the food item) shall be made available:
 - Certificate of origin (Copy).
 - Halal Certificate (original).
 - Certificate of slaughtering for meat and poultry (original).
 - Any other documents or certificates required by the SFDA.



3.8.2 Documents must be presented

1. Reliable scientific evidence authenticated by recognized official bodies to confirm the safety of food for human consumption including Acceptable Daily Intake (ADI), possible warnings in case of intake by a high-risk population and also warnings if a food ingredient has exceeded its Recommended Daily Allowance (RDA).
2. Reliable information on the criteria upon which the method of use has been based.
3. Ingredient analysis results from accredited labs, confirming that the product is fit for human consumption and free from any health hazards.
4. A Free Sale Certificate testifying that the product with the very components and ingredients is freely sold in countries which apply Codex standards or EU legislation.
5. A pledge of full responsibility towards the product after its entry to the market, and commitment to follow any relevant circulars, standards or regulations that the SFDA officially publish in the future.

3.8.3 Genetically Modified (GM) Foods

The following requirements must be met prior to the importation of foods:

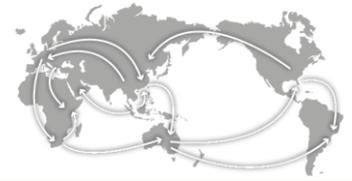
The label on GM foods using modern biotechnology shall indicate that these foods or some of their ingredients are genetically manipulated. All necessary information shall be written on the food label with a clear and easy to read font upper case in both Arabic and English, with a colour distinct from that of the label.

SFDA informs the importer 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. Reject products have to be re-exported or destroyed domestically under SFDA's supervision. Inspectors perform the following mandatory a-four stage verification process when food consignments arrive at BIPs:

Documentary 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 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 labelling requirements are met as specified by the pertinent technical regulations and standards. It also makes sure that inner temperature level of the container meets the established pertinent regulations and standards.



Laboratory Test: if the food inspector has reasons to believe that a laboratory test is needed to take a final decision about the food consignment, he 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 stage may result in a rejection of the imported food product and prevented entry to the Saudi market.

If a product is rejected by one of the 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 that studies shipment documentation and the BIPs test results to verify compliance with established rules and regulations.

If the BIP action was 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 misjudgement by the BIP inspectors, EDIFC repeals the decision and inform the importer to clear the consignment from Customs.

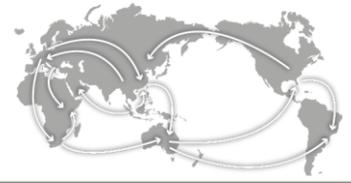
Containers can be cleared in less than five working days provided all required documents are in order and imported products meet Saudi Arabian/Gulf specifications. Imports of Product Samples destined to potential Saudi buyers or for display in Food Shows are exempt from Saudi labelling and shelf life regulations but are subject to inspection at ports of entry.

3.9 Import channels

There are several parties who serve as the formal importer of goods:

- Hypermarkets (e.g. Panda)
- Large and mid-sized supermarket chains (e.g. Bin Dawood)
- Smaller supermarket chains for their bigger categories (e.g. tropical fruits)
- Large caterers: hotel chains, restaurant chains, contract caterers
- Food and drink wholesalers
- Food and drink manufacturers
- Specialised importers, servicing the above groups

Each group may consist of a great variety of parties, from big to small, from broad to very specialise.



3.10 Packaging and labelling

3.10.1 Packaging

Packaging and container requirements:

- All packaging materials used in fabricating, forming, or treating packages shall be of food grade for contact with foods and in compliance with relevant Saudi standards.
- They shall be clean and in a condition that does not allow any contamination probabilities of the contained material.
- They shall maintain the properties of the packaged material and protect it from gaining undesirable odours, flavours and tastes.
- They shall offer protection to the product against contamination with microorganisms, insect, rodents, and dirt in the cases of products that require it.
- They shall be impermeable to moisture in the cases of food products that require it.
- They shall offer necessary protection against environmental conditions and mechanical hazards such as impacts, vibration, static stresses, and they shall be in an intact appearance during handling.
- They shall not affect the container as a result of the migration of some of their constituents that may react or be mixed with the food materials.
- It shall not be in a pharmaceutical shape.

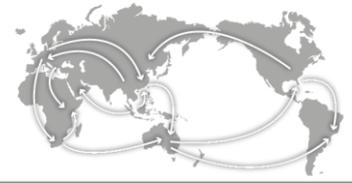
Specifications for plastic packages used for packaging food materials. The regulations require limits among other things that the concentration of a vinyl chloride monomer not to exceed 1 mg per kg of the plastic material, or 0.01 mg per kg of the packaged food material if the packages are made of polyvinyl chloride (PVC).

The following labelling information should be written on labels of plastic packages used to package foodstuffs:

1. Type of plastic material
2. Weight, capacity, number, or dimensions based on the type of packages
3. Statement of food grade
4. Purpose and type of application
5. Directions for usage
6. Warnings if applicable

Packages made of aluminium foil: This standard deals with the general requirements for food packages, which made of aluminium foil. Below are the main requirements specified in the SASO 2173:

1. The purity of aluminium metal shall not be less than 99% aluminium.
2. Each package shall be made of one piece of aluminium foil without any connection and free from holes and scratches.



3. Shall be made from foil with the regular thickness not exceeding 200 micrometres, as according to the agreement between the user and manufacturer.
4. In case of aluminium foil coated with protection layer, the coating material shall not transfer any health hazard material to the food product or to impart the odour or flavour of the food material.
5. Shall be impermeable to the light to protect fatty foods from light.
6. Shall provide enough protection to the food product from losing or gaining heat.

3.10.2 Labelling

All imported and locally produced pre-packaged food products must meet labelling requirements as indicated in GSO 9/2013. According to this GCC-wide standard, pre-packaged food product labels should be in Arabic or include an Arabic language translation of the label. Labels must contain at a minimum: product name, packer's name, country of origin or manufacture, listing of ingredients, instructions where applicable, for the end use of the product, and the shelf-life of the product. b), the GSO updated GSO 150/2007 "Expiration Period for Food Products".

Shelf life can only be shown by clear and unambiguous production and expiration dates. The use of any of the following statements for expressing expiration date is permissible.

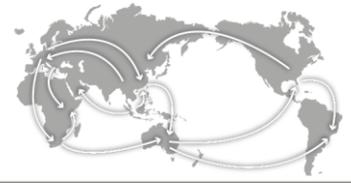
- Expiration Date Use by (date)
- Fit for (from the day of production)
- Use Before (date)

The production and expiration dates should be declared on the label of the package as follows:

- Day-Month-Year: for foodstuffs with an expiration period less than three months.
- Month-Year: for foodstuffs with expiration exceeding three months. Adding stickers for production and expiration dates is not permissible. There shall be not more than one date of production or of expiration on the same package.

Both dates shall not be subject to deletion, change or deceit. Products with No Specific Expiration Date: Products with no specified shelf life such as salt, spices, milled rice, etc. only the date of production or processing would be shown as: mm/yy. The SFDA requires that food products importers and domestic producers strictly follow pertinent regulations such as the GSO 9/2013 "Labelling of Pre-packaged Food Products and GSO 2233/2012".

3.11 Prices (in relation to potential buyers)



As far as possible, given the broad product ranges that we are talking about, this topic will be covered in paragraph 3.15.

3.12 Commercial practices

Saudi Arabian market is highly competitive and business transactions take place on the basis of quality and cost. There must be no references to the State of Israel, alcohol or any other religion other than Islam in any literature intended for use in the Kingdom. The consequences are that it may get no further than customs. In case of trade fairs participation, event material, displays and exhibits need to arrive in the Kingdom at least four weeks before the exhibition. Promotional material must conform to the Kingdom's moral code and it is best advised to check with the organiser or preferred freight forwarder first. There are restrictions on what can be imported into the Kingdom, plus various legislative stipulations and procedures to be followed.

Visas can be obtained for business trip or an event for staff only and not for visitors (in case you are going to a trade fair you can't invite foreigners from around the world to visit you there), - it's important to ensure that male staff can be made available for the exhibition as visa applications for females are often more challenging to obtain.

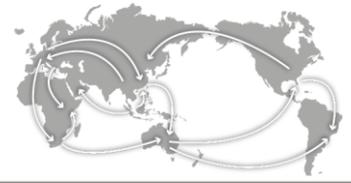
Going there alone is possible but not advised. There is no substitute for a professional support team working behind the scenes and guiding you through the procedures. Selecting a suitable event and or visiting your potential buyers is important, and obtaining professional support from the organiser is even more so.

Getting into Saudi Arabia

Advance visas are required for all foreigners wishing to enter Saudi Arabia. The only significant exception is citizens of the Gulf Cooperation Council nations.

All business travellers require a business visa for entry into Saudi Arabia. Business visas are issued to the following individuals: business people, investors, representatives of companies, managers, sales managers, sales representatives, accountants, production managers, administrative managers, and consultants.

Visitors to Saudi Arabia who arrive on business visas also require an invitation from a local sponsor that has been approved by the Saudi Chamber of Commerce. In this case, the local interested companies, who will issue you with an invite letter. You then need to take the letter along with your passport to the Saudi embassy in Jordan. This can be done online through <https://www.vfstasheel.com/landing.html>, the Kingdom of Saudi Arabia – Visa Service Center. For further information. Once this invitation is secured and certified, the actual process of issuing the visa is relatively fast and painless, taking from one day to two weeks.



Getting exhibits into Saudi Arabia

The following information is a brief guide on how to make exhibiting in Saudi Arabia easy.

- Firstly, always use the recommended forwarders in your country, the chamber of commerce in Palestine can help you on this. They have been recommended to you as they all have extensive knowledge about sending exhibition freight into Saudi Arabia.
- Goods without a Certificate of Origin CANNOT be cleared in Saudi Arabia, speak with the Palestinian chamber of commerce for obtaining one.
- ALL goods MUST have a serial number and country of origin EMBOSSED on them or attached with a PERMANENT sticker that cannot be removed
- Catalogues, Brochures and Literature will be referred to the Ministry of Information for verification and screening. DO NOT SEND any material showing women, women at work, alcohol or pork produce.
- Completing customs clearances in Saudi Arabia is a very delicate and time consuming exercise, so to avoid disappointment please adhere to the arrival deadlines. Please note that customs in Saudi Arabia only work from 8am – 2pm Saturday to Wednesday.
- There is NO temporary importation into Saudi Arabia for Exhibitions, all cargo MUST be cleared on a permanent basis by paying customs duties outright, these range depending on product from 5% CIF – 22% CIF. Please take this into consideration when deciding on what is to be shipped, for Palestinian goods the customs duties is 0%.
- Event material, displays and exhibits need to arrive in the Kingdom at least four weeks before the exhibition.

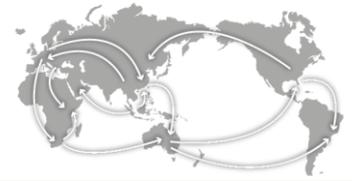
Patents/trademarks/copyright

The Saudi Arabian General Investment Authority - www.sagia.gov.sa - has all the up to date details regarding patents, trademarks and copyright laws within the Kingdom. The Acts and Laws relating to each can be found under 'Investment Climate, Some things you need to know, Laws'. The Ministry of Commerce is responsible for providing protection for trademarks and also has information on their website about what can and cannot be protected - www.mci.gov.sa It is also worth noting that not all Middle Eastern countries offer this security, nor do they have any major copyright laws, so Saudi is fairly special in terms of providing this.

Local representation

Saudi law does not require foreign companies to appoint a commercial agent to do business in the Kingdom. Companies can make direct sales to the private sector from outside Saudi Arabia. But in practice, appointing an agent or distributor is the most common procedure for companies wishing to enter the Saudi market. Virtually all government purchasing is conducted by local tenders and in the majority of cases only Saudi Arabian companies may bid. Foreign companies need a Saudi agent to bid for Saudi government tenders. The relationship between a foreign contractor and his Saudi agent is regulated by the Ministry of Commerce. (www.commerce.gov.sa).

How and where to start?



<p>Preperations</p>	<ol style="list-style-type: none"> 1. Your business profile and website shall be in English and Arabic 2. You present your latest brochures, catalogs and products 3. You have the contact details of the companies you want to approach 4. You email them first; including your business profile and catalogs 5. Then, and only after you followed the above steps; You can make the first call
<p>Introducing your business to Saudis</p>	<ol style="list-style-type: none"> 6. During the first call you shall check on your email and make sure the received it, if not make sure to correct that. 7. If you sent this email to the general administration then you ask them to forward that to the related department and/or ask them to provide the right email 8. Once you have reached the related department (procurement, international business, owner etc ..), you try to make it short and direct to the point, no need to promote the Palestinian products, they are aware of all. This way they will let you know right away whether they are interested to go on or not.
<p>If they are interested</p>	<ol style="list-style-type: none"> 9. If the person in charge is interested he/she might ask you to send a sample and detailed sheets about your product. 10. He/she will ask for price list, so make sure you review your prices and consult with your freightforwarder on shipping costs, customs, taxes etc.. so you provide the right price. 11. You shall contact DHL, Aramex to send the sample to the mail of the company (make sure to get it right, sometimes the mails on the websites are not correct, or the facility has moved somewhere else but that is not updated on their website yet). 12. Make sure you have more than 1 PCS in your sample package, including



	catalogs. As they might send that to different parties. And make sure you package them nicely and properly to keep them in good shape.
After receiving your samples	13. Once your samples arrived, make sure to follow up on to get their feedback, ask the person on "when to call to check", don't be noisy and try to be patient.
14. In most of the cases, sending your samples is not enough. They might ask you to come over to meet you in person and discuss the business, sales, prices, marketing activities etc..	

What are the other essentials to know?

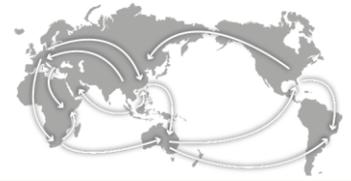
Etiquette: The business and cultural environment of Saudi Arabia is highly conservative. Astute readiness, and a fundamental knowledge of the Saudi culture, can make the difference between a successful business deal and a failed negotiation. Conversely it is vital to remember that a wealth of Saudi executives and government officials are familiar with 10 international culture and customs. They are therefore comfortable with the West's approach to business, provided respect is shown both ways. Businesswomen in Saudi - conducting business in Saudi Arabia is rather more challenging for women. There is still gender segregation, despite its progression in other areas. Many public places like hotels and restaurants will have communal rooms where women are served with their husbands. It is fairly rare for Muslim men to shake hands with women or adopt the familiar body contact that is common when speaking in the West. This is not exclusive: Saudis familiar with the West may act contrarily.

Negotiations: Saudi people generally demonstrate great negotiation capacities. During a business meeting, people use body language and eye contact rather than direct words. During the conversation people make assumptions about what is not said. Particular emphasis is placed on tone of voice, the use of silence, and facial cues. It is vital to be aware of these non-verbal aspects of communication in order to avoid misunderstandings. For instance, silence is often used for contemplation and one should not feel obliged to speak during these periods. It is not unusual for Saudis avoid giving bad news and to give effusive and non-committing acceptances. Meetings are often lengthy, and negotiations may be tough, since Saudis are experts at bargaining. Stay firm and courteous at all times, but be prepared to compromise a little in the long-term interests of the relationship.

Religion: No public religious expression is permitted other than that of Islam.

Food and Alcohol: The import or possession of alcoholic beverages and pork products is not allowed. This is religious law. Offenders are open to penalties.

Public Holidays: The Saudi weekend falls on Thursday and Friday. Public holidays are taken for the two yearly Eid Festivals. During this period, all government and corporate offices are closed.



Communications: The best way to communicate with businesses is by telephone or fax. The use of e-mail is expanding, but it is still not a very reliable method of business to business communication and they often go unanswered. Any postal material should be sent by courier.

Advertising: Marketing has garnered much popularity and momentum in recent years. Helped by the overturn of the ban on television spots, businesses now utilise all the advertising avenues available, including TV, newspapers, trade magazines and billboards.

Transport: The best way to get around for business visitor is to use a chauffeured car supplied by the hotel or to use taxis. Many local business contacts will be happy to send a car to pick up foreign visitors from their hotel.

Gift Giving: It is not obligatory to give gifts when visiting a Saudi - either at the office or at home - but gifts can be helpful in the relationship building process. When offering a gift, it is likely that the gift will not be opened in front of the giver.

Saudi Arabian Dress Code: Visitors to Saudi are expected to dress in a conservative, smart fashion. Men should wear suits and ties for business meetings, despite the heat and women should wear business suits (not trousers) which leave as little flesh showing as possible. Skirts should be well below the knee and preferably ankle-length. It is also advisable for women to carry a headscarf.

- What is the time difference? The time in Saudi Arabia is GMT + 3
- What is the currency? Saudi Arabia uses the Saudi Arabia Riyal

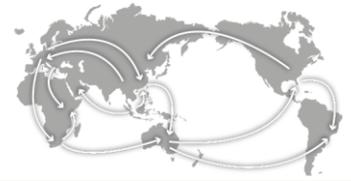
3.13 Sales promotion

3.13.1 Trade fairs

Trade fairs remain one of the best approaches to introduce new products and make contact with potential buyers. A trade fair can also be an attractive meeting point to meet with prospects that have already been identified.

Looking at major Saudi Arabia food & beverage trade fairs, there are the following options:

07-10 October 2019 (the final dates are not confirmed yet)	SAUDI AGRO FOOD	Saudi Agrofood is an international exhibition for food and beverage products, processing and packaging technologies and catering equipment. This event offers exhibitors to put forward their cutting-edge products, equipment and technology, while meeting with the world's	http://saudi-agriculture.com/en-sa/about/argofood	Riyadh
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		leading food and beverage distributors, producers and agents. There was estimated 23,975 visitors and more than 500 exhibitors.		
27 – 29 November 2019 (the final dates are not confirmed yet)	FOODEX SAUDI	Foodex Saudi is one of the leading international trade exhibition in Saudi Arabia. More than 8020 trade visitors avail this exhibition, with 209 exhibitors. This event displays wide range of global offering of food and drink products and solutions.	http://www.foodexsaudi.com/	Jeddah
12 – 15 November 2019 (the final dates are not confirmed yet)	SAUDI HORECA	Saudi Horeca is the biggest international food, beverage and hospitality exhibition held in Saudi Arabia. It features a host of activities and shows including workshops, culinary art show and much more. There are about 260 exhibitors with 31,800.	http://saudihoreca.com/	Riyadh
26 – 29 March 2019	SAUDI FOOD, HOTEL & HOSPITALITY ARABIA 2019	This is Saudi Arabia's International Event for Food, Beverages & Catering, Hotel Equipment, Supplies and Services. It is held once per year. There are approximately 50,000 visitors in this event.	http://sfhh-arabia.com/	Jeddah

3.13.2 Direct marketing

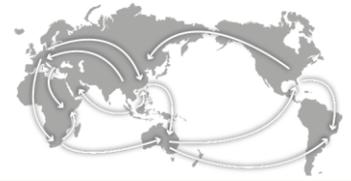
Direct marketing is not a widely used technique in Saudi Arabia. Personal relations between vendors and customers are extremely important in the Kingdom. Many types of direct marketing practiced in other countries which are not practiced in Saudi Arabia due to Islamic precepts concerning gender segregation and privacy in the home. Limited direct marketing is being conducted through commercials on satellite television providing consumers with a local telephone number to arrange purchase and delivery.

3.13.3 Magazines

1. <https://www.sayidaty.net>
2. <https://www.lahamag.com/>



3. <http://ssfn.org.sa/>
4. <http://www.alamalgetha.com/>



3.14 Market prospects

There are very good prospects for foreign companies who want to sell products in Saudi Arabia. However, there are certain critical marketing methods and sales techniques to be followed to develop and sustain business relationships over a long period of time.

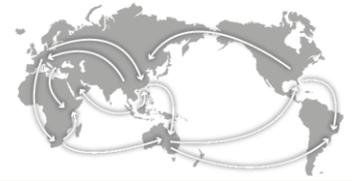
- Retail or foodservice: this really depends on what your product looks like, what packaging quantities you want to provide, and how you want to position your product. Foodservice mostly requires larger packaging, which can be an advantage in sales and handling, and more focused on branding.
- Big supermarket chains or smaller retailers: big supermarket chains can bring you huge volumes, but the question is whether you can handle that at once. Also typical for big supermarket chains is that the price pressure is very high, they charge you for every promotion and payment terms can be extremely long. Smaller supermarket chains may have more reasonable terms.
- Branded product or white label: You can either supply the retailer or supermarket with products labelled with your own brand name or, you can supply them with unbranded products. The latter is known as “white label” products, which a retailer will then sell under their own brand or label.
- The Saudi market should be constantly reviewed for product adaptation and change.
- Exporters should ensure regular supplies as per specifications, at the specified time and place already agreed upon and at the stipulated prices.
- Any subsequent and sudden price changes, even pertaining to after-sales services, should be avoided.
- Complete product lines, rather than single products, should be introduced into the Saudi market whenever possible in order to benefit from greater demand stimulation and cost reductions.

We have tried to answer this question for specific product categories in paragraph 3.15. For this paragraph, we look in general at the various target groups for Palestine exporters.

3.14.1 Attractiveness of the retail market

If we look at the main characteristics of the Saudi Arabia retail market, there are advantages and challenges for food producers from abroad.

Advantages	Challenges
Palestine is considered a supplier of quality organic food products	Price competitiveness of local products and imports from EU, Brazil, Turkey, New Zealand and Asian countries
Saudi Riyal (SR) is pegged to the Israeli Shekel at the rate of 1 SAR to 0.98 NIS	Freight costs from Palestine are higher than



	those competitors export from UAE, Egypt and some part of Europe
Hypermarkets have become popular destinations for shopping as well as family outings.	Some local importers prefer to initiate business deals with small orders; some Palestinian exporters are not willing or able to meet
Consumers have an affinity for trying new food products.	Some food retailers require to get reimbursed for expired products they sell in their outlets.
The about 10 million expats that live and work in Saudi Arabia create a strong demand for diversified and ethnic food imports.	Supply chain sustainability
Most Saudi food regulations and standards are typically based on CODEX Alimentarius regulations and to some extent on EU and U.S. FDA regulations but are modified to reflect local religious, cultural and climate conditions.	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".

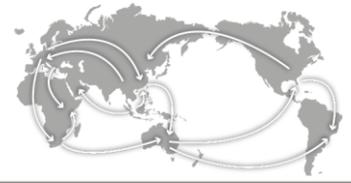
3.14.2 Attractiveness of the Foodservice and Food manufacturing market

The food service sector in Saudi Arabia has been rapidly growing over the past decade. The total revenue generated by restaurants and cafés operating in the Kingdom was estimated at \$15.1 billion in 2016 and is forecasted to exceed \$20 billion by 2020. The casual dining segment has emerged as the second fastest growing within the food sector market with potential for growth.

Growing demand for home delivery and foodservice providers is expected to drive the Saudi Arabian foodservice market. Cafes are the fastest-growing foodservices and full-service restaurants hold a major share by type in the KSA foodservice market in 2017.

With the growing popularity of online food delivery services, the overall foodservice market in Saudi Arabia is forecasted to gain high potential during the forecast period. The eating-out trend in KSA is also growing rapidly and has become a major attraction in the country.

This dining pattern is strongly impacting the KSA foodservice market. Also, the high expat population in Saudi Arabia has been contributing to the demand for assorted cuisines and new dining concepts. This is expected to drive the foodservice market in Saudi Arabia. Most of the major branded restaurants with multiple branches are concentrated in primary and secondary cities. Urbanized population, the globally-exposed younger generation who are inspired by food, shopping festivals, exhibitions and events become the stimulus to the food industry. In combination with high disposable incomes and significant investments in



new malls, restaurants and hotels, Saudi Arabia is particularly ripe for global investments in the food service sector notably in casual dining segment to cater to the young population.

Industry experts predict significant growth in both revenues and the number of outlets in the sector.

3.14.3 Attractiveness of the Wholesale market

The number of the wholesale sector reached 36,379 during the first quarter of 2018.

Many Saudis want to know where to buy all kinds of food at wholesale prices to save time in buying from one place and also to save money, Currently, Balsharaf Supermarkets operates twelve retail outlets and five wholesaler operations in Riyadh. Another company in Balsharaf Group is Balsharaf Importing Company. The firm imports and distributes food products to more than 16,000 retailer outlet across.

The best time to visit the wholesale market is during working days, as it gets fully occupied by the weekends especially Friday.

In one of the Riyadh's neighbourhood and in Al-Sebalast, where the whole street is occupied by nuts and coffee wholesalers, the cross street called "Al Salam" is also for the agriculture tools, fertilizer and equipment. There are many wholesalers in the market, 2 to 3 in every neighbourhood, everyone is specialized and works on specific products ranges.

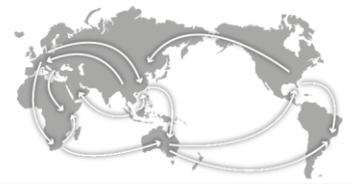
On 13 June 2016, the Council of Ministers of the Kingdom of Saudi Arabia has approved, the issuance of licenses permitting foreign investors (companies) 100% ownership of companies working in the wholesale and retail trade sectors (Trading Activities). Such decision comes shortly after the announcement of the Kingdom's National Transformation Plan and the Vision 2030; the Kingdom's roadmap to diversify its economy and address the challenges brought by low global energy prices.

3.15 Guidelines for specific product categories

Given the broad scope of this report, we thought it useful to give specific guidelines on what to do while approaching the Kingdom market for the different product groups.

There is a variety of ways in which Palestinian food companies can enter the KSA market. There will be a number of factors that will influence the choice of strategy, including, but not limited to retail marketing, e-commerce, trade shows, private label, and pop up stores.

Below are the import sources per country per product to Saudi market:



3.15.1 Olive oil

The consumption and therefore import of olive oil in the Kingdom has gone up significantly in the past few years.

The Saudi specifications for olives are determined according to its content of acidity, since the virgin oil extracted mechanically from the fruits of the olive is on three degrees, the first: virgin olive oil is excellent, does not exceed the acidity of 1%, and the second: olive oil first grade virgin, does not increase acidity About 1.5%, and the third: regular virgin olive oil does not exceed acidity of 3% and is the highest price and best quality.

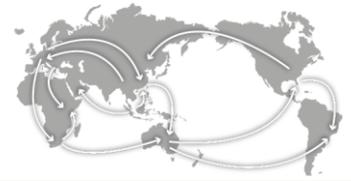
The competition mostly comes from Greece and Tunisia, where large-scale olive production and cost-effective cooperatives keep the prices relatively low.

The number of olive seedlings in Al Jawf has reached 14 million trees, with 15,000 farms, 300 agricultural projects and six of the largest agricultural companies in the Kingdom, producing 600,000 tons of oil and 4,000 tons of olive oil. A table annually, issued to Spain, Europe and the Arabian Gulf.

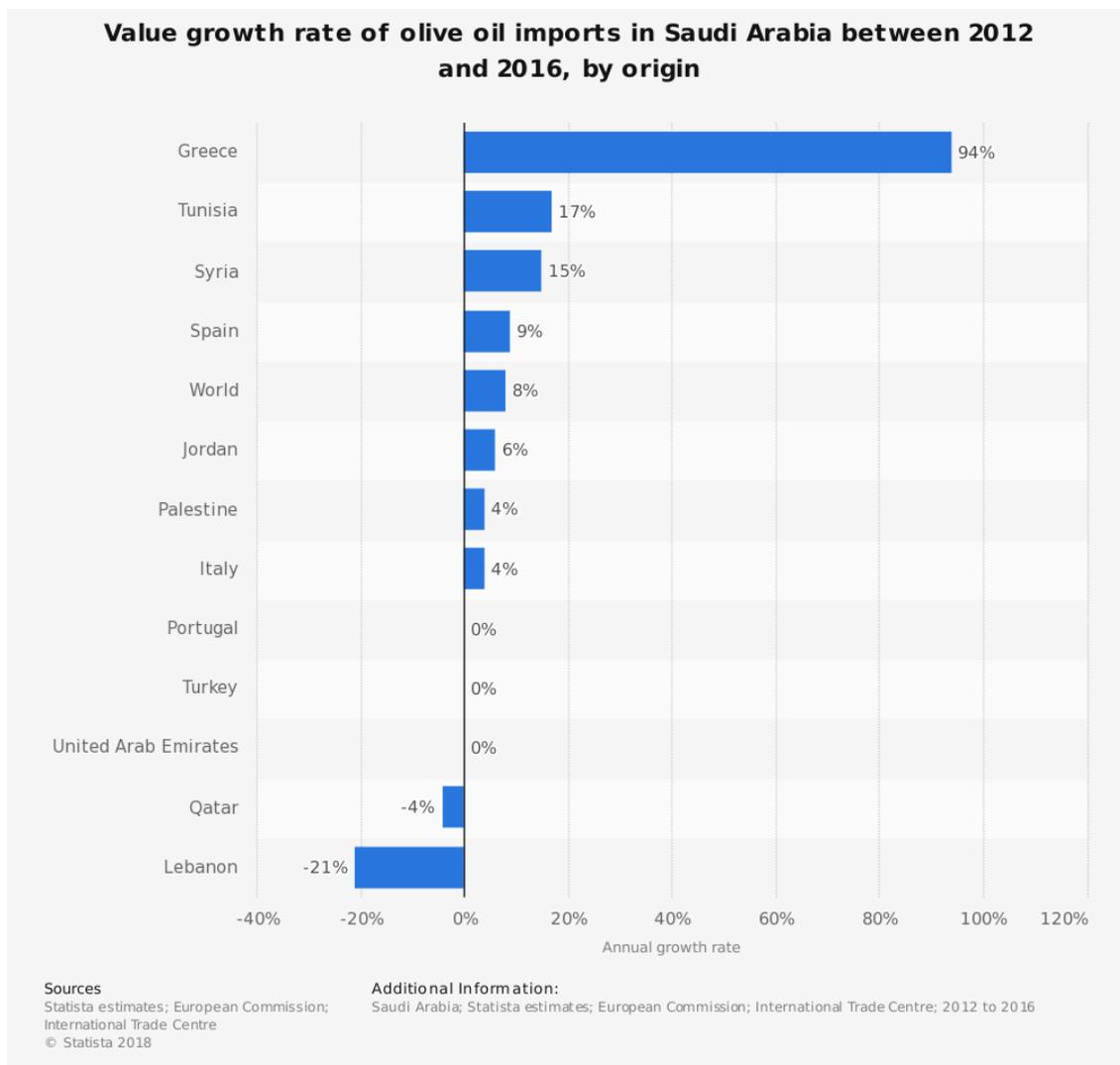
Another way to get higher prices is to compete in the speciality segment that covers products which are traded at low volumes and high prices, such as premium and certified products (organic, fair trade).

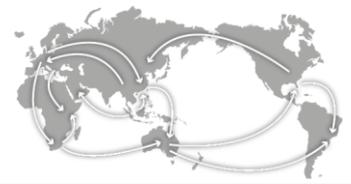
Having samples and prices delivery duty paid in Riyadh or Jeddah ready and approaching various importers, for example, to meet you and taste your products at SAUDI AGRO FOOD or FOOD EX SAUDI 2019, maybe the best market approach.

2L Acidity: below 0.8% - AFIA COO: Saudi Arabia	Refined olive oil – 4L – Freshly COO: Spain	Olive oil Al Ard COO: Palestine
		
55 SAR	92 SAR	21 SAR Source: Al Ard, at Bin Dawood, 250ml, 21 SAR http://www1.bindawood.com/al-ard-palestinian-extra-virgin-olive-oil-250-ml.html

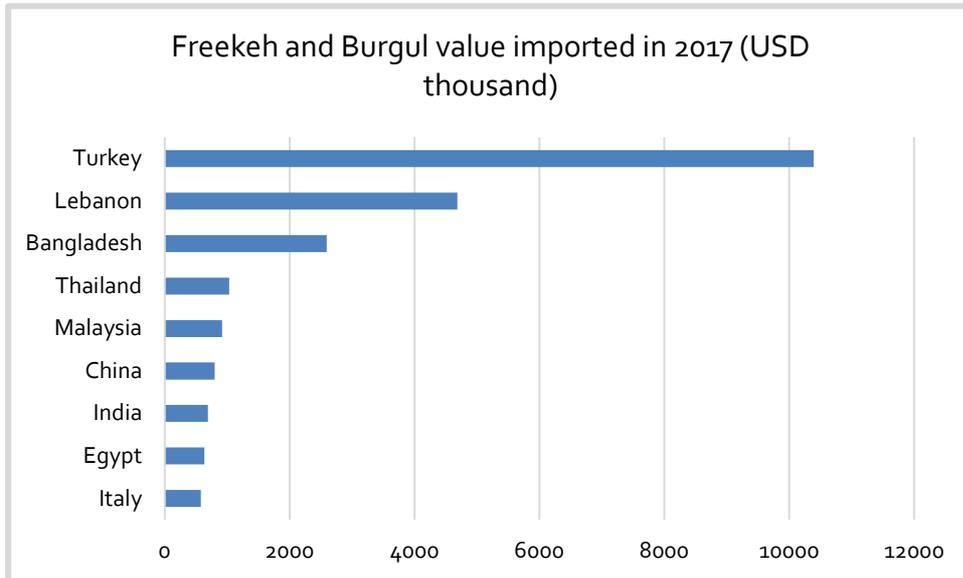


RAHMA EXTRA VIRGIN OLIVE OIL 250 ML COO: UAE	Al Sawsan olive oil 500ml COO: Syria	
		
29 SAR	10.50 SAR	





3.15.2 Freekeh



Freekeh is being introduced in various recipes on the internet, TV and magazines. It is mostly positioned as a superfood, and there competes with quinoa and Bulgar wheat. Positioning it this way, the following arguments are used:

- It has more protein per 100g than a boiled egg and four times the fibre of brown rice.
- It also is Low GI which means it can help control blood sugar level.
- It's also been shown to have prebiotic properties meaning it can help with digestion and it is a rich source of Calcium, Iron, Potassium, Magnesium and Zinc.

Al Mebhaj Freekeh – 1 kg COO: Saudi Arabia	Eyaz Freekeh – 200 gm COO: UAE	Kabtilo, 1.5 gm COO: Jordan
		
12 SAR	10 SAR	20 SAR

3.15.3 Couscous (Maftol)

Couscous is available in the Saudi supermarkets and is sold under a large number of brands, including private label. Compared to Freekeh it is much more accepted as an ingredient in cooking, and this is also reflected in the price. 500 grams of couscous can be bought for as low as 10 SAR in a mainstream supermarket. Common brands are Azimco

Based on the import statistics, the average import value for couscous is 1 USD per kg, with the lowest prices from France (0.86 USD/kg), China (0.75 USD/kg) and Turkey (0.69 USD/kg).

Given the fact that couscous, a reason to shift to a Palestinian exporter, especially if it is only for this product, should be an import price that is at least at local levels, such as Azimco, 10 SAR for 500 gm

If that would be feasible, the first steps would be to directly target the brands that are mentioned and supermarkets like Panda who works on private label to have their own brands.

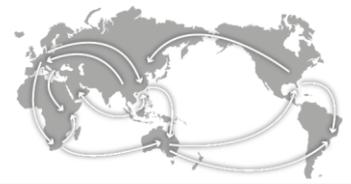


Figure 1 COO: Turkey

3.15.4 Watermelon seeds / Nuts

Saudi Arabia ranks ninth amongst the top ten savoury snacks markets in terms of per capita expenditure (in US\$ terms), higher only than China. Furthermore, Saudi Arabia is forecasted to register a moderate growth in their per capita savoury snacks consumption. This growth is primarily attributed to increasing consumer spending ability, which encourages the Saudi Arabian consumers to spend more on high quality savoury snacks products.

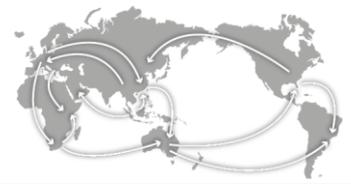




Saudi Arabian savoury snacks market grew at a CAGR of 5.6% during 2011-2016. Saudi Arabia has a large base of working population facing a busy life-style, which encourages them to spend less time on traditional meals and seek quick-snack breaks more often, which aids growth in this sector. Consequently, the market is forecast to register faster growth at a CAGR of 8.2% during 2016-2021, when compared to 2011-2016 and is expected to be worth US\$568 Million by 2021.

The types of seeds and nuts are available in several forms: raw, cocked and uncooked, the demand is increasing on uncooked nuts from customers who prefer healthy eating patterns or who is in diet, other forms are toasted and salted, it may contain some red pepper or lemon, in addition to almonds with smoked flavors, grated almonds.

Bustan 250 gm – Watermelon seeds COO: Saudi Arabia	Bustan – mixed nuts 500 gm - Khamis Mushait COO: Saudi Arabia	Munchy 750 gm COO: UK
		
5 SAR	44 SAR	55 SAR
Fisher mixed nuts – 220 gm COO: USA	Watermelon seeds cartoon – 30 PSC COO: Saudi Arabia	Hab Dyafah – 20 gm COO: Saudi Arabia
		
25 SAR	73 SAR	2.50 SAR



3.15.5 Dates/ ChocoMedjool

The Kingdom is one of the leading countries in the date industries. It has about 28.5 million palm trees in 123 thousand agricultural holdings, while the total date production was 1.3 million tons during 2016. Normally, 70% goes for local consumption and 25% is for manufacturing and export. The government has provided soft, medium-term loans to farmers through the Saudi Arabian Agricultural Bank (SAAB) as part of efforts to ensure national food security.

“The first quarter of 2018 witnessed a growth in the value of Saudi dates exports by 11.7% compared to the same period last year. The value of the Kingdom's exports jumped from 2015 to 2017 by 30%” said Dr. Mohammed Al-Nuwairan, The head of the National Center for Palm and Dates in KSA.

Prices range from 10 to 15 SAR per kilo for the Khalas from Al Ahsaa and from 28 to 35 SAR per kilo, and 12 to 15 SAR per kilo for Deglet Nour

The dates with chocolate and other flavours are available in different supermarkets in Saudi Arabia, being produced in different cities, Riyadh, Jeddah and AL Ahssa.

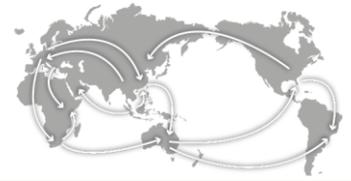


تمريه بالشكولاته
Tamaria Chocolate
 Medium box **SAR 25**

Barnia is selling these products online, where you can choose what ingredients you would like to add to the dates, and they do door to door delivery to your house, company and/or event and catering.

<http://www.barnia.com.sa/dates.aspx>

Tamrya with Molasses & Flour – 1kg COO: Saudi Arabia	ChocoMedjool – white chocolate 500gm COO: Saudi Arabia
 <p>تمريه مع اللبس والطحينه Tamrya with Molasses & Flour Big box SR.40</p>	
40 SAR	40 SAR

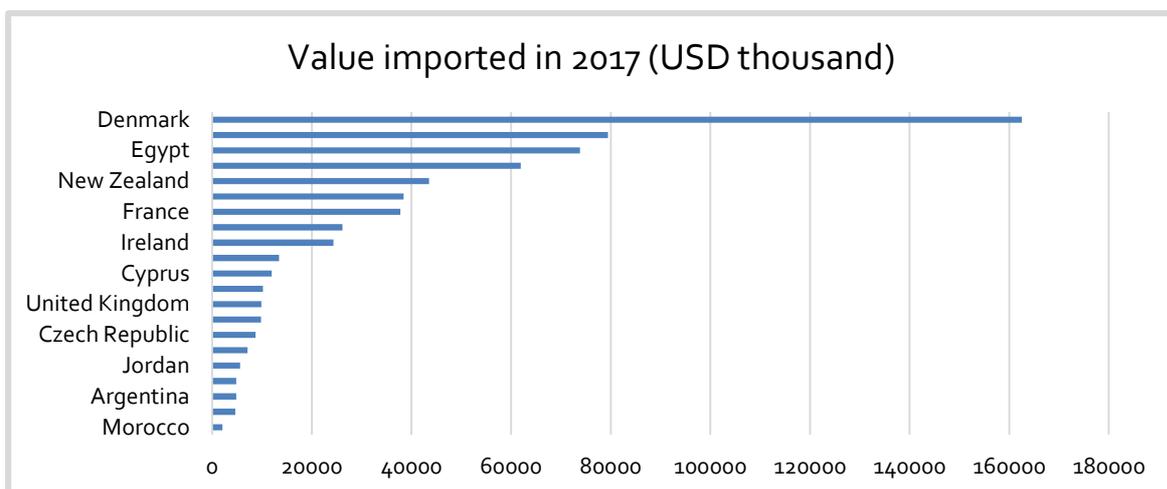


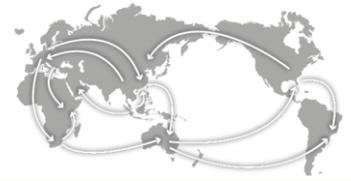
Medjool with Arabic coffee flavour – 200gm COO: Saudi Arabia	Coconut Medjool – 200gm COO: Saudi Arabia
	
27 SAR	27 SAR

3.15.6 Cheeses

The changing consumer preference toward healthier foods includes milk as one of the constituents in day-to-day consumption. For over four decades, the consumption of dairy has changed, from only consumption of milk to milk products, such as cheese, processed yoghurt, low-calorie butter, cream, and others. Milk is considered to be a highly nutritional food by consumers.

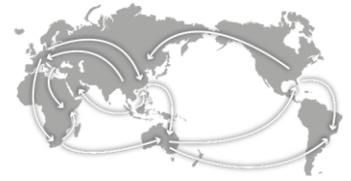
In 2016, Almarai dominated the fresh milk market with a 46% share, followed by Al Safi Danone. The cheese market in Saudi Arabia accounted for 68.8% of the GCC market, during the period from 2017 to 2021 the consumption of cheese is expected to grow by 5% compared to an annual growth rate about 8% between 2012 and 2016, the top cheese exporters to Saudi Arabia are: Denmark, Egypt, New Zealand, France, Ireland.





In 2016 the dairy ingredients usage in KSA was 290,000 tonnes, which is more than 90% was imported, mainly from New Zealand, Australia, Germany and The Netherlands and Ireland.

<p>Almarai Halloumi cheese 225g COO: Saudi Arabia</p>	<p>Farm land Halloumi cheese 250g COO: Kuwait</p>	<p>Forsan Fita cheese 1 kg COO: Saudi Arabia</p>
		
<p>15 SAR</p>	<p>13 SAR</p>	<p>21 SAR</p>



Akkawi – 1 kg	Haloom – 1 kg	Shall/Mjadal – 1 kg
		
22 SAR	34 SAR	30 SAR

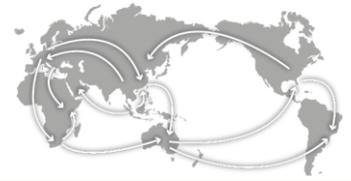
3.15.7 Conserved/pickled vegetables and sauces



The consumption on pickles and tomato paste are very high in Saudi Arabia, which sold immediately to supermarkets, hypermarkets and restaurants. Producing pickles in the country is huge not sufficient, due to the limited and low profit. In addition to the need of daily follow-up, preparation and processing by the local factories to produce the tomato paste such as SADAFCO.

Most of the imports are from Turkey, Syria and Egypt in particular, Saudis know that the pickles from the Levant is of high quality and guaranteed cleanliness. It is easy to transport, shipping and preservation. It is often packed with large, medium-sized plastic drums, or glass containers of various sizes, the most expensive is Greek and cheaper is Syrian and other local products and the latter are the best and most desired in the Kingdom.

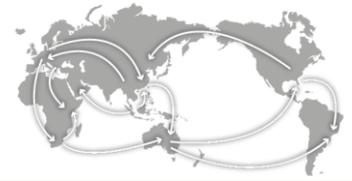
Prices range from 9 to 11 SAR per 300gm and from 12 to 15 SAR per 600gm. Some other local products are of 20 SAR per kilo. While the tomato paste comes either in cans or cartoon packs, usually 10 pieces in a pack for 10 to 13 SAR per pack, some hypermarkets such Panda have their own private label of the tomato paste.



Cucumber pickles 600g COO: Lebanon	Pickled Mixed Vegetables 600g COO: Lebanon	Olives and mixed vegetables pickles 350gm COO: Spain
		
15 SAR	15 SAR	11 SAR
Al Sharaf – tomato paste COO: Saudi Arabia	Banda – tomato paste COO: Egypt	
		
10.50 SAR	13.95 SAR	

Who are the customers? - All races, and there is a proportion of Saudis are quite a lot of young people. The demand differs per area, so for Riyadh and Central, the cucumber and the mixed vegetable pickles is high. In Jeddah and the south they consume more onion, lemon and eggplant.

As for non-Saudis, their tastes vary, as the Indians and Pakistanis prefer the chilli pickles with the lemon juice or oil.



4 Legal, political and economic factors

4.1 Political climate and stability

Political Factors

The role of the government in Saudi Arabia has grown significantly since the founding of the Kingdom. It is imperative that government evolves and improves continuously to keep pace with rising expectations, challenges and needs of its citizens. At the foundation of Vision 2030 are recent political initiatives implemented by King Salman in the first half of 2016. On May 7, 2016, the royal court released fifty decrees outlined by the King that sought to reorganize the government consistent with Saudi Vision 2030 to “focus and clarify responsibilities, and ease procedures to offer better services. Under the Strategic Directions program, the government approved the strategic directions determined by a variety of Saudi government agencies. Again, the King issued an order that abolished several departments in order to streamline bureaucracy in the government.

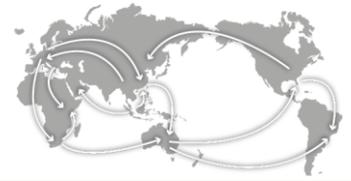
As the Saudi government moves toward comprehensive implementation of Vision 2030, it is also working to promote shared services across government agencies to increase productivity and raise the efficiency of government spending. The Fiscal Balance Program (FBP) is one of the Executive Programs laid out in Vision 2030 and is a key component of balancing the budget and boosting governmental performance by increasing efficiency. The initiatives in place for the Kingdom to achieve economic equilibrium by 2020 include roadmaps to enhance spending efficiency, reform energy prices, and promote non-oil revenue as part of the Fiscal Balance Program (FBP 2020) and Vision 2030 plan.

Women in Saudi Arabia have steadily gained political power. In recent years, a number of laws and decrees have empowered women, reaching from the highest consultative levels to the polls on the local level.

Economic Factors

Vision 2030 has led to a major surge in international investment in the Kingdom. Investors have long viewed the Kingdom as an attractive place to conduct business due to the emergence of key opportunities for partnership in a number of industries, including healthcare, manufacturing, and technology. Saudi Arabia also provides duty-free access to other GCC and MENA economies and enjoys reliable transport and infrastructure links.

Increasing foreign participation in Saudi Arabia’s stock exchange is among the key provisions of the National Transformation Program. In response to this investor interest, the Kingdom has gradually introduced significant changes over the course of 2016. These changes include relaxed requirements for foreign investors, plans for a secondary index and



changes to settlement cycles, and regulations for trading REITs (real estate investment trusts) for the first time.

The localization of industry under Vision 2030 offers promising opportunities for global public-private enterprises. In recognition of the logistical requirements of international partnership, Vision 2030 and preceding trade policy set out to streamline investor entrance into Saudi markets. In 2015, the Saudi Arabian General Investment Authority (SAGIA) announced that it would allow full foreign ownership of retail and wholesale businesses in the Kingdom, thereby removing the former 25 % local ownership requirement. Even foreign investors are no longer required to adopt local partners in many sectors and may own real estate for company activities.

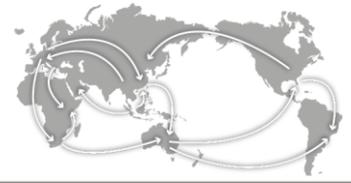
Minimum capital requirements to establish business entities range from zero to SR 30 million (\$8 million) depending on the sector and the type of investment. The principal challenge in the implementation of Vision 2030 concerns the diversification of the economy away from its dependence on oil and the efficient promotion of the private sector. The proposed initial public offering (IPO) of Saudi Aramco has generated massive interest among potential buyers and investors.

Saudi Arabia aims to achieve long-term financial returns from its domestic and international investments and is working effortlessly with the Kingdom's Vision 2030 strategy to diversify the Saudi economy. Since the release of Vision 2030, Saudi Arabia has been party to various agreements that piqued significant international interest. One of the largest investments came in the announcement of a \$3.5 billion injection into the Silicon Valley giant Uber in June 2016, highlighting the increasing internationalization of the Saudi financial profile through strategic partnerships. Saudi Arabia's Vision 2030 sets the target of increasing women's participation in the workforce from 22 to 30 %.

Social Factors

Saudi Vision 2030 recognizes the rich cultural and social heritage that distinguishes the Kingdom as a nation rooted in its identity as the heart of the Arab and Islamic worlds. Education is widely regarded by Saudi social and political analysts as the single most important and most challenging area for change. Saudi Arabia is the world's eighth-highest education spender and recently initiated a complete review of the education system. The primary aim of the education initiatives is to enable young Saudis to fill jobs in industries currently dominated by expatriates. Vision 2030 seeks a more prominent role for families in the education of their children. Saudi Arabia will close the gap between the outputs of higher education and the requirements of the job market.

In April 2016, the Kingdom's leadership curtailed the ability of the CPVPV to arrest and interrogate individuals. As part of the regulation limiting the operations of the CPVPV, employees can no longer pursue or request identification from suspects. Employees of the CPVPV are also blocked from working outside of office hours. Efforts to increase



accountability to public will and welfare have been praised by Saudi citizens and members of the international community.

Vision 2030 recognizes that culture and entertainment are indispensable to maintaining a high quality of life. Nationwide, the government-funded Daem initiative will enhance the quality and range of cultural activities available to those residing in the Kingdom. Moreover, the establishment of the General Authority for Culture in May 2016 marked a historic moment in the Kingdom's acknowledgement of the arts as one pillar of a well-rounded society. Vision 2030 has extended development within the social sector to female athletes and aspirants.

Technological Factors

Saudi Arabia represents the region's largest IT market, with strong growth in consumer and enterprise end markets. Massive public investments in infrastructure, health, and education have paved the way for advanced technology and security systems in the country with the government planning for the industry to raise its contribution to the GDP by 20 %by 2020. The IT market in the country was valued at \$3.6 billion in 2011 and was expected to reach \$4.9 billion after 2014. Significant unmet demands for web-based and mobile services and increased enterprise and government commitments for web-based services provide large-scale opportunities for contractors and service providers, with massive public investments in connectivity for Economic Cities, extending unique opportunities for greenfield projects covering millions of users.

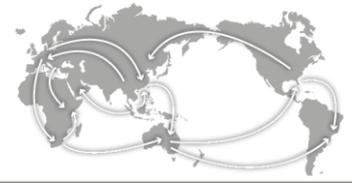
On March 9, 2017, Saudi Arabia's Ministry of Communications and Information Technology signed a memorandum of understanding with IBM for the training and qualification of more than 38,000 individuals over the next four years through 30 new educational institutions in information and communication technology (ICT) programs. By 2020, about 19,000 trainees are expected to acquire certification in the field.¹⁹

Legal/Law Factors

Saudi Arabia's first comprehensive bankruptcy law went into effect last month, one of many reforms to the legal system that economists say may be more important in the long run than high-profile privatizations. The legal reforms have attracted less media coverage because they are highly technical, but they are extensive, ranging from new laws to the creation of courts and training of judges, and they have accelerated over the past couple of years.

The importation of certain articles is either prohibited or requires special approval from the competent authorities. Importing the following products requires special approval by Saudi

¹⁹https://www.saudiembassy.net/sites/default/files/WhitePaper_Development_May2017.pdf



authorities: agricultural seeds, live animals, books, periodicals, movies, and tapes; religious books and tapes; chemicals and harmful materials; pharmaceutical products; wireless equipment and radio-controlled model airplanes; horses; products containing alcohol (e.g., perfume); natural asphalt; and archaeological artefacts. Saudi law prohibits importation of the following products: weapons, alcohol, narcotics, pork and pork products pornographic materials, distillery equipment, rethreaded or used tires, used clothing and certain sculptures.²⁰

Food sector in the country is regulated by Saudi Food and Drug Authority (SFDA). The country's food safety laws are stringent and often inspections are conducted by SFDA to check the standard of the factories and warehouses. In Early 2016, the authorities Inspected 600 food establishments and seized 176000 kilogram of violated food stuff. During the same year SFDA implemented strict measures to protect citizens and residents of KSA from imported honey from 8 countries wherein Small Hive beetle- *Aethinatumida* disease has spread.²¹

Environmental Factors

Environmental sustainability cannot be divorced from economic prosperity. Leading Saudi institutions and enterprises have honoured their commitment to reducing their environmental footprint through resource conservation campaigns and preparations for greener company operations. As it transitions toward cutting-edge environmental and technological consciousness, Saudi Aramco has been developing an extensive carbon management strategy for the Kingdom that includes: supporting the Kingdom's efforts in energy efficiency that focus on all end-user sectors, expanding gas supplies, focusing on developing renewables, and boosting research and development of "win-win technologies" that could dispose of carbon while turning it into beneficial products.²²

4.2 International trade developments

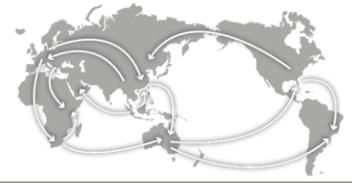
Foreign trade plays an important role in Saudi Arabia's economy, with merchandise trade as a proportion of GDP reaching 68.6% in 2014, according to the World Bank's most recent data. This compares favourably to other economies of similar size, such as Turkey (50.1%), Indonesia (39.9%) and Argentina (25.5%). The nation's oil wealth has played a large part in this role. The readily extractable nature of the Kingdom's oil has helped Saudi Aramco to establish a reputation for production stability.

One of the more interesting trade trends of recent years is the relative increase of non-oil exports from Saudi Arabia as a %age of total trading activity. In 2011 nonoil exports

²⁰<https://www.export.gov/article?id=Saudi-Arabia-prohibited-restricted-imports>

²¹<https://www.sfda.gov.sa/en/food/Pages/default.aspx>

²²https://www.saudiembassy.net/sites/default/files/WhitePaper_Development_May2017.pdf



accounted for 12.5% of total exports of goods and services, according to data from the General Authority for Statistics (GaStat). By 2014 the share of non-oil exports had increased to 16.9% of the total, and by 2015 its contribution had soared to 24.9% – although this precipitous rise was largely the result of declining oil prices throughout 2015. Saudi Arabia's favourable location on traditional trade routes between the East and West combines with the global demand for energy products to ensure that the Kingdom's products are directed to a wide array of markets.²³

4.3 Trade agreements (i.e. trade advantages)

GAFTA was declared within the Social and Economic Council of the Arab League as an executive program to activate the Trade Facilitation and Development Agreement that has been in force since January 1st, 1998. The GAFTA includes in its membership 17 Arab countries:

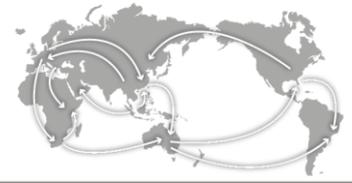
Jordan, Morocco, Kuwait, United Arab Emirates, Syria, Tunis, Bahrain, Lebanon, Libya, Saudi Arabia, Iraq, Sudan, Oman, Egypt, Yemen, Qatar and Palestine.

GAFTA is one of the most important economic achievements in the area of Arab common work. It contributes to efforts towards establishing the Arab Common Market. As of January 1st, 2005, the agreement reached full trade liberalisation of goods through the full exemption of customs duties and charges having equivalent effect between all Arab countries members of the GAFTA, except Sudan and Yemen being less developed countries where customs duties and charges having equivalent effect will be reduced by 16% annually as of January 1st, 2005 to reach full exemption by the end of 2010 (pursuant to the resolution of the Arab League Council at its 14th meeting in Beirut regarding offering less developed Arab countries preferential treatment).

Saudi Arabia is a member of the Gulf Cooperation Council (GCC) which consists of Kuwait, Qatar, Bahrain, the UAE, Oman, and Saudi Arabia. Membership confers special trade and investment privileges within those countries. The GCC implemented a Customs Union on January 1, 2003 that stipulates free movement of local goods among member states. The member states also agreed that they would switch to a single currency by January 1, 2010 at the latest, which has not materialized as yet, and the common market proposal is still being worked out. Saudi Arabia is also a member of the League of Arab States. The League has agreed to negotiate an Arab Free Trade Zone.

In 2003, the United States signed a Trade and Investment Framework Agreement (TIFA) with Saudi Arabia. A TIFA is typically an umbrella agreement for ongoing structured dialogue between the United States and foreign governments on economic reform and

²³<https://oxfordbusinessgroup.com/overview/centre-stage-kingdom-well-placed-take-advantage-its-strengths>



trade liberalization. The agreement promotes the establishment of legal protections for investors, improvements in intellectual property protection, more transparent and efficient customs procedures, and greater transparency in government and commercial regulations. TIFA negotiations on a wide variety of trade and trade policy issues occur every one to two years.²⁴

4.4 Trade barriers (both tariff and non-tariff)

As a member of the World Trade Organization (WTO), the Saudi Arabian government (SAG) has taken positive steps to become a more open, transparent, and predictable market; however, it has regressed in several key areas as well.

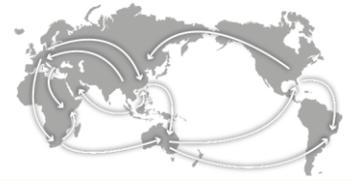
In January 2018, the SAG implemented a VAT at a rate of 5 %, in addition to the excise taxes implemented in June 2017 on cigarettes (at a rate of 100 %), carbonated drinks (at a rate of 50 %), and energy drinks (at a rate of 100 %). Saudi Arabia uses technical regulations developed both by the Saudi Arabian Standards Organization (SASO) and by the Gulf Standards Organization (GSO). Saudi Arabia continues to move toward adherence to a single standard, which is often based on International Organization for Standardization (ISO) or International Electro technical Commission (IEC) standards. Manufacturers of consumer products and automobile spare parts are particularly concerned about the widespread availability of counterfeit products.

Saudi Arabia applies the GCC common external tariff of 5% for most products, with a limited number of exceptions. These exceptions include 666 products that may be imported duty free, including aircraft and most livestock.

Saudi Arabia applies a 12 percent tariff on 294 products, in some cases to protect local industries. Certain textile imports are among the products to which the 12% rate applies. Higher rates are applied to a smaller group of products: 15% for items including tents, aluminum bars and rods and furniture; and 20% on plastic bags and matches, among others.

The vast majority of food products are subject to a five percent import duty. However, higher import duties are applied to certain types of processed food products. Saudi Arabia ties the level of import duties to the level of local production of similar products. As a general rule, a maximum import tariff rate of 40% is applied when local production of a food or agricultural product exceeds a self-sufficiency level. Currently, a 40% import duty rate applies to fresh, dried, and processed dates. Confectionary products with cocoa and other bulk cocoa products are subject to a 15% tariff.

²⁴ <https://www.export.gov/article?id=Saudi-Arabia-Trade-Agreements>

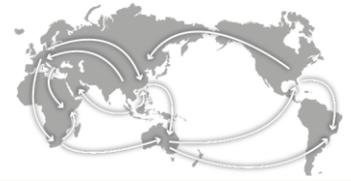


Nine types of fresh or chilled vegetables (tomatoes, onions, carrots, cucumbers, marrow, okra, watermelons, melons, and potatoes) are subject to a 25% tariff on a seasonal basis. Saudi Arabia also imposes a 100% tariff on cigarette and other tobacco imports. According to the WTO, Saudi Arabia's simple average applied tariff is 5.6% for agricultural goods and 4.7% for non-agricultural goods.

Duty Rates:²⁵

Item description	Hscode classification	Hscode description	General duty (%)
Food Additives	9-10-99-90	- - - Other	5
Bbq Grilling Food Spray	21-6-90-99	- - - - Other	5
Pasta Stuffed > 20% Seafood	19-2-20-20	- - - Stuffed With fish, custaceans and molluscs	5
Food Preparations Containing Liqueurs	21-6-90-99	- - - - Other	5
Food Supplements In Capsules	21-6-90-99	- - - - Other	5
Food Supplements In Liquid	21-6-90-99	- - - - Other	5
Food Supplements Other	21-6-90-96	- - - - Muscle growing Preparations	5
Food Supplement Sugar Free Fat Free	21-6-90-99	- - - - Other	5
Food Supplements Containing Cocoa < 70% Of Sucrose	18-6-90-90	- - - Other	8
Electric Food Preparation Appliance Electrothermic	85-16-79-90	- - - Other	5

²⁵ <https://customsdutyfree.com/hs-code-search/>



5 Acronym

- HACCP – Hazard analysis and critical control points
- CAGR – Compound annual growth rate
- SFDA - The Saudi Food and Drug Authority
- SASO - Saudi Arabia Standards Organization
- GSO - the Gulf Standardizations Organization
- ADI - Acceptable Daily Intake
- RDA - Recommended Daily Allowance
- GM - Genetically Modified
- SAR - Saudi Arabian Riyal
- SAAB - Saudi Arabian Agricultural Bank
- FBP - The Fiscal Balance Program
- TIFA - Trade and Investment Framework Agreement
- SAGIA - Saudi Arabian General Investment Authority
- SAG - the Saudi Arabian government
- VAT – Value Added Tax
- WTO – World Trade Organisation
- GaStat - General Authority for Statistics
- ICT - Information and Communications Technology
- CPVPV – Committee for the Promotion of Virtue and the Prevention of Vice
- IPO – Initial Public Offering
- REIT – Real estate investment trusts
- PVC - Polyvinyl chloride
- ICO - Initial coin offering
- GAFTA - Greater Arab Free Trade Area