



# TradeServices

## SAUDI ARABIA FACT SHEET: 1 Agriculture Food and Beverages

Making the Saudi food and beverage market so attractive is the limited production in local goods, due to the lack of arable land (less than 2%) and water. The lack of arable land and subsequent reliance on imports for local food production suggests a strong growth in the importation of foods proportional with growth of population.

The arid climate is prompting demands for highly sophisticated irrigation equipment and ultra-modern water management products and services, as well as the most advanced products offered by the global water management industry. International seed producers that produce low water consumption and high yielding crops and plantations are also in high demand. The greatest opportunity lies in modern machinery, equipment and advanced technological expertise that aim to optimise production and reduce cost.

### Diary Food

With such a young population, 41% below 15 years old, nutritional dairy products are sold in strong demand. The dairy food market in Saudi Arabia has been forecasted to be worth AUD \$5,109.4 million with an expected annual growth rate of 6.5% between 2007 and 2012. The greatest opportunities for Australian dairy exporters, in order are:

- Soy products – Particularly drinks. Also milk and desserts
- Milk – Particularly concentrated, long-life liquid (unflavoured) and powdered
- Natural and Processed Cheese
- Chilled desserts
- Functional dairy spreads
- Margarine
- Yoghurt (standard)

### Wheat

By 2015, Saudi Arabia will completely stop production of wheat. If Australian wheat producers can ensure their wheat meets the Saudi standards of 14% protein, this will open up a huge market for Australian exporters.

### Meat

Chilled meat products have enjoyed an annual value growth of 5.6%, whilst canned meat products have increased at 2.7% over the same period. Changes in exchange rates and price are instrumental to gaining greater access to the market. Meat consumption is scheduled to increase by 4,000 metric tons per year.

### Snack Foods

Given that 60% of the Saudi population is in their teens, exporters may look into supplying raw materials for the fast growing snack industry, targeting the youth. Products that cater to Saudi consumers' preferences, which tend to favor sweeter items, generally find better market reception. It should be noted that prices are highly competitive.

### Other Opportunities

There will always be a strong demand for fresh products including meat. Bakery ingredients also present a great opportunity, as does corn, soybean, rice and processed fruits and vegetables.



## Drinks

Water is in strong demand. Since 2002 bottled water has led the drinks sector with a 55% share market bringing in AUD \$939.9 million each year. The current 6% annual growth rate is predicted to continue until 2012 when it will rise even further.

Compared to consumers from other regions, people in the Middle East are prone to eating meals and drinking on-the-go. This presents an excellent opportunity for functional drinks. American based coffee is becoming increasingly popular, whilst tea is always in strong demand. Franchises such as Gloria Jeans have much to offer this growing market.

Note: During Ramadan - Fruits, dates, powdered, flavoured and concentrated drinks, jelly and butter milk are in high demand.

### Food and Beverages Prohibited in Saudi Arabia

Alcoholic beverages or any products containing alcohol such as cooking wine or vanilla extract are prohibited. Some agriculture seeds and pork products including gelatin are also banned.

## Barriers

The most important regulatory, non-tariff barriers that Australian foodstuff exporters encounter in Saudi Arabia include: biotech labeling that is required if a product contains more than 1% of biotechnology vegetable (plant) ingredients, production & expiration date regulations, Arabic labeling requirements, a declaration that animals slaughtered and exported to Saudi Arabia were not fed with feed containing protein, fat or remnants of animal origin, and a Halal Slaughtering certificate for both livestock and poultry meat. A [certificate of origin](#) is also required for all imports.

## Import Tariffs on Food/Agricultural Products

Whilst the vast majority of food products incur a 5% tariff import duty, most livestock may be imported free. Saudi Arabia has a no tariff-rate quota requirement. As a general rule, a maximum import tariff rate of 40% is applied when local production of food or agricultural products exceeds a self sufficient level. Currently, a 40% import duty rate applies to fresh, dried, and processed dates. Confectionary products with cocoa and other bulk cocoa products include a 15% tariff. Nine types of fresh or chilled vegetables (tomatoes, onions, carrots, cucumbers, marrow, okra, watermelons, melons, and potatoes) incur a 25% tariff on a seasonal basis.

Duty Free Items: Coffee, tea, fresh red meat, wheat, wheat flour and other grains.

The removal of tariffs is currently being negotiated under a Free Trade Agreement between Australia and the Gulf Cooperation Council.

## Standards

It is important to be familiar with Saudi food regulations and develop relationships with the Saudi Regulators – particularly the Saudi Arabia Standards Organisation.