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FROZEN VEGETABLE MARKET IN SAUDI ARABIA

A. Overview

The frozen vegetable market in Saudi Arabia has experienced substantial growth since the early 1990's. In 1995, the retail value of the market was approximately SR 160 million (US $43 million) or 35,000 metric tons. The market has grown over 400% in value and over 500% in volume since 1991. Industry sources have reported that growth has slowed down to about 20% in 1996 and now estimate the market to be worth SR 190 million (US $51 million) at retail or 45,000 metric tons.

The frozen vegetables market includes a number of internationally sourced brands and only one major local supplier. International brands represent over 90% of the total frozen vegetable sales. Whilst local suppliers, primarily Sunbulah Food & Fine Pastries Company account for the remaining 10%. Sunbulah Company imports bulk vegetables and then repacks them into consumer packs locally.

Four countries supply over 75% of Saudi Arabia's frozen vegetables imports. They are Egypt, which is the number one importer, Holland, USA and Italy.

Market growth of frozen vegetables is expected to continue, though at a slower rate. Industry sources estimate imports to increase at a rate of 10 to 15% annually over the next 2 to 3 years. Saudi Arabia will continue to offer good export opportunities for US suppliers, particularly in the areas of frozen potatoes, frozen sweet corn and corn on the cob.

Economic indicators such as high population growth suggest that the Kingdom will continue to prosper. The population of Saudi Arabia is 21 million, 14 million of which are Saudis. 60 percent of the population are under 21 years of age. Gross Domestic Product per capita is currently $6,800.

B. Trends in Consumption

Total market sales of frozen vegetables accelerated in 1995 due to the Saudi Government's duty free policy for imported vegetables from Egypt, giving Egypt a competitive price advantage over other imported vegetables. Import statistics indicate that the market grew by more than 200% in 1995 versus 1994 in value terms and 280% in metric tons as a result of this policy. Over the same period, imports of frozen vegetables from Egypt, whilst lower in quality, were 19 times greater in terms of value and 16 times greater in

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terms of metric tons. In 1995, frozen vegetables from Egypt accounted for 34% (value) and 41% (volume) of all imported frozen vegetables, making Egypt the number one supplier to Saudi Arabia. They are followed by Holland which represent 18%(value) and 16% (volume) of total imports and then the USA with 11% (value) and 8% (volume). Italy, a newcomer to the market accounted for 5% (value) and 10% (volume) of total imports. Please refer to Appendix 1.

Imported frozen potato fries account for almost half of all imported frozen vegetables in both volume and value. 14,018 metric tons of frozen potatoes were imported in 1995. 36% of potatoes were imported from Holland and 35% from Egypt. USA accounted for 7% of total frozen potato imports.

Frozen peas represent 19% of total frozen vegetable imports. This segment is dominated by two players, namely Egypt which accounts for 38% and Italy which accounts for 33% of total frozen pea imports.

The third largest category which is consistent with world trends is mixed vegetables. 17% of total frozen vegetables in 1995 were mixed vegetables. Close to 40% of all frozen mixed vegetables were imported from Egypt, followed by Italy at 16% and then the USA which accounted for 13% of total frozen mixed vegetable imports.

1995 was a significant year in the frozen vegetables market. Not only did Egypt become the major force in the market due to free import duty and lower prices, but the emergence of other countries also led to a sharp increase in imports. Products from India, Indonesia, Germany, China, Italy and South Africa entered the market for the first time. In such a short time, some of these countries have managed to capture a large slice of the market. Italy for example is now the number two supplier of frozen peas and India is now the number three supplier of frozen peas.

Other factors that have contributed to growth include the increased awareness of frozen vegetables as a convenience, versatile and time saving product which are perceived to be healthier than canned vegetables. Consumers like frozen vegetables because they are never out of season and there is no need to clean them, especially the more difficult kinds such as spinach, moulakhia (Jew's mallow), Okra and artichokes.

The increase in the number of fast food restaurants has also contributed to demand for frozen vegetables. According to industry sources, approximately 90% of all frozen vegetables

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are sold in the retail market and 10% to institutions such as fast food chains, restaurants, hospitals and schools.

The Saudi Government's support to local farmers producing fresh vegetables could impact the frozen vegetables market. Because of the abundant supply of fresh vegetables now available in Saudi Arabia at lower prices, sales of international frozen vegetable brands may be affected. However, it is the opinion of the trade that some products such as frozen corn, broad beans, green beans, french fries, artichoke, Jew's mallow, okra and spinach will not be affected by this action.

C. Domestic and Foreign Competition

(I) Domestic:

Sunbulah, which repacks imported vegetables into consumer frozen packs, supplies frozen mixed vegetables, mushrooms, sweet corn, french fries, cauliflower, brussel sprouts, green peas, beans, mixed sliced pepper and oriental mix all under the Sunbulah brand name. The majority of the products are imported from Egypt.

A local company based in Tabuk, Astra Farms, has started producing frozen vegetables from vegetables sourced locally. They are the first company in Saudi Arabia to do this, paving the way for other companies to do the same in the future.

(II) Products from Egypt:

Product from Egypt perform well in Saudi Arabia due to their price point. Product is considered of lower quality than other international brands and is therefore priced at a low rate. Product is shipped into the Kingdom to the distributor's warehouse or cold store. The shipping rates are lower due to the close proximity to Egypt. Vegetables from Egypt are duty free. IE they are exempt from paying

12% duty. Frozen vegetables from Egypt sell very well in corner stores known as Baqalas throughout the Kingdom. Suppliers from Egypt pack under both their own brand name as well for international brands such as Americana and Goody.

AGA, Agea, Kaha, Edfina and Montana brands are examples of Egyptian brand names which sell well in Saudi Arabia. They supply the market with peas, beans, molokhia, artichoke, okra, vine leaves, gulgas, spinach and mixed vegetables.

(III) International Brands:

The major international brands in the frozen vegetables market are as follows:

From the USA:
- Green Giant supplies peas, green beans, corn on the cob, cauliflower, broccoli, baby carrots, cut spinach and mixed vegetables.
- VIP supplies artichoke, broccoli, vegetable combo, stir fry vegetables, okra, corn, peas, squash, beans, mixed vegetables, brussel sprouts and cauliflower.
- Bird's Eye supplies broccoli, carrots, spinach, cauliflower, beans, peas, sweet corn and mushrooms.
- Yourk supplies french fries.
- Shoprite supplies french fries, corn and peas.
- IGA supplies french fries.
- I&J supplies green peas and mixed vegetables.

From the U.K:
- Ross supplies cut beans, french fries, broccoli, peas, sweet corn, broad beans, mixed vegetables, brussel sprouts, cauliflower, leaf spinach, carrots and crinkle cut chips.
- Plyms supplies green peas, mixed vegetables, corn and spinach.

From Canada:
- McCain supplies french fries, sweet corn, corn on the cob, broccoli, cauliflower,brussel sprouts, mixed vegetables, carrots and green peas.

From Belgium:
- Emborg supplies broad beans, green beans, mixed vegetables, corn, peas, broccoli, brussel sprouts, carrots, spinach, cauliflower and french fries.

From Holland:
- Butler supplies potato chips and french fries.
- Kiezer supplies potato fries.

From Denmark:
- Dat Schaub supplies mixed vegetables, peas, broccoli, corn, beans, baby carrots, sweet corn, spinach, cauliflower and french fries.

From New Zealand:
- Watties supplies peas, mixed vegetables, beans and broad beans.

International brands perform well in supermarkets. They are

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generally priced at a premium. In terms of market share of frozen vegetables brands in supermarkets, one leading supermarket reported that the Ross brand from the UK holds approx. 20% share in dollars, followed by Green Giant from the USA with 12%, Emborg from Belgium with 11%, Dat Schaub from Holland with 10%, Sunbulah from Saudi Arabia with 10%,Bird's Eye from the USA with 7% and McCain from Canada with 5%. USA brands hold a 20% share of the frozen vegetables market in supermarkets. The corner stores are dominated by products from Egypt.

D. Pack Sizes and Packaging Requirements

Retail packs are generally available in two sizes: 450gm/500gm and the larger pack size 900 gm/1kg. French fries are available in pack sizes of 1kg, 2 kg and 2.5 kg bags. Sales of the smaller pack sizes out number larger packs 2 to 1 in supermarkets. Larger pack sizes are preferred by institutional end users.

Attractive, colorful packaging are generally preferred by consumers.

In terms of packaging requirements, Saudi Arabian standards for food labels must include the following information, in Arabic, on the primary packaging:

- Name of the product and brand name
- Ingredients in descending order of proportion
- Additives in descending order of proportion
- Net weight in metric units
- Origin of all animal fats
- Date of manufacture in month and year and expiry date
- Manufacturer's and /or packer's name and address
- Country of origin
- Special storage, transportation and preparation instructions, if any.

Pictures or any reference to pork or alcohol are strictly forbidden in Saudi Arabia. Saudi Arabia permits bilingual labels provided that one of the languages is Arabic. Stickers printed in Arabic are acceptable provided they do not cover or contradict information on the original label.

Frozen vegetables must have a shelf life of 18 months.

All frozen vegetables are subject to 12 percent import duty, except for frozen vegetables from Egypt, which are duty free.

Documents required for all commercial shipment of frozen

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vegetables to the Kingdom are: a commercial invoice, a certificate of origin, a bill of lading, a steamship company certificate, an insurance certificate and a packing list. These documents must be certified by the folowing in this order:

1. All documents must be notarized by a Notary Public
2. Sealed and certified by a local US Chamber of Commerce.
3. Sealed and certified by an approved U.S Arab Chamber of Commerce.
4. Legalized by one of the Consulate Generals of Saudi Arabia in the U.S. All documents, certificates, agreements must be translated into Arabic prior to their submittal to a U.S./Arab Chamber of Commerce.

E. Distribution

Frozen vegetables are imported via Jeddah port in the Western region or Dammam port in the Eastern region. Jeddah Islamic port is considered the biggest port in the Middle East. Both ports have modern, up to date facilities.

A number of food distributors in Saudi Arabia have their own cold storage facilities. They distribute frozen vegetables in their own refrigerated trucks to retail outlets as well as to wholesalers and institutional end users.

According to trade sources, approximately, 60 percent of frozen vegetables are distributed to supermarkets, 30 percent to bakalahs (corner stores) via wholesalers and 10 percent to institutional end users such as hotels, fast food restaurants, hospitals and educational institutions.

The Eastern province has the highest concentration of sales of frozen vegetables in the Kingdom. This is due to the high concentration of American and European expatriates living in the region. Eastern Province accounts for 35 percent of total frozen vegetable sales followed by Jeddah which represents 30 percent, Riyadh 20 percent and other areas account for 15 percent of total sales.

F. Pricing and Margins

Attractive margins are offered for frozen vegetables in Saudi Arabia. Wholesale margins range from 25 to 35 percent and retail margins range from 20 to 25 percent.

The retail price for small size packs (450/500gm) range from

SR 4.20 (US $1.12) for frozen vegetables of Egyptian origin to SR 7.00 (US $1.87) for international brands. The larger packs (900gm/1kg) range from SR 9.00 (US $ 2.40) to SR 13.00 (US $3.47).

G. Promotions

Limited consumer promotion is undertaken in this segment. Promotional offers such as " two for the price of one" are implemented to move near expiry date stock. Other media used often in Saudi Arabia for frozen vegetables is road signs. Currently, a local brand of frozen french fries sourced from Egypt, is advertising using this form of media. Frozen vegetables are also advertised during specific supermarket food festivals such as American food festivals.

H. Major Frozen Vegetables importers and distributors

Alpha Trading
P.O. Box 205
Jeddah, 21411, Saudi Arabia
Tel: (966) 2-647-4242
Fax:(966) 2-647-9191

Abdullah Al Munajem Sons Co,
P.O. Box 22001
Jeddah, 21485, Saudi Arabia
Tel: (966) 2-637-3360
Fax:(966) 2-637-3360

Abbar & Zainy Cold Stores
P.O. Box 2495
Jeddah, 21451, Saudi Arabia
Tel: (966) 2-647-3563
Fax: (966) 2-647-2743

Euro-American Foods
P.O. Box 17536
Jeddah, 21494, Saudi Arabia
Tel: (966) 2-637-7573
Fax:(966) 2-636-8916

United Trading Company
P.O. Box 11219
Jeddah, 21453, Saudi Arabia
Tel: (966) 2-655-8719
Fax:(966) 2-655-8872

Al Bab Trading Co.

P.O. Box 4228
Al Khobar, 31952, Saudi Arabia
Tel: (966) 3-899-0103
Fax:(966) 3-898-2765

Abbar & Zainy US Beef
P.O. Box 6319
Jeddah, 21442, Saudi Arabia
Tel: (966) 2-664-1296
Fax:(966) 2-664-1085

Arabian Food Supplies
P.O. Box 1400
Jeddah, 21431, Saudi Arabia
Tel: (966) 2-677-0979
Fax:(966) 2-677-0387

General Trading Co. - Olayan
P.O Box 319
Al-Khobar, 31952, Saudi Arabia
Tel: (966) 3-857-5622
Fax:(966) 3-857-5834

Said M.O. Binzagr Co.
P.O. Box 54
Jeddah, 21411, Saudi Arabia
Tel: (966) 2-620-3554
Fax:(966) 2-620-7298

Sunbulah Food & Fine pastries Co.
P.O. Box 8960
Jeddah, 21492, Saudi Arabia
Tel: (966) 2-637-7059
Fax:(966) 2-637-0318

National Food Co. Americana
P.O. Box 5534
Jeddah , 21432, Saudi Arabia
Tel: (966) 2-637-8115
fax: (966) 2-637-1073

Nashar Trading Co.
P.O. Box 79
Jeddah, 21441, Saudi Arabia
Tel: (966) 2-644-0202
Fax:(966) 2-644-8215

Al Hana Dairy Farm
P.O. Box 22
Al-Ghat,11952, Saudi Arabia

Tel: (966) 6-442-1702
Fax:(966) 6-442-1449

Astra Farms
P.O. Box 1485
Tabuk, Saudi Arabia
Tel: (966) 4-422-6661
Fax: (966) 4-422-3172

Abdul Rahman Al-Muhaideb
P.O. Box 213
Riyadh, Saudi Arabia
Tel: (966) 1-465-4990
Fax:(966) 1-465-4990

Hamad Hamdan Trading Est.
P.O. Box 26109
Riyadh, 11486, Saudi Arabia
Tel:(966) 1-478-2853
Fax:(966) 1-477-2354

Saudi Cold Storage Co.
P.O. Box 5507
Jeddah, 21432, Saudi Arabia
Tel:(966) 2-647-0643
Fax:(966) 2-647-4016

Tamimi Market Food Co.
P.O. Box 10624
Riyadh, 11443, Saudi Arabia
Tel:(966) 1-463-3973
Fax:(966) 1-463-2401

Khalifa A. AlGosaibi Food Industries
P.O. Box 222
Dammam, 31411, Saudi Arabia
Tel: (966) 3-891-4520
Fax:(966) 3-891-9595

Basamh Trading Co.
P.O. Box 427

Jeddah, 21411, Saudi Arabia
Tel: (966) 2-660-6668
Fax:(966) 2-660-1544

Vita Food Co.
P.O. Box 724
Dammam, 31421, Saudi Arabia
Tel: (966) 3-857-4886
Fax:(966) 3-857-4815

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H. Major Frozen Vegetables importers and distributors

Al Shahini Cold Store
P.O. Box 9132
Jeddah, 21413, Saudi Arabia
Tel: (966) 2-651-9485
Fax:(966) 2-653-1696

Islam Commercial Enterprises
P.O. Box 449
Jeddah, 21411, Saudi Arabia
Tel: (966) 2-688-4667
Fax:(966) 2-680-9445

Appendix : FROZEN VEGETABLES MARKET IMPORT STATISTICS

Table 1: Import Statistics by Product by Year (Value SR 000's)

Product	1991	1992	1994	1995
Potatoes	8,559	9,322	15,855	51,844
mix vegetables	9,382	7,952	3,543	15,558
other vegetables	2,636	1,971	2,100	7,740
peas	-	4,388	2,875	17,583
beans	-	4,995	3,114	7,840
Other Legum	-	1,451	848	4,642
corn	-	729	2,227	3,794
Okra	-	-	-	851
spinach	-	-	-	803
Total	20,577	30,808	30,562	110,655

Table 2: Import Statistics by Product by Year (000's kg)

Product	1991	1992	1994	1995
Potatoes	2,376	3,391	4,610	14,018
mix vegetables	2,121	2,513	1,119	5,445
other vegetables	674	500	517	1,896
peas	-	1,473	911	6,190
beans	-	2,052	952	2,742
Other Legum	-	439	198	1,471
corn	-	147	403	603
Okra	-	-	-	287

spinach	-	-	-	170
Total	5,171	10,515	8,710	32,822

source: Saudi Import Statistics 1991,1992, 1994,1995.
Ministry of Finance & National Economy, Central Department
of Statistics-Foreign Trade.

Table 3: Import Statistics by country by Year (Value SR 000's)

Product	1991	1992	1994	1995
USA	5,460	4,063	4,881	12,642
Egypt	2,167	7,508	2,075	38,059
Denmark	967	433	-	1,067
Belgium	1,640	797	3,618	3,998
England	1,852	2,149	1,954	6,346
Hungary	571	-	-	-
Yugoslavia	560	-	-	-
Australia	422	-	-	-
Austria	317	-	-	-
France	168	-	-	1,522
Holland	5,793	4,587	8,912	20,244
Canada	-	907	2,903	5,636
Spain	-	-	689	1,326
Indonesia	-	-	-	729
Germany	-	-	-	594
China	-	699	-	513
Italy	-	1,208	-	5,483
Sth Africa	-	-	-	2,270
India	-	-	-	1,739
Bulgaria	-	1,322	-	-
Other	659	7,165	6,230	8,447
Total	20,577	30,808	30,562	110,655

source: Saudi Import Statistics 1991,1992, 1994,1995.
Ministry of Finance & National Economy, Central Department
of Statistics-Foreign Trade.

Table 4: Import Statistics by country by Year (weight 000's kg)

Product	1991	1992	1994	1995
USA	854	966	964	2,630
Egypt	678	2,562	833	13,365
Denmark	170	56	-	170
Belgium	366	160	953	895
England	447	378	450	1,372

Hungary	222	-	-	-
Yugoslavia	192	-	-	-
Australia	66	-	-	-
Austria	105	-	-	-
France	6	-	-	345
Holland	1,854	2,156	2,528	5,178
Canada	-	185	713	1,389
Spain	-	-	115	296
Indonesia	-	-	-	64
Germany	-	-	-	113
China	-	298	-	283
Italy	-	649	-	3,282
Sth Africa	-	-	-	549
India	-	-	-	595
Bulgaria	-	643	-	-
Other	210	2,462	2,154	2,296
Total	5,170	10,515	8,710	32,822

Source: Saudi Import Statistics 1991, 1992, 1994,1995. Ministry of Finance & National Economy, Central Department of Statistics-Foreign Trade.

Major frozen vegetables importers and distributors such as Alpha Trading, Arabian Food Supplies, National FoodIndustries, Sunbulah Food & Fine Pastries, were consulted. Information was also obtained from major supermarkets such as Al Fao and Danube Supermarkets. Several advertising agencies also provided assistance. They included Memac, Impact BBDO and Team advertising agencies.
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