Demographics, import substitution present opportunities

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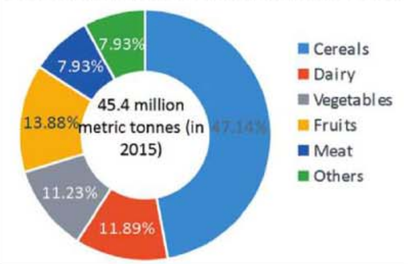
In countries that are part of the Gulf Cooperation Council (GCC), the food and beverage industry has been witnessing a considerable boom in the past few years and is expected to reach further heights. The growth has been largely driven by, higher disposable income, tourist influx and steady rise in population base, especially, the young.

GCC heavily relies on imports due to limited availability of cultivable land and water. This has created demand for international foods and led to growth of packaged foods and food retail sector. Further, the GCC governments' initiatives to strengthen food security has opened new avenues for domestic as well as international companies to invest in the region. The emerging food market in the region is expected to boost allied industries like food processing industry, processing machinery, packaging industry, and so on.

Food consumption in GCC (in Million metric tonnes)



Food consumption

The food consumption in the region is close to 47 million metric tonne and is forecast to surpass 52 million metric tonne by 2020. With the changing demographics, thanks to increasing youth population, GCC nations are also experiencing a change in their food consumption pattern with increasing health-consciousness and inclination towards Westernised food.

The Gulf region is also expected to perceive an increase in the demand for Halal food, with meat being the major product consumed. Halal food imports are projected at US$53.1 bn by 2020.

GCC consists of some of the largest fish-consuming countries. With a speedy depletion of fish stock in the region, aquaculture and fish farming have gained impetus. To increase the domestic fish production, GCC governments are prioritising investments in fish farming, thereby making aquaculture one of the fastest growing segments in the food processing industry.

Free manufacturing zones in the region

GCC is home to numerous free-trade zones, specifically industrial zones with features like equipped infrastructure, accessibility to industrial amenities and so on that help in lowering the production cost and encouraging investments from various manufacturing and processing industries.

The UAE and Saudi Arabia have the highest number of free zones - 27 and 21 respectively. Other countries namely Qatar, Bahrain, Kuwait and Oman have 5, 3, 1 and 14 free zones respectively.

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Supportive environment for food processing companies

Due to adverse climatic conditions and acute shortage of water, GCC countries rely on imported food products, accounting for about 70% of total food products. These imported products are processed locally and re-exported. Increasing emphasis on local processing by GCC governments has led to sharp rise in investments in the food processing sector.

The UAE and Saudi Arabia are poised to emerge as leading food processing countries.

Major players in the region in the sector

The promising food industry in GCC has attracted a number of international companies to expand their activities in the region. Various international brands operating in the food processing industry in GCC include Danone, Nestle, Unilever, and Mondelez.

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Free zones conducive for manufacturing and processing

Country	Free Manufacturing Zones
UAE	Al-Ain Industrial City (AAIC)
	Khalifa Industrial Zone Abu Dhabi (KIZAD)
	Ajman Free Zone
	Jebel Ali Free Zone
	RAK Free Trade Zone
	Hamriya Free Zone
	Ahmed Bin Rashid Free Zone
Saudi Arabia	Jizan Economic City
	King Abdullah Economic City
	Jeddah First Industrial City
	Jeddah Second Industrial City
	Tabuk Industrial City
	Mecca al-Mukarrama Industrial City
	Al-Qassim First Industrial City
	Al-Jouf Industrial City
Bahrain	Bahrain International Investment Park
Oman	Free Zone Sohar
	Al-Mazunah Free Zone
	Rusayl Industrial Estate
	Sohar Industrial Estate
	Raysut Industrial Estate
	Nizwa Industrial Estate
	Buraimi Industrial Estate

key food processing companies in GCC

Country	Company	Type
Saudi Arabia	Almarai Co.	Dairy and Livestock
	Al-Watania Poultry	Agri & agri processing and livestock
	Food & Fine Pastries Mfg. Co. Ltd.	Processed and frozen foods
	Halwani Brothers Co.	Processed and frozen foods, dairy and beverages
	National Food Industries Co.	Processed and frozen foods, dairy and beverages
	Saudia Dairy and Foodstuff	Dairy and beverages
	The Savola Group	Agri & agri processing
Kuwait	Kuwait Food Co.	Agri & agriprocessing, beverages, dairy, livestock, processed and frozen foods
UAE	Agthia Group PJSC	Agri & agri processing and beverages
	Al Kabeer Group	Livestock, Dairy, processed and frozen foods
	Al Khaleej Sugar Co. LLC	Agri & agri processing
	International Foodstuffs Co.	Agri & agri processing, dairy, processed and frozen foods
Oman	A'Saffa Foods	Agri & agri processing, beverages, processed and frozen foods
	Oman Flour Mills Co.	Agri & agri processing, processed and frozen foods
	Sweets of Oman	Confectionary
Qatar	A-Sanabel Al-Qataria WLL	Agri & agri processing, livestock, processed and frozen foods
	Hassad Food	Agri & agri processing
	Zad Holding Co.	Agri & agri processing, processed and frozen foods
Bahrain	Awal Dairy	Beverages and dairy
	Bahrain Flour Mills Co.	Agri & agri processing
	BMMI BSC	Distributor of agricultural products
	Trafco Group	Dairy and distributor of food and beverages

Shift towards healthy food

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Oman: It has a dedicated state-owned enterprise called Oman Food Investment Holding Company (OFIC) which plans to invest US$~623 mn for joint ventures in the food production sector. The government along with OFIC has also launched a mega red meat project in 2015 to reduce reliance on meat imports by importing sheep and cows from African nations and setting up slaughtering houses in Oman.

The government is putting in efforts to improve the agricultural productivity by emphasising on the use of advanced irrigation and husbandry practices.

Oman also plans to invest US$520 mn in developing and upgrading the infrastructure and existing facilities of various agricultural and fishery-related projects. The country is also likely to raise the investment to US$1.3 bn by 2020. Oman also implemented subsidy plans to restrain the growing prices of basic products like wheat, rice and sugar.

The industrial estates in Oman benefit from incentives such as a minimum five-year exemption on taxation of profits, exemption of customs duty, export credit insurances and, for small- and medium-sized enterprises, access to credit of up to US$2.6 mn from the Oman Development Bank.

Kuwait: It offers incentives to promote agricultural products to increase the supply of domestic food in the country. The Kuwait Development Plan (KDP) 2015-20 aims to increase the non-oil contribution to the GDP from 45% to 64% by 2020.

Qatar: The Qatar National Food Security Programme has articulated a "Food Security Master Plan" that aims to promote the food processing sector by the establishment of an Agro-Industrial Park.

Industry outlook

Favourable demographics, continuously growing population and blooming tourism would boost the food consumption growth in the GCC region. Demand for organic and retail food sectors is expected to rise as the consumption pattern is shifting towards healthy food. This has also intensified the competition among retailers leading to an evolving concept of private labelling among products such as rice, pulses, spices, oil, pasta, and canned food.

Reliance on imports results in the country being vulnerable to price volatility and supply concerns from producing countries. To overcome these shortcomings, government is actively encouraging local production, particularly in processed food products such as dairy, red meat, and poultry.

The food industry in GCC is expected to focus on improving operational capability by enhancing distribution, supply chain and logistics channels. E-commerce in food industry may also gain impetus.

Saudi Arabia being the most populated country in the Gulf region will continue to be the largest food-consuming country with the UAE and Qatar expected to emerge as the fastest-growing food consumers.

(Note: The views expressed here are those of the authors and do not necessarily represent or reflect the views of AGR Knowledge Services Pvt Ltd)

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