



Foreign Agricultural Service

GAIN Report

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United Arab Emirates

Exporter Guide

Annual Revised for 2001 for Bahrain, Kuwait,

Oman, Qatar and the UAE

2001

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Report Highlights:

The countries of the Arabian Gulf were already a lucrative market for commodity and food product suppliers and with relatively high and growing incomes and expanded populations have become even bigger importers. American products are viewed very favorably, so we invite you to step in and grab a piece of the market.

Includes PSD changes: No
Includes Trade Matrix: No
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SECTION I. MARKET OVERVIEW

The Gulf Cooperation Council-5 (GCC-5¹) countries covered by the Agricultural Trade Office (ATO) Dubai are a homogeneous group of small nations which rely on oil for revenue and on imported food products to meet consumption. Of the five countries at issue, the United Arab Emirates (UAE) is the most significant of markets and derives sizable revenues from the re-export business for which its commercial center and the Gulf's trade hub, Dubai, has come to be known. Although there has been some pick-up in the extent to which countries in the region import goods directly, Dubai and its huge manmade port and free trade zone, Jebel Ali, continue to play, in part, the role of a one-stop-shop, the area's warehouse. Moreover, the relative strength of petroleum prices since 1999 has served to buoy regional demand as governments once again find themselves able to finance new infrastructure development and maintain significant benefits for national citizens.

For three consecutive years, 1998-2000, collective annual exports of U.S. agricultural commodities and food products to the GCC-5 countries have grown. Yet, this growth has not been uniform across all five nations. Indeed, while exports to the UAE have climbed to a record level of \$250 million in 2000, our agricultural and food exports to the rest of the GCC-5 actually fell from 1999 to 2000 (See Table 1). U.S. export statistics from January through August 2001 show that the value of our sales to each of the five countries is up significantly compared to 2000. We project a 10% growth rate in the value of consumer food imports in the GCC-5 in 2002, and an increase in the U.S. share of these imports by a similar percentage. Population growth rates across the region are estimated at 3-4% annually and steady export earnings from oil explain the projected growth. These factors have to be weighed against the prevailing circumstances after the Sept. 2001 terrorist attacks in the U.S. With diminished international leisure and business travelers, HRI business in the region has been negatively affected although the downturn is expected to be short-term.

An interesting aspect of the populations in the countries covered by ATO Dubai is that in Kuwait, Qatar and the UAE, the local populations are outnumbered by expatriates, the majority of whom are from the Indian subcontinent, and, to a lesser extent, from other Arab countries. Workers from India, Pakistan, Bangladesh, Sri Lanka with a smaller number from the Philippines perform all the manual labor and fill a sizable share of the majority of clerical, technical and professional positions as well. In Bahrain and Oman, the local national populations are in the majority. Without a doubt, the expatriate community throughout the GCC influences food product imports. In addition, the fact that a high percentage of the local population travels to the West and thousands pursue higher education there annually makes these countries greater consumers of western and U.S. products. Finally, with the spread of international television via satellite communication and with the ubiquitous Internet, there is more region-wide advertising that also affects buying decisions.

¹ (Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates)

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

<i>Country</i>	<i>CY 1999</i>	<i>CY 2000</i>	<i>Percent Change</i>
<i>Bahrain</i>	<i>27.0</i>	<i>13.1</i>	<i>-51.5%</i>
<i>Kuwait</i>	<i>62.0</i>	<i>50.6</i>	<i>-18.4%</i>
<i>Oman</i>	<i>18.7</i>	<i>12.9</i>	<i>-31.0%</i>
<i>Qatar</i>	<i>10.7</i>	<i>9.3</i>	<i>-13.1%</i>
<i>U.A.E.</i>	<i>192.6</i>	<i>250.5 *</i>	<i>30.1%</i>
<i>Total GCC-5</i>	<i>311.0</i>	<i>336.4</i>	<i>8.4%</i>

* Record

Table 2. Advantages & Challenges in Food Product Marketing to GCC-5

<i>Advantages</i>	<i>Challenges</i>
<i>High quality image of U.S. products</i>	<i>High price of U.S. goods</i>
<i>High regional per capita incomes</i>	<i>Significant competition from producers in EU, Asia, Australia, New Zealand and, increasingly, from local processors.</i>
<i>Broad familiarity with U.S. culture and desire to emulate it</i>	<i>Large Indian subcontinent population with easy access to "home grown" products and modest income</i>
<i>Increasing number of tourists (to Bahrain, Oman and the UAE, in particular)</i>	<i>Importers often want to start with small quantities</i>
<i>Relatively large young population that is open to new foods and tastes.</i>	<i>All finished products must carry production/expiry dating and arrive with ½ product shelf life or more in effect and Arabic labelling is required for many markets.</i>

SECTION II. EXPORTER BUSINESS TIPS

1. Study each market. This may seem like obvious advice, but importers often complain that U.S. suppliers are uninformed about local market conditions and requirements. ATO's annual marketing plan, as well as trade data for the GCC-5 can be obtained from the AgExport Services (AGX) Division, FAS/Washington (Fax: 202-690-4374) or via Internet at <http://www.fas.usda.gov>. Information on ATO Dubai activities as well as related useful links in the United States and the GCC-5

countries may be obtained on the ATO Dubai Home Page on the following URL:

<http://www.usembabu.gov.ae/atodubai.htm>

2. Visit the region. This is perhaps the single most important step a U.S. company can take, if it is serious about doing business in the Gulf. To quote one successful U.S. company contact, "Letters and faxes alone will not suffice". Follow-up visits are equally important; do not give up.
3. If you cannot make the trip, exhibit at a major U.S. food show and inform potential customers of your participation well in advance. Approximately 50 major GCC-5 food importers attend the FMI/NASDA exposition each year, and there is a large contingent that visits the NRA show as well. Many report importing U.S. products as a direct result of their visit.
4. Target reliable importers. The AGX Division in FAS/Washington can provide a list of local importers, by product. In addition, ATO Dubai (Fax: 971-4-311-6189; Email: atodubai@emirates.net.ae) can provide a directory of GCC-5 companies importing U.S. food products, by product category, brand and country. Contact ATODubai for references in your selection of local companies.
5. Be prepared to discuss product price, preferably on a C&F basis. Be sure to include the cost of label modifications required to meet local regulations. Production and expiry dates are mandatory and Arabic/English labels or stickers are required, depending upon the country. A thorough review of the food import regulations of the GCC-5 is available from individual country Food and Agricultural Import Regulations and Standards (FAIRS) reports accessible via the FAS/Washington website at: www.fas.usda.gov/scriptsw/attacherep/attache_lout.asp.
6. Bring samples and be prepared to discuss marketing strategy and possible promotional assistance. Local importers are increasingly looking for assistance such as free samples, advertising, in-store displays and price discounts, particularly for new-to-market products.
7. Help advertise. Print advertising is perhaps the most cost effective means of promoting a new product. Television advertising is expensive, but definitely effective if targeting a regional audience. Apply to use Market Access Program funds to help defray the cost of promoting your products here.
8. Participate in the Gulf Food Show. Held every two years in Dubai, UAE, the Gulf Food Show has grown to be the largest food show in the Middle East. Please contact ATO Dubai for more details on joining the U.S. Pavilion at the February 23-26, 2003 exhibition.
9. Stress USA quality. Local consumers are aware that "Made in the USA" is synonymous with high quality. Thus, identifying your USA origin with symbols like the Statue of Liberty or the U.S. flag can boost sales. At the same time, it should be noted that many companies have focused on pushing their brands without "Americanizing" their products' labels, and this has become a more sensitive issue since late 2000. (Please contact us here at ATO Dubai with specific questions in this regard.)

10. Provide an e-mail address, website URL and/or telephone number where consumers can contact your company to get answers to questions they may have about your products. This gesture is much appreciated by food safety officials, and serves to underscore your company's attention to customer service.
11. Be prepared to fill orders smaller than normal or share a shipment with someone. Local importers tend to purchase small quantities, particularly from new suppliers or for new-to-market products, until they are confident of the product's market potential and the supplier's staying power.
12. Be wary of agency agreements. These agreements have been virtually impossible to terminate without penalty, even if the local company fails to comply. Fortunately a relaxation in agency agreement law is underway in GCC countries, and the UAE and Oman are not registering new agency agreements in the food business.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

In 2000, nearly one-half of the \$335 million in U.S. agricultural, fishery and forest product exports to the GCC-5 were consumer-ready foods and beverages. We estimate that 55% of these exports went directly to food retail, but in the case of the UAE, it is estimated that at least forty percent of products imported were re-exported to other GCC countries, states of the Former Soviet Union, notably Azerbaijan, Iran, the Indian subcontinent and East Africa.

The HRI sector consumes about 25% of U.S. consumer-ready foods and beverages. Hotel development and the concomitant drive to attract tourists is especially pronounced in Dubai, but is also occurring in the rest of the GCC-5 except for Kuwait. In consequence, relative to food retail and processing, the HRI sector is growing fastest. The size of the labor camp component of institutional use can not be ignored, although commodities like frozen chicken and rice versus more highly processed products comprise much of the demand from this subsector. One other aspect of institutional use that is not negligible concerns the servicing of various components of the U.S. Military represented in and around the Gulf region. With an increasing buy-U.S. requirement and a continued presence, U.S. food suppliers and their buyers in the region, especially in Bahrain and Dubai will continue to do good business with this sizable contingent.

In addition to the industrial-size commodity processing of wheat for flour and an even more overbuilt vegetable oil processing infrastructure, the food processing business is small but developing in the region. We estimate that the food processing sectors in the GCC-5 account for about 20% of the intermediate/semi-processed products the U.S. sells in this region. Of the five countries at issue, the UAE, Kuwait and Oman have the more developed food processing industries, with vegetable oil packaging, snack foods, juice reconstitution and dessert products accounting for the main product categories for which imported U.S. inputs are used. There is some processing of beef, primarily from India, as well as mutton, but this is for the low-end of the retail market primarily, so U.S. products would not be used. Besides local dairies and poultry farms neither sector is large enough to meet local

demand, there are a number of countries which reconstitute dairy products from milk powder, primarily sourced from Europe, Australia and New Zealand.

Food Retail Consolidation As is happening internationally, there is a definite consolidation in the food retail business in the Gulf. With the arrival of Carrefour which now has seven hypermarkets in the UAE and one each in Oman and Qatar and the start of operations in Bahrain of a Geant hypermarket by another French retailer, Casino, the business of food is being transformed. In addition to the French invasion, an Abu Dhabi importer, distributor and retailer, EMKE Group, has moved into the hypermarket business with the rollout of its Lulu Center megastores. Although they are perceived to be less market savvy, it appears that the co-operative retail groups especially in Abu Dhabi and Kuwait are also transforming themselves to meet the competition and upsize and modernize in a changed marketing environment. Our assessment is that some small to medium size groceries will be squeezed from business by the economics and the appeal of the new retailers, but a strong percentage of the one-man mom-and-pop shops will survive for the multiple services they provide.

The Direction of Local Processing Regional investors are willing to pour resources into new food processing projects like the establishment of a 4,000/MT/day oilseeds crushing facility at Jebel Ali being built by Dubai's Al Ghurair family and due to open in late 2002. Nevertheless, the region will continue to be constricted by near total dependence on imported raw and intermediately processed materials, but labor is cheap with the Indian subcontinent next door. We expect that an increased number of multinational food companies will look to tie up with local processors where opportunities present themselves.

Tourism's Potential Though it doesn't have much to offer in the way of ancient ruins and lures like casino gambling are off limits, the Gulf does have excellent weather at least half of the year, plenty of inviting coastline in the Gulf and Indian Ocean and first-rate hotels and service to visitors. In addition, with the creation of international-circuit golf and tennis tournaments, popular camel racing events, one of horse-racing's largest purses and a host of trade events that garner broad attendance from the Middle East and beyond, the GCC-5 countries, and the UAE and Dubai in particular, are working to make travel to this region more pleasurable.

Overall, ATO Dubai projects growth in the sale of consumer ready food products in the GCC-5 to increase 5-10% annually with U.S. exports expected to increase 10-15%.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- | | |
|----------------------------|------------------------------------|
| 1. Almonds (shelled) | 7. Planting Seeds |
| 2. Fresh Apples | 8. Confectionary Products |
| 3. Corn oil | 9. Juices |
| 4. Beef (chilled & frozen) | 10. Sunflowerseed and Soybean Oils |
| 5. Snack foods | 11. Condiments and Sauces |
| 6. Poultry Meat | 12. Pulses |

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE (ATO) - DUBAI
6020 Dubai Place, DEPARTMENT OF STATE (AGR)
WASHINGTON, DC 20521-6020

LOCAL MAILING ADDRESS: U.S. AGRICULTURAL TRADE OFFICE
U.S. CONSULATE GENERAL
P.O. BOX 9343
DUBAI, UNITED ARAB EMIRATES

TELEPHONE: 971 4 311-6183 OR 311-6100
FAX: 971 4 311-6189
E-MAIL: atodubai@emirates.net.ae
INTERNET HOMEPAGE: www.usembabu.gov.ae/atodubai.htm

Pertinent Government Food Import Contacts:

Bahrain: Dr. Abdullah Ahmad, Head of Food & Water Control Section, Ministry of Health
Telephone: 973 273-683; Fax: 973 279-253

Kuwait: Mr. Jamaan Al-Hagry, Manager Food Department, Kuwait Municipality
Telephone: 965 572-0644/7518; Fax: 965 573-5144

Oman: Mrs. Aida Al-Riyami, Director General, Specs. & Measure., Min. of Commerce
Telephone: 968 771-3268 Fax: 968 771-5992
E-Mail: dgsm123@gtto.net.om

Qatar: Dr. Jasim Al-Jedah, Director, Central Laboratories, Ministry of Public Health
Telephone: 974 432-9718; Fax: 974 435-3769
E-Mail: rcfcm@qatar.net.qa

UAE:
(Abu Dhabi) Dr. Amin Yousuf, Director, Food & Environment Control Center
Telephone: 971 2 672-5008 Fax: 971 2 678-5961

(Dubai) Mr. Khalid Sherif, Head of Food Control Section
Telephone: 971 4 221-2842/2228-5379 Fax: 971 4 223-1905/222-1513

APPENDIX I. STATISTICS

TABLE A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%)	5,925/6%
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	3,975/7%
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%)	97/3%
Total Population (Millions) / Annual Growth Rate (%)	9 /3%
Urban Population (Millions) / Annual Growth Rate (%)	7.5 /3.5%
Number of Major Metropolitan Areas	3 (Abu Dhabi, Dubai & Kuwait City)
Size of Middle Class (Millions) / Growth Rate (%)*	4.5/3%
Per Capita Gross Domestic Product (U.S. Dollars) (2000 data)**	15,115
Percent of Female Population Employed ***	15%
Exchange Rate (US\$1) = .375 Bahraini Dinars, .303 Kuwaiti Dinars, .384 Omani Riyals, 3.64 Qatari Riyals and 3.67 UAE Dirhams	
* - Population whose monthly income ranges from \$1,500 to \$3,000/**- (Avg. 2000 GDPs for Bahrain, Kuwait, Oman, Qatar and the UAE, ranging from \$6,325 in Oman to \$28,370 in Qatar)*** - 15% if population (expatriate & local) is considered, but probably no more than 10% if local women population is considered. NOTE: Aforementioned trade data from 1999.	

Source: Foreign Trade Statistics Yearbooks of the GCC-5 countries and ATO Estimates

**TABLE B.
CONSUMER
FOOD &
EDIBLE
FISHERY
PRODUCT
IMPORTS**

TOTAL AGRICULTURAL IMPORTS OF GCC-5 COUNTRIES IN 1998/99
(THOUSAND U.S.DOLLARS)

COMMODITY	TOTAL IMPORTS	FROM USA	US %	CAT.% TOTAL	CAT.% U.S.	
I. BULK PRODUCTS	1,389,880	50,226	4%	23%	14%	
11.WHEAT	168,468	2,643	2%			
12.RICE	396,918	1,391	0%			
13.BARLEY	67,286	5,073	8%			
14.CORN	29,466	13,028	44%			
15.MILLET	981	0	0%			
16.OTHER UNMILLED CEREALS	2,413	0	0%			
19.BEANS,LENTILS,PULSES	53,591	1,701	3%			
40.OILSEEDS,NUTS & KERNEL	35,282	2,127	6%			
42.COTTON & WOOL	1,232	19	2%			
41.WOOD, LUMBER & CORK	231,377	15,721	7%			
30.COFFEE,TEA,COCOA,MATE	270,761	4,350	2%			
31.SPICES,CONDIMENTS	119,548	3,328	3%			
38.TOBACCO LEAF	4,652	3	0%			
43.SALT	7,905	842	11%			
II. INTERMEDIATE HVP	962,943	86,014	9%	16%	24%	
17.CEREALS & PRODUCTS	182,790	15,429	8%			
33.CAKES AND MEALS	17,019	258	2%			
46.VEGOILS EX CORN OIL	159,429	12,250	8%			
47.CORN OIL	68,922	31,851	46%			
45.ANIMAL FATS & OILS	44,857	237	1%			
1.LIVE ANIMALS	285,199	13,995	5%			
39.HIDES & SKINS	184	104	57%			
32.FEEDSTUFFS	134,412	3,790	3%			
34.PET FOODS	23,421	1,446	6%			
44.HORTICULTURAL SPECIAL.	46,710	6,654	14%			
III.CONSUMER ORIENTED HVP	3,569,352	217,023	6%	60%	61%	0 0
2.MEAT EX POULTRY	282,622	5,756	2%			
3.OFFALS & MEAT PREP.	57,221	11,179	20%			
4.POULTRY MEAT	344,234	24,329	7%			
5.MILK & PRODUCTS	438,897	1,622	0%			
6.BUTTER	47,102	327	1%			
7.CHEESES & CURD	143,742	2,167	2%			
8.OTHER DAIRY PRODUCTS	32,342	2	0%			
9.EGGS	57,566	7,292	13%			
10.FISH & FISH PREPARATIO	97,023	2,718	3%			
18.POTATOES	53,802	270	1%			
20.VEGETABLES,FR FZN PRSV	425,333	24,802	6%			
21.FRUIT CITRUS	117,050	375	0%			
22.FRUIT NON-CITRUS	405,375	28,600	7%			
23.FRUIT PREP. OR PRSVD	15,605	975	6%			
24.JAMS,JELLIES,MARMALADE	14,369	1,754	12%			
25.FRUIT JUICES	50,447	4,819	10%			
26.EDIBLE NUTS	146,621	26,494	18%			
27.SUGAR & MOLASSES	108,853	297	0%			
28.NATURAL HONEY	10,264	875	9%			
29.CONFECTIONERY	198,772	10,566	5%			
36.BEVERAGES:NON ALCOHOLI	100,952	2,409	2%			
37.BEVERAGES:ALCOHOLIC	124,155	7,348	6%			
35.MISCELLANEOUS FOOD PRE	297,005	52,047	18%			
TOTALS	5,922,175	353,263	6%	100%	99%	

NOTE: KUWAIT, OMAN,
UAE: 1999 & BAHRAIN &
QATAR: 1998

TABLE C. MAJOR SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS**1. KUWAIT - CONSUMER READY PRODUCT IMPORTS**

1997 Total US\$ 760 million; from USA US\$ 53 million or 7%

1998 Total US\$ 851 million; from USA US\$ 60 million or 7%

1999 Total US\$ 827 million; from USA US\$ 58 million or 7%

Principal suppliers in alphabetical order: Australia, Brazil, Denmark, Egypt, France, Germany, India, Ireland, Jordan, Lebanon, Netherlands, Philippines, Saudi Arabia, United Kingdom, USA

2. KUWAIT EDIBLE FISHERY PRODUCTS IMPORTS

1997 Total US\$ 16 million; from USA US\$ 0.3 million or 2%

1998 Total US\$ 18 million; from USA US\$ 0.2 million or 1%

1999 Total US\$ 22 million; from USA US\$ 0.2 million or 1%

Principal suppliers in descending order: Thailand, Pakistan, Philippines

1. UAE - CONSUMER READY FOOD PRODUCT IMPORTS

1997 Total US\$1,546 million; from USA US\$111 million or 7%

1998 Total US\$1,518 million; from USA US\$112 million or 7%

1999 Total US\$1,664 million; from USA US\$127 million or 8%

Principal Suppliers in alphabetical order: Australia, Brazil, Denmark, France, Germany, Holland, India, Iran, New Zealand., Pakistan, U.K., U.S.

2. UAE - EDIBLE FISHERY PRODUCT IMPORTS

1997 Total US\$63 million; from USA US\$400,000 or 1%

1998 Total US\$58 million; from USA US\$500,000 or 1%

1999 Total US\$60 million; from USA US\$500,000 or 1%

Major Suppliers: India, Iran, Norway, Oman, Thailand and the U.K.

