



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 8/26/2000

GAIN Report #BA0003

## **Bahrain**

### **Oilseeds and Products**

#### **SAVOLA Bahrain Vegetable Oil Plant Closed**

#### **Temporarily**

#### **2000**

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#### **Report Highlights:**

**The joint Saudi Arabian and Bahraini owned vegetable oil company, SAVOLA Bahrain, established in 1991, ceased its manufacturing operations temporarily. SAVOLA Bahrain imported annually about 20,000 MT each of bulk corn oil from the United States and palm oil from Malaysia in the past few years for the Bahraini and re-export markets. Bahrain will thus import more packaged corn oil and other vegetable oils from nearby Gulf countries, Europe, Singapore and the United States for its consumption needs.**

**1. Background:** The joint Saudi-Bahraini owned vegetable oil processing firm "SAVOLA-Bahrain", established in Bahrain since 1991, ceased its manufacturing operations in July 2000, temporarily. According to trade sources the company's majority Saudi Arabian owners thought it is more economical to supply the Bahraini and other nearby markets from the mother company "SAVOLA-Saudi Arabia" 's plants located in the eastern province of Saudi Arabia. Another reason that explains the plant closure is the fact that processed oil exports to Iran had not materialized. "SAVOLA Bahrain" packed and marketed annually about 20,000 MT of refined corn oil and sunflower-seed oil imported in bulk from the United States and about 15,000-20,000 MT of bulk palm oil imported from Malaysia. Trade sources added that a group of Bahraini and other Gulf investors are currently negotiating the purchase of the "SAVOLA Bahrain" facilities and may resume operating the plant by the beginning of 2001 under other brand names. In late 1996, a major fire destroyed most of the warehouse and part of the processing facilities of "SAVOLA Bahrain". However, the company repaired all the damages and resumed operation in 1997.

**2. Implications:** *2.1. To Trade:* The value of U.S. agricultural exports to Bahrain is expected to decline by about 45-50 percent in 2000 due to the closing down of "SAVOLA Bahrain" 's plant. In CY 1998 and 1999, bulk corn oil and sunflower-seed oil, purchased exclusively by "SAVOLA Bahrain" accounted for about half of the value of U.S. agricultural exports of about \$25.0 million to Bahrain. Also, imports of bulk palm oil from Malaysia, estimated at 15,000-20,000 metric tons (MT) annually, will be eliminated due to the closing down of this plant. Trade sources expect that imports of bulk corn oil and sunflower-seed oil from the United States and palm oil from Malaysia will resume in CY 2001 when new investors start operating the closed "SAVOLA Bahrain" plant. This however is not confirmed yet. In the meantime, Bahrain's imports of packaged corn, sunflower-seed and palm oils from nearby GCC countries, Europe, the Far East and the United States will increase to fill the gap created by "SAVOLA Bahrain's" closure. Nearby GCC countries have a better advantage because of proximity. Also, there is no import duty among GCC countries for locally produced products. This also means that U.S. bulk corn and sunflower-seed exports to nearby GCC countries, such as the UAE, Kuwait, Oman and Saudi Arabia will increase to meet the above increase.

*2.2. To Policy:* Bahrain canceled last month the protective 20 percent import duty on packaged vegetable oils. This duty was imposed in 1991, when "SAVOLA Bahrain" was established, to protect local production. The reason for its imposition was eliminated last month due to the closing down of the plant. The new import duty on packaged vegetable oils is now 5 percent, or the same as practically all packaged food products in Bahrain. GCC produced products are however exempted from import duties as mentioned above.

**3. Marketing Opportunities for U.S. Exporters:** U.S. vegetable oils are highly regarded in the Bahraini market, despite higher prices than the competition. Two U.S. brands of packed vegetable oils are long established in Bahrain. U.S. suppliers of packaged vegetable oils interested in this market may contact ATO Dubai for export assistance at the following contact numbers: U.S. Agricultural Trade Office (ATO), P.O.Box 9343, Dubai, United Arab Emirates, Tel: (971-4) 331-4063, Fax: (971-4) 331-4998; E-mail: atodubai@emirates.net.ae; Web Page:

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