Ministry of Foreign Affairs of Denmark
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# Sector Analysis

## Food and Beverages

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## Table of content



# 1. Keywords

Food, Beverages, Organic, Health, Export, Import, Gulfood, United Arab Emirates, Dubai, Abu Dhabi

# 2. Abstract

The purpose of this report is to give a short introduction to the market of food and beverages in the UAE. The market is subject to growth especially in the segments of healthy and organic food and beverages as obesity becomes a greater health issue. Moreover, the UAE is largely dominated by an extensive eating-out culture where quick and convenient food choices are demanded. With regards to alcohol, the region is severely restricted by the Islamic religion that prohibits consumption of alcohol in public and furthermore prohibits marketing of alcoholic beverages. Overall the market for food and beverages in the UAE is forecasted growth due to a combination of a growing population with increasing wealth and spending power.

# 3. Market introduction

The UAE market for food and beverages is expected to experience growth throughout the forthcoming years. This is particularly due to a growing population which will have a direct positive effect on wealth, primarily within the population of expatriates which severely dominates the population distribution of the UAE.

In terms of consumer culture and behavior the UAE, especially Dubai and Abu Dhabi, can be divided into three distinct consumer classes: UAE nationals, high-spending expatriates and relatively low-income expatriate laborers. Expatrates are believed to comprise more than 86% of the UAE's population. While UAE nationals have the greatest spending power, the buying power of the country's expatriate residents is the major source of success. Between 2014 and 2019 the Business Monitor International (BMI) estimates that the total food consumption will grow by 60.7% to reach a value of UAD12.2bn in 2019.

As the wealth increases it is expected to directly affect consumption of food and beverages positively, mainly with regards to organic and high quality products. (BMI Retail Report Q1, 2014). Furthermore tendencies show that household spending is subject to forecasted growth over the next few years whereof the vast majority is spend on housing and utilities and the remaining being food and non-alcoholic drinks, which accounts for a sizable portion of the total spending. BMI forecast an average annual growth for food and non-alcoholic drinks of 10.8 % towards 2018.

## 4. Food import and tendencies

The UAE currently imports 85% of its food, and between 2014 and 2019, the amount of food and beverage imported are forecast to increase by 35.9%. The massive amount of food import is due to the limited farmland in the harsh desert climate with extreme weather conditions, which makes agricultural production very limited – not only in the UAE but also in the rest of the GCC.

Indications show that multinational firms largely dominate the market for packaged food by combinations of private labels, domestic and international companies. Forecast show that the market of packaged food will continue to be dominated by multinational firms, this due to their widespread distribution networks in the UAE, the high level of brand recognition and leadership with regards to research and development.

Restaurants, cafés and bars are subject for future growth due to increase in tourism, the local eating-out culture and the demand for quick and convenient food, while socializing with friends over coffee and lunch becomes more widespread in the region (Euromonitor: Consumer Foodservice in The UAE, 25.11.2013). Due to the extreme weather climate in the summers, most restaurants are located indoor, many in malls and hotels. Westernized restaurants, cafés and bars seem to earn ground in urban areas, such as Dubai and Abu Dhabi, beacuse these areas have a large population of Western expatriates.

Food contributes to the largest portion of household spending and another aspect of the development in the food industry is home delivery which is a common used concept and is furthermore forecasted to yield future growth

## 5. Health issues

67 % of Emirati men and 72 % of Emirate women are overweight. Moreover, one out of three children in the UAE are classified as overweight or obese and indications show that the largest proportion of overweight citizens in the UAE are young people between the age of 11-19 (Euromonitor: Consumer Health in the UAE, 2014). According to the Health Authority of Abu Dhabi, the UAE has the second highest level of diabetes in the world with 20% of the population being diagnosed – and it is expected that this level will rise to 24% by 2025.
These alarming statistics have caused increased alert from the UAE Government, which has launched a series of initiatives to create awareness and educate of a healthy lifestyle, especially with regards to food- and beverage consumption and exercise. In 2014 consumer health was positively affected due to the government's investment in education of pharmacists, doctors and consumers (Euromonitor: Consumer Health in The UAE, 2015).
The growing health-consciousness has significantly increased the opportunities for food producers that are able to introduce healthy options. This in turns means that the demand for healthy and organic food is steadily increasing.

## 6. ORGANIC AND HEALTHY PRODUCTS

Due to the increasing awareness of health and environment a change in consumer habits is evolving, yet at a steady pace. More organic markets and shops are seeing the light of day and as consumers are exposed to this green focus the perception on organic products are changing: Going green is no longer just about preserving the planet, but a personal choice improving health and overall quality of life. The food quality and the taste make a difference and with these consumer demands, the retailers in the UAE are experiencing an increase in demand for eco-friendly products (Gulfnews, 2014).

Currently the general demand for organic food can be compared with the demand seen in Europe in the late 1980's and early 1990's, however, increased awareness is changing rapidly and according to the Middle East Natural and Organic Products Expo, the number of organic stores across the country has increased from 4–5 to 35 within the last four years. Only recently The UAE Ministry of Environment and Water approved 18 local farms for organic branding (Alpen Capital, GCC Food Report, 2013).

## 7. BEVERAGES

Non-alcoholic beverages

The market for non-alcoholic beverages is fairly extensive in the UAE. Retail provides a wide variety of soft drinks and moreover a large selection of both local and imported brands. The market for soft drinks outlines a competitive scope mainly dominated by Premium brands. Other tendencies show an increasingly eco-friendly approach to packaging with regards to cans and bottles.

Another approaching trend shows evolution within the market for fresh juices and healthier drinks, this partly due to the urge to create strong awareness of the health issues (Euromonitor, Juice in the UAE, May 2014).

Alcoholic beverages

To a large extend legislative prohibitions is applied to alcoholic drinks in the UAE due to the sovereignty of the Islamic religion. The Islamic religion prohibits the consumption of alcohol in public, thereby limiting the market development of alcoholic beverages.

Regulations regarding alcoholic beverages differ widely as each Emirate sets its own regulation towards this matter. Some Emirates, for example Dubai, offers outlets for alcohol, however only for foreign non-muslim citizens with a certain level of income. In other emirates, for example Sharjah, trading with alcohol is strictly prohibited and is therefore only offered at hotels etc.
Regulations also apply when addressing issues of direct marketing of alcoholic beverages, this is too strictly prohibited due to religious prohibitions.

However, even though the market for alcoholic drinks suffers from extensive regulations, the market manages to develop continuous growth. This growth is mostly fueled by increasing tourism and a developing non-muslim expatriate environment.

The market is mainly lead by premium brands, which accounts for 90% of the overall sales (Euromonitor, Alcoholic drinks in the UAE, Jan 2014).

## 8. Retail

The majority of food and beverages in the UAE are bought primarily at hypermarkets and supermarkets. These are predominantly located in urban areas, often within large shopping malls. The dominant hypermarket retailers are EMKE-owned Lulu and Carrefour MAF, combined these two entities operate in an excess of 40 stores, where Carrefour is present in six of the seven emirates.

Spinneys Dubai is a leading prominent supermarket operator in the UAE market. They have targeted the under pursued markets of placing supermarkets in residential areas as opponent to the large mall arrangement, which has proven to be a beneficial and lucrative market placement (BMI Retail Q1, 2014).

## 9. GULFOOD – The world's largets food exhibition

Gulfood is the largest food exhibition in the World. The exhibition covers a wide range of areas within the food industry – anything from retail and catering over equipment, technology and commodities used in the production of food products.
It is held twice a year, with the first in February, which encounters all aspects of food, beverages and equipment. The second Gulfood exhibition set in October is mainly aimed at the manufacturing segment within food and beverages.

## 10. Conclusion and Recommendations

The market for food and beverages clearly has future growth prospects. Trends show that recognition of healthy and organic products are gaining momentum in the market as problems with obesity are becoming a crucial issue in the wealth of the population. Eating-out culture is also expected future growth due to increased tourism and this culture is widespread in urban areas within the UAE.
A growing health-consciousness has significantly increased the opportunities for food producers that are able to introduce organic and healthy options.