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International Markets Bureau

MARKET INDICATOR REPORT | NOVEMBER 2011

The Chilled Food Market in the Middle East and North Africa

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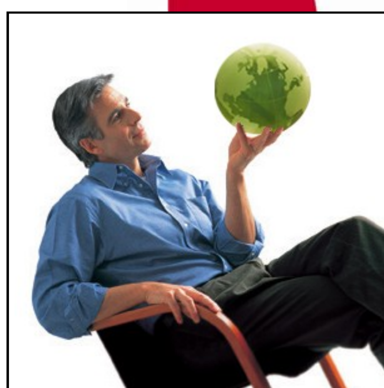

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MARKET SNAPSHOT

- The food industry in the Middle East and North Africa (MENA) region offers strong potential for growth in chilled food products, mainly due to a high average population growth (2%), a large youth population base, a large expatriate population in Gulf Cooperation Council (GCC) countries, increasing per capita income, and high consumer expenditure on food. Furthermore, increasing westernization and changing lifestyles, including a growing number of women entering the workforce, are accelerating the region's demand for ready-to-eat food and fast food restaurants.

- Restaurants are the major source of entertainment for families in this market. Consequently, the food franchise business has grown in the MENA region, particularly in Egypt, Kuwait, Morocco, the United Arab Emirates (UAE), and Saudi Arabia.

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CONSUMER TRENDS

- In line with global trends, the MENA region is also expected to see changing consumption patterns. The population will shift away from a carbohydrate-based diet, consisting largely of cereal-based staples, and towards a protein-rich diet that will include more meat and dairy products.

- Increasing urbanization, hectic lifestyles, the growing popularity of large food retail formats, and the presence of multinational food companies in the MENA region, are all expected to increase the popularity of high-value processed foods among consumers.

- While there is growing awareness of healthy living practices, obesity rates are high and diabetes is a concern for consumers in the MENA region. Consequently, demand for health food (also known as functional food) that is high in energy and nutrition, is expected to gain traction. This will likely be a fast-growing segment.

Source: *Shutterstock*

Source: *Planet Retail*

RETAIL SALES

- The chilled ready meals category consists of meals that are meat/poultry-based, fish-based, noodles/pasta-based, vegetable-based and other variations.

- The chilled food market in the MENA region was led by chilled meat products (representing 74.4% of the total market value) followed by deli food (20.3%) and chilled fish/seafood (2.7%). Chilled ready meals, chilled fresh pasta and chilled pizza form the next largest categories with a 1%, 0.9% and 0.4% market share, respectively. Sandwiches/salads accounts for the remaining 0.2% share.

Chilled Food Market in the Middle East and North Africa, Retail Sales Value by Category in $US millions

Category	2004	2005	2006	2007	2008	2009	2010
Chilled meat products	3,508.1	3,561.3	3,637.7	3,760.6	3,891.6	4,051.6	4,224.6
Deli food	888.5	935.9	978.2	1,017.6	1,062.5	1,105.8	1,149.0
Chilled fish/seafood	128.3	132.1	135.6	139.2	143.0	147.3	151.8
Chilled ready meals	49.5	50.8	52.0	53.3	54.7	56.1	57.6
Chilled fresh pasta	39.2	40.6	42.1	43.6	45.1	46.7	48.4
Chilled pizza	14.5	16.0	17.7	19.6	21.7	23.8	26.0
Sandwiches/salads	8.9	9.3	9.6	10.0	10.4	10.8	11.2
Overall	**4,637.2**	**4,746.0**	**4,872.9**	**5,044.0**	**5,229.0**	**5,442.1**	**5,668.6**

Source: *Datamonitor 2011*

Source: *Planet Retail*

- Datamonitor forecasts the chilled food market in the MENA region to be worth US$6,620.1 million in 2014, with an expected compound annual growth rate (CAGR) of 4% between 2009 and 2014. This market is forecast to increase by US$1,177.9 million over the 2009-2014 period.

- The category of chilled meat products is expected to be the leading category, accounting for 74.9% of the chilled food market in 2014.

- The annual average expenditure per capita on chilled food in the MENA region was US$15.6 in 2009, recording a CAGR of 1.4% over the five-year period spanning 2004 to 2009. Spending on chilled meat products was the highest sub-category at an annual US$11.6 per capita.

Chilled Food Market in the Middle East and North Africa, Forecast Retail Sales Value by Category in $US millions

Category	2011	2012	2013	2014	CAGR 2009-14
Chilled meat products	4,402.3	4,583.8	4,768.7	4,957.0	4.1%
Deli food	1,192.2	1,235.6	1,278.9	1,322.2	3.6%
Chilled fish/seafood	156.5	161.4	166.6	172.0	3.1%
Chilled ready meals	59.1	60.7	62.4	64.1	2.7%
Chilled fresh pasta	50.1	51.8	53.6	55.4	3.4%
Chilled pizza	28.4	30.9	33.5	36.3	8.8%
Sandwiches/salads	11.7	12.2	12.7	13.2	4.0%
Overall	**5,900.3**	**6,136.4**	**6,376.3**	**6,620.1**	**4.0%**

Source: *Datamonitor 2011*

COMPETITIVE LANDSCAPE

Most Important MENA Region Markets for Chilled Food Retail Sales Value in $US millions						
Country	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Egypt	1,421.3	1,376.5	1,389.2	1,410.6	1,414.7	1,423.4
Saudi Arabia	476.8	534.4	540.9	613.2	675.8	735.0
Israel	265.1	276.8	290.4	302.5	315.0	327.2
Morocco	135.6	137.3	141.2	144.3	147.6	150.9
United Arab Emirates	74.8	83.9	92.8	101.9	111.8	121.6
Overall	**4,637.2**	**4,746.0**	**4,872.9**	**5,044.0**	**5,229.0**	**5,442.1**

Source: *Datamonitor 2011*

- Egypt represents one of the major retail food markets in the MENA region. With 76 million inhabitants (as of June 2009), Egypt has one of the largest populations in the MENA region, and almost 50% of the population is between the ages of 15 and 45.
- Saudi Arabia is one of the region's more attractive markets in light of its expanding population, large foreign consumer base, and increasing average income.
- Israeli consumers continue to put emphasis on quality and better ingredients when choosing their chilled food products. This is highlighted by an increasing demand for premium products. The rising availability of private label brands within chilled food products will only intensify this trend.
- UAE's fast food market has been growing largely due to increasing consumer preference for ready-to-eat food. The UAE is heavily reliant on food and drink imports to meet domestic demand.
- In Morocco, sales of chilled processed food saw strong growth, due to the ongoing expansion of supermarkets/hypermarkets.

COMPANY AND BRAND SHARES

Top 10 Companies in the MENA Region Chilled Food Market % Company Share by Value 2008-2009		
Company	**2008**	**2009**
Faragalla Group	15.7	15.0
Halwani Brothers Co. Ltd.	14.7	14.4
Eskort Ltd	9.4	9.3
Al Kabeer Group of Companies	3.7	4.0
Unilever	3.0	3.2
Brasil Foods S.A.	2.8	2.9
Astral Foods Ltd	2.4	2.5
National Food Co	2.5	2.4
Supreme Foods Co.	2.1	2.2
Thompson Meats Ltd	1.1	1.0
Private Label	16.5	16.4
Others	35.8	36.8

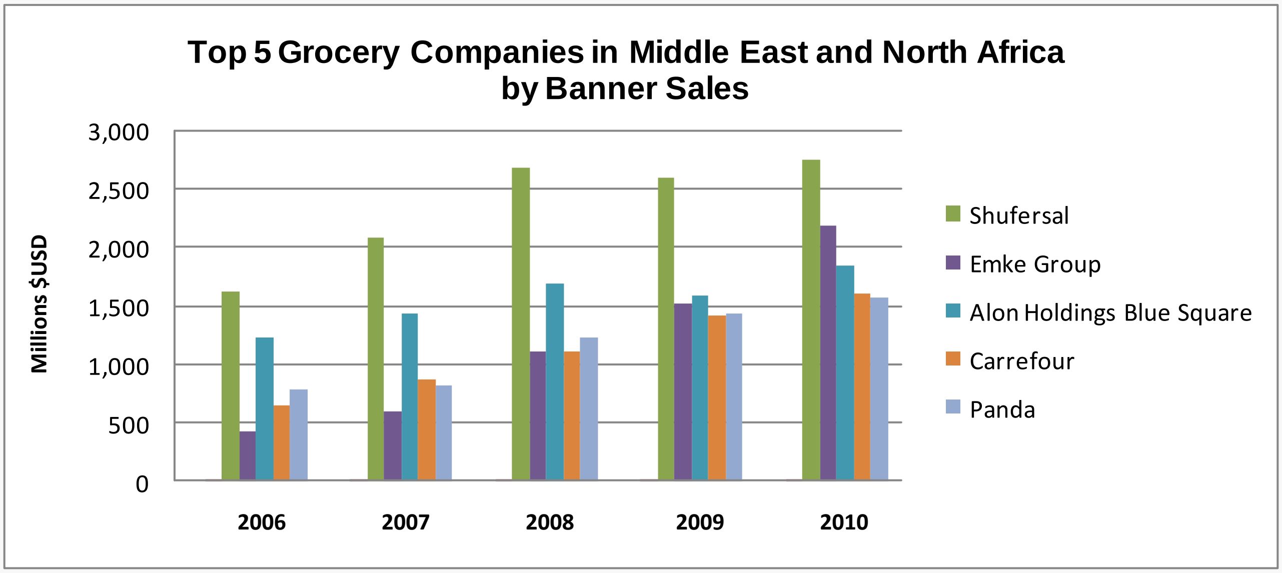
Source: *Datamonitor 2011*

- Local manufacturers held the leading shares of the chilled processed food market, due to the sensitive issue of Islamic and Jewish practice when it comes to animal slaughtering. Also, local manufacturers are more successful in introducing products with flavours adapted to local tastes.
- The Halwani Brothers Co. in Saudi Arabia and Faragalla Group in Egypt maintained their leading position with 2009 value shares of 15% and 14.4% respectively. These companies enjoy the benefits of wide distribution facilities with their products available across all different channels, coupled with competitive unit prices, which makes consumers very loyal to their brands.

DISTRIBUTION CHANNELS

Chilled Food Market, Middle East and North Africa Distribution Channels by Value Share (%)		
Channel	**2008**	**2009**
Supermarkets / hypermarkets	60.5	60.7
Independent retailers	17.7	17.7
Convenience stores	13.3	13.2
Specialist retailers	5.5	5.3
Service stations	2.1	2.2
Department stores (including duty-free shops)	1.0	0.9

Source: *Datamonitor 2011*



Source: *Datamonitor 2011*

- There is a strong trend towards the consumption of imported 'consumer-ready' products, making up, for example, 75-80% of retail food sales in the UAE and 80% in Saudi Arabia (USDA, 2008). Consumption of processed food in Saudi Arabia is likely to continue to grow in the long term due to a young population (70% under the age of 30) that prefers Western-style foods.

- A strong trend towards hypermarkets is also occurring in other Middle-Eastern nations. According to Planet Retail, nations that are currently planning the development of new or additional hypermarkets include Bahrain (Carrefour), Saudi Arabia (Al Panda), Egypt (Carrefour) and Morocco (Marjane).

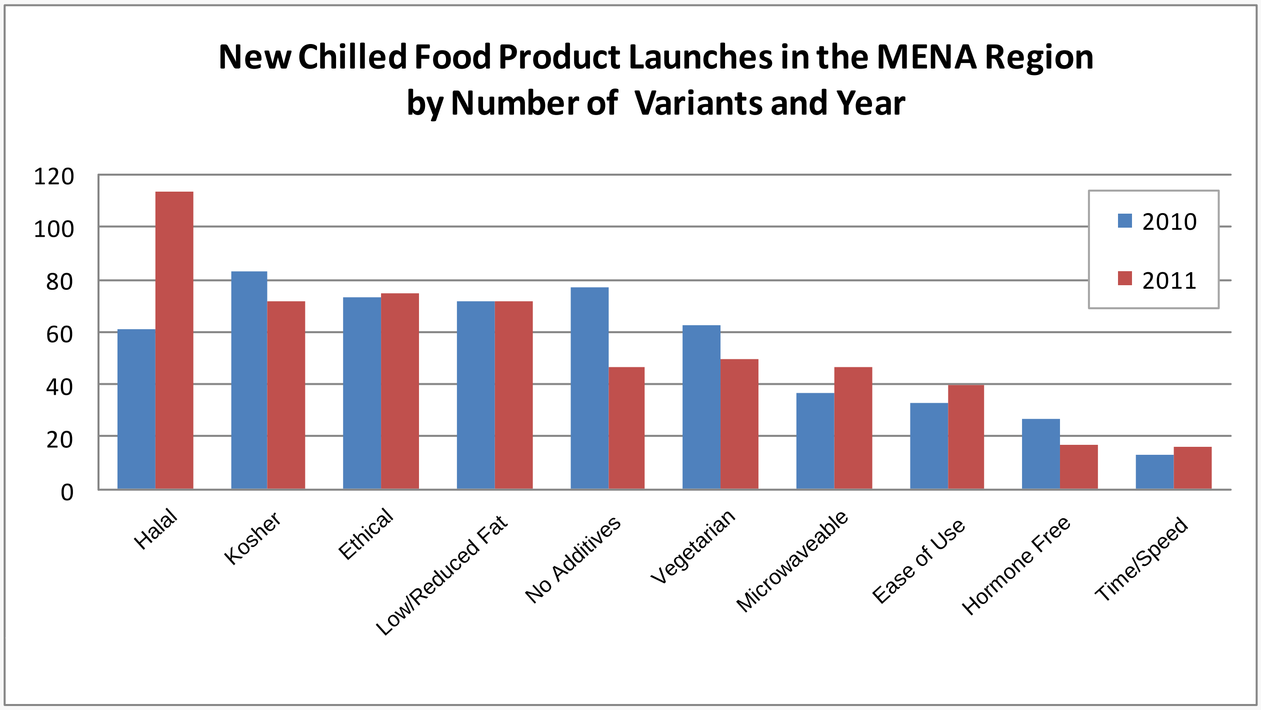
- There is growing awareness in the region of Westernized "green" concepts such as organic, clean, safe, as well as ethical and traceable production. More advanced MENA countries, such as the UAE, are still making the shift towards demanding these product attributes as a standard, similar to the shift Europe and North America experienced throughout the last decade.

- There is an increasing trend towards consumption of private label food products, such as the 'Mecca Cola' soft drink produced in Saudi Arabia. These products are reportedly being developed in conjunction with major supermarket chains.

NEW PRODUCT LAUNCHES

New Product Launches in the MENA Chilled Food Market Top 5 Claims from June 2010 to June 2011	
Claim	**Number of Occurrences**
Halal	175
Kosher	155
Ethical - Environmentally Friendly Package	148
Low/No/Reduced Fat	144
No Additives/Preservatives	124

Source: *Mintel 2011*



Source: *Mintel 2011*

- It is important to note that chilled processed food is becoming more popular among young, upper-income earners leading healthier lifestyles. Chilled processed food, including salad, for example, is being offered as part of a new range of healthier choices in cafés, snack bars and outlets, where the community tends to gather to socialize and/or meet for business lunches.

- Israel was the most active country in MENA region, accounting for over 38% of all new chilled food product launches, followed by the Saudi Arabia (32%), Egypt (25%), and Morocco (5%).

- Many countries in the Middle East have particular food product requirements, such as halal/kosher certification (which prohibits traces of pork and alcohol, for example) as well as bans on certain types of food additives and colourings. Along with particular labelling requirements that can vary from country to country, these factors may pose challenges given the additional criteria required to tailor products for Middle Eastern countries.

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