Organic Trade Association
Web-based Market Intelligence Tool

GCC

A custom report compiled by Euromonitor International for

Organic Trade Association

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1. QUALITATIVE ANALYSIS

1.1 QUICK FACTS

- Organic packaged food and beverage consumption in the Gulf Coastal Countries is expected to see a **9.7% CAGR** and **$11.1mn absolute value growth** over the forecast period (2015–2018).
- Organic food and beverages are mainly targeted at wealthy Western expatriates, who can afford the higher prices of organic products and are familiar with the brands and the concept.
- Foreign companies dominate the organic packaged food landscape, as expatriates trust the brands they know from their respective home countries.

1.2 MARKET TRENDS

- Organic products are imported directly by supermarkets and hypermarkets and tend to be relatively expensive.
- Consequently, organic packaged food is a niche category that targets mostly wealthy Western expatriates, who are already familiar with the brands and the concept.
- The organic packaged food category in the Gulf Coastal Countries continues to lag behind the other health and wellness packaged food categories due to high prices, limited marketing, and relatively low consumer familiarity with organic products' benefits.
- Organic food companies have invested heavily in marketing, advertising, in-store price promotions, and new product development initiatives in recent years, all of which have contributed to sales growth.

1.3 COMPETITIVE LANDSCAPE

- The organic packaged food landscape is dominated by foreign brands, as expatriates trust the brands they know from their respective home countries. As this target audience accounts for the majority of sales, domestic manufacturers and brands are not expected to achieve success similar to that of Hipp, Heinz, or Capilano.
- Local GCC players are by the high barrier to entry as a result of the high logistics costs (imports of foods due to little local production, etc.) and product development requirements. Additionally, the leading international manufacturers are well-established companies that benefit from high brand recognition, strong associations with quality, and high customer loyalty.

1.4 PROSPECTS AND GROWTH OPPORTUNITY

- Growing product variety, especially within supermarkets and hypermarkets, will be the most important factor behind organic packaged food and beverage sales growth; however, as products in supermarkets and hypermarkets are generally priced lower than the organic packaged food products offered through specialized retailers, sales value growth will slow in coming years.
- Women have been the driving force behind the growth in organic baby food sales, as they are less price-sensitive when it comes to purchasing food for their children, but falling birth rates in the region will constrain organic baby food sales value growth in the long term.
- Even though organic packaged food is becoming more common in supermarkets and hypermarkets, many consumers still do not see the benefits and prefer new or fortified/functional packaged food products that promise various health benefits.

1.5 GENERAL HEALTH & WELLNESS TRENDS

- Sales of health and wellness products in the Gulf Coastal Countries have been strong in recent years, as consumer health consciousness has grown and new products have become available.
- Sales vale growth will continue in coming years, as consumers embrace healthier eating practices in light of increasing instances of diabetes and other obesity-related illnesses.
- Additionally, increasing Westernization, further access to digital media, and the increase in the number of women entering the workforce are all projected to boost health consciousness in the region and drive demand for health and wellness products.

1.6 GENERAL ECONOMIC & DEMOGRAPHIC LANDSCAPE

Economy:

- With oil prices at ten-year lows, the regional economy has been struggling, with Saudi Arabia hit particularly hard.
- Throughout the whole region, the non-oil sectors are projected to be the key drivers of the economy over the next year or two.
- Some governments have been cutting back on social services due to the drop in oil prices, while others have been using their currency reserves to maintain service levels.
- Bahrain and the United Arab Emirates should see the best economic performance over the next few years. Bahrain’s finance and banking sectors are benefiting from the fact that the country is trying to establish itself as a financial services hub, especially for the Middle East region. The United Arab Emirates’ economy is not as reliant on petroleum exports as some of its neighbors and, thus, is not suffering as much of a drag on its economic growth rate.

Population demographics:

- The Gulf Coastal Countries' fast-growing population overall is mostly due to Saudi Arabia, which has a high fertility rate of 2.7 children per female. Most other countries in the region, such as Kuwait, Qatar, Bahrain, and the United Arab Emirates, have fertility rates that are around replacement level.
- Many of these countries have unique population structures that are not found in other parts of the world. The Gulf Coastal Countries have millions more men than women in the 20–40 age range. This is mostly due to the fact that millions of men from countries like India, Pakistan, and Bangladesh immigrate to the Gulf Coastal Countries to find work and support their families back home.
- The Gulf Coastal Countries have young populations. The median age in Saudi Arabia is only 28.4 years old. The highest, Kuwait, is 35.1 years old, which is still lower than most European countries. Average ages are increasing quickly, though, as fertility rates continue to fall and life expectancies rise.

Income & expenditure:

- While youth unemployment continues to be an issue for many of these countries, overall the income growth rate for the region will be strong in the coming years.
- Many people will be lifted out of poverty and, thus, will begin to consume more; however, a large cohort of underprivileged workers from South Asia will remain.
- Due to the aging population, spending on medical services is increasing rapidly throughout the region, particularly in countries such as Bahrain, Qatar, and the United Arab Emirates. These countries tend to be older than Saudi Arabia and have larger expatriate communities, all of which contributes to more demand for modern and sophisticated health and medical services.

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2. DATA

2.1 ORGANIC PACKAGED FOOD & BEVERAGE DATA

Data type	2012	2013	2014	2015	2016	2017	2018	CAGR (12-15)	CAGR (15-18)
Health & wellness products consumption	4,450.7	4,960.2	5,455.7	5,927.5	6,391.9	6,894.8	7,440.8	10.0%	7.9%
Organic packaged food and beverages consumption	22.5	26.3	30.4	34.8	37.9	41.8	45.9	15.6%	9.7%
Organic packaged food consumption	18.0	20.6	23.7	26.6	28.9	31.5	34.4	13.9%	8.9%
Organic beverages consumption	4.5	5.6	6.6	8.1	9.2	10.3	11.4	21.6%	12.1%
Organic packaged food and beverages consumption as a % of total health & wellness products consumption	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	-	-

2.2 ECONOMIC & DEMOGRAPHIC DATA

Data type	2012	2013	2014	2015	2016	2017	2018
Total population	48.1	49.6	51.0	52.3	53.4	54.4	55.3
% Middle and upper class of total population	37.6%	37.5%	37.5%	37.4%	37.4%	37.3%	37.2%
% Population aged 65+	2.2%	2.3%	2.3%	2.4%	2.5%	2.6%	2.8%
% Population aged 0-14	24.8%	24.5%	24.1%	23.9%	23.7%	23.6%	23.5%
% Population with higher education degrees	71.7%	72.1%	72.5%	72.8%	73.1%	73.3%	73.7%
Average number of children per household	1.4	1.4	1.3	1.3	1.3	1.3	1.3
GDP per capita	264,366.1	261,441.0	252,154.7	209,521.1	211,124.1	213,277.8	215,962.0
Consumer expenditure per capita (US$)	62,182.9	63,589.2	66,193.2	68,685.9	70,177.5	71,657.2	73,132.3
Consumer expenditure per capita on food and non-alcoholic beverages (US$)	8,760.1	9,163.3	9,537.5	9,857.8	9,975.4	10,086.7	10,182.2

2.3 RETAILER & CITY DATA

Data category	Rank	City/retailer	Population (mns)
Top cities by population (2015)	1	Riyadh (Sau.)	6.1
Top cities by population (2015)	2	Dubai (UAE)	5.4
Top cities by population (2015)	3	Jeddah (Sau.)	4.0
Top cities by population (2015)	4	Kuwait City (Kuw.)	3.0
Top cities by population (2015)	5	Dammam (Sau.)	2.2
Top grocery retailers by sales (2015)	1	Carrefour	-
Top grocery retailers by sales (2015)	2	Hyper Panda	-
Top grocery retailers by sales (2015)	3	Lulu Hypermarket	-
Top grocery retailers by sales (2015)	4	Union Co-operative Society	-
Top grocery retailers by sales (2015)	5	Aziziah Panda	-

2.4 USDA GATS DATA

3. STATIC IMAGES

3.1 ORGANICS DASHBOARD FROM PASSPORT

4. DEFINITIONS

Term	Definition
Organic packaged foods	Health and wellness is the aggregation of organic packaged food and beverages, fortified/functional packaged food and beverages, naturally healthy packaged food and beverages, better for you packaged food and beverages and food intolerance products.
Organic packaged foods and beverages	This category includes packaged food & beverages that are certified organic by an approved certification body. Organic production is based on: • A system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers. • Organic food & beverages are minimally processed without artificial ingredients, preservatives or irradiation. • The use of GMOs (Genetically Modified Organism) is prohibited. “Certified Organic” means the item has been grown according to strict uniform standards that are verified by independent state or private organizations. • Depending on the country, such products are called ‘organic’, ‘biological’ or ‘ecological’: For organic products to be included under Euromonitor definitions, the organic aspect needs to form part of positioning/marketing of the product. This is an aggregation of organic baby food, bakery, confectionery, dairy, ice cream, oils and fats, ready meals, rice, sauces, dressings and condiments, snack bars, soups, spreads, sweet and savory snacks and other organic food. Note that fresh food products or individual ingredients are not included in this definition.
Compound annual growth rate (CAGR)	The compound annual growth rate (CAGR) is the average annual growth rate over a specified period of time. For instance, the CAGR consumption of from 2015 – 2018 will be the average growth rates across these four years.
USDA GATS data clarification	