Euromonitor Consulting

Organic Trade Association: First Step Market Tracker Service

A custom report compiled by Euromonitor International for OTA

Organic Trade Association
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GULF COASTAL COUNTRIES*

**Qatar, Kuwait, United Arab Emirates, Bahrain, Oman and Saudi Arabia.*

1. QUALITATIVE ANALYSIS

1.1 QUICK FACTS

- Organic packaged food and beverages in the Gulf coastal countries recorded a growth of 11.0% in 2019, registering a market size of US$96.5 mn.
- Growth in organic packaged food was led by organic formula milk in the United Arab Emirates and organic confectionery in Saudi Arabia, with growth rates of 90.0% and 34.0% respectively in 2019.
- As organic beverages is a category with a low level of consumer interest, sales were negligible within the GCC region.

1.2 MARKET TRENDS

- Organic packaged food products are slowly gaining traction within the GCC region; however, the majority of current sales come from foreign expats. Local consumers, on the other hand, are yet unaware of the benefits of organic products and thus, are not keen on paying a premium for an organic product.
- Currently, the market for organic beverages is negligible in the region, with cumulative sales between the six countries reaching a total value of US$32.5 mn in 2019. However, as consumers slowly increase their awareness of the benefits of organic products, some categories such as organic tea and coffee are expected to witness sales over the forecast period 2019-2024.

1.3 COMPETITIVE LANDSCAPE

- With the market for organic beverages still developing in the GCC region, the majority of the competition in the GCC region is within the organic packaged food segment. In the United Arab Emirates, dairy player Rachel’s dominates organic packaged food, driven by demand from foreign expats that have a preference for the brand in their home countries. The brand offers a variety of yogurts, rice pudding and breakfast pots.
- The organic baby food category is one of the most critical growth categories in the region. Hipp, which is a part of the Enmaeyat group in Saudi Arabia has managed to record a strong performance within organic baby food and organic packaged food overall in Saudi Arabia with a value share of 16.0% in 2019. With demand for organic baby food set to increase, Hipp is expected to continue to grow over the forecast period 2019-2024.
- As organic chocolate is a new and growing category in Saudi Arabia, the launch of Meybona as the first organic chocolate brand was met with a positive response, as it developed consumer demand for organic indulgence products, particularly for a chocolate confectionery. Currently, the offering is available for purchase through retailers such as Carrefour. This is significant, as the amount of shelf space allocated by retailers is also a highly influential factor impacting consumer awareness of organic products.

1.4 PROSPECTS AND GROWTH OPPORTUNITY

- Sales for organic packaged food products in the wider GCC region are limited to specific categories such as baby food, dairy products and confectionery. On the contrary, organic meat, rice, snacks, and other categories are witnessing a significant performance in the United Arab Emirates only. Over the forecast period, this is expected to change as new brands enter the region with offerings in various categories such as breakfast cereals and spreads, increasing the product availability for organic offerings and also helping boost consumers' interest. Furthermore, organic baby food is expected to remain an essential category over the coming years as the number of parents looking for nutritious, high-quality options for their children continues to increase.
- While organic products were initially sold in specialist stores and grocery shops within affluent areas, there is a growing importance on modern retail as a sales channel in countries like Saudi Arabia and the United Arab Emirates. With the category witnessing an increase in product availability and prices becoming more affordable through private labels and a potential rise of domestic players, sales through modern grocery retailers continue to drive growth and are expected to remain a key growth driver over the forecast period 2019-2024.
- Over the forecast period, the potential for strengthening the local manufacturers' position within the organic food market is strong, backed by the rising customs and import fees on imported organic products, making them out of reach for most consumers.

1.5 GENERAL HEALTH AND WELLNESS TRENDS

- Consumers in the GCC region are turning health conscious due to the high level of obesity within some countries, such as Saudi Arabia, a country where a third of the population is obese. Most of the countries in the region have implemented a tax on sugar-sweetened beverages and concentrates, in an attempt to push consumers towards making healthier decisions. Additionally, the government is also imposing a new nutritional labelling policy, requiring manufacturers to use labels indicating the nutritional content of products through a color-coded system, which shows the sugar, salt and fat content of the products. The new program aims to educate consumers on their food choices and to encourage the adoption of more healthy products to combat obesity.
- As consumers become more health-conscious, there is a growing preference for naturally healthy foods, driven by consumer aversion towards additives and artificial ingredients. This shift in preference has impacted better for you beverages, as sugar-free variants that contain aspartame have started to cause growing concern amongst buyers, with many avoiding the sweeteners altogether. In response, BFY beverages and BFY packaged food manufacturers are replacing artificial sweeteners with natural sweeteners, such as honey and dates. Consequently, a rising number of healthy-alternatives is anticipated over the forecast period 2019-2024.

1.6 GENERAL ECONOMIC AND DEMOGRAPHIC LANDSCAPE

Economy:

- All GCC countries are expected to witness growth in 2020. Qatar, Bahrain, Oman and the United Arab Emirates are expected to record GDP growth over 2.0%, with Oman recording the highest growth of 3.7% in 2020 post the economy stalling in 2019.
- Private final consumption is expected to increase in Bahrain by 1.9% in 2020, driven by a low cost of financing. Furthermore, the unemployment rate is expected to fall from 4.2% in 2019 to 4.1% in 2020.
- Private final consumption in Kuwait has witnessed an increase growing by 5.2% in 2019, with similar growth expected in 2020 supported by a low level of unemployment and a delay in the introduction of the VAT.
- With the lifting of OPEC production cap, and demand for oil witnessing a slow rise, the GDP for the GCC region is expected to witness positive growth, recording a forecast value CAGR of 1.5% for the period 2019-2024.

Population demographics:

- The population of the GCC region totalled around 57.5 million in 2019, nearly doubling since 2000.
- There is a moderate ageing process within the GCC countries, with the proportion of the ageing population expected to increase from 2.8% in 2019 to 5.7% by 2030. While many countries in the GCC region are witnessing ageing, Kuwait is expected to record a decline in the median age, which is expected to reach 35.9 years by 2030 from its 2019 level of 36.8 years.

Income & expenditure:

- The savings ratio within the GCC countries is highly varied, ranging from 0.3% of disposable income for Saudi Arabia to 24.5% of disposable income for Bahrain in 2019.
- Consumer expenditure per capita in the GCC countries was between US$8,015 for Iran to US$16,117 for the United Arab Emirates in 2019. Furthermore, for the period 2020-2030, total consumer expenditure in the United Arab Emirates, Qatar and Kuwait is expected to be over 20.0%, with the United Arab Emirates recording the highest cumulative growth of 28.1%, averaging 2.5% annually.
- Disposable income per capita was recorded between US$8,712 for Saudi Arabia and US$20,623 in the United Arab Emirates. For the period 2020-2030, total disposable income will record the lowest cumulative increase in Qatar, growing by a total of 23.7% and the highest cumulative increase is expected to be in Bahrain with a total growth of 37.9%, averaging 3.3% annually.

2. DATA

2.1 ORGANIC PACKAGED FOOD AND BEVERAGE DATA

Data type	Unit	2016	2017	2018	2019	2020	2021	2022	CAGR (16-19)	CAGR (20-22)
Health & wellness products consumption[1]	USD million	7,881.8	8,228.2	8,608.6	8,888.4	9,131.1	9,308.2	9,520.6	4.1%	2.1%
Organic packaged food and beverages consumption	USD million	34.2	52.6	86.9	96.5	107.9	118.9	130.9	41.3%	10.1%
Organic packaged food consumption	USD million	23.5	29.1	59	63.9	71	76	81.8	39.6%	7.3%
Organic beverages consumption	USD million	10.5	23.6	27.9	32.5	36.9	42.9	49.1	45.7%	15.4%
Organic packaged food and beverages consumption as a % of total health & wellness products consumption	%	0.4%	0.6%	1.0%	1.1%	1.2%	1.3%	1.4%	-	-

2.2 ECONOMIC AND DEMOGRAPHIC DATA

Data type	Unit	2016	2017	2018	2019	2020	2021	2022
Total population	million	53.8	55.1	56.3	57.4	58.5	59.4	60.3
% Middle and upper class of total population	%	-	-	-	-	-	-	-
% Population aged 65+	%	2.5%	2.6%	2.7%	2.8%	2.9%	3.1%	3.3%

[1] Health and Wellness Definition: 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.
The above definition and more can be referenced from the definitions table at the end of the report.

% Population aged 0-14	%	22.0%	21.9%	21.9%	21.8%	21.8%	21.8%	21.6%
% Population with higher education degrees	%	-	-	-	-	-	-	-
Average number of children per household	children	1.2	1.2	1.2	1.2	1.2	1.2	1.2
GDP per capita	USD per capita	25,290.8	26,447.5	29,276.6	28,313.4	27,079.6	27,530.2	27,809.3
Consumer expenditure per capita (US$)	USD per capita	9,753.6	10,053.6	10,543.3	10,684.9	10,883.1	10,976.9	11,093.8
Consumer expenditure per capita on food and non-alcoholic beverages (US$)	USD per capita	1,772.9	1,816.9	1,892.0	1,916.8	1,953.7	1,971.3	1,988.6

2.3 RETAILER AND CITY DATA

2.3.1 TOP 5 CITIES BY POPULATION

Data category	Rank	City/retailer	Population (millions)
Top cities by population (2019)	1	Riyadh (Sau.)	6.9
Top cities by population (2019)	2	Dubai (UAE)	5.2
Top cities by population (2019)	3	Jeddah (Sau.)	4.4
Top cities by population (2019)	4	Kuwait City (Kuw.)	2.8
Top cities by population (2019)	5	Dammam (Sau.)	2.5

2.3.2 TOP 5 GROCERY RETAILERS BY SALES

Data category	Rank	City/retailer
Top grocery retailers by sales (2019)	1	Carrefour SA
Top grocery retailers by sales (2019)	2	Lulu Group International LLC
Top grocery retailers by sales (2019)	3	Consumer Co-operative Union (CCU)
Top grocery retailers by sales (2019)	4	Savola Group
Top grocery retailers by sales (2019)	5	Union of Consumer Cooperative Societies

2.4 UNITED STATES DEPARTMENT OF AGRICULTURE GLOBAL AGRICULTURAL TRADE SYSTEM DATA

2.4.1 TOP 5 EXPORT COMMODITIES TO GULF COASTAL COUNTRIES

Year	Country	Rank of Product/Commodity	Product/Commodity	Export Value (US$)
2019	Gulf Coastal Countries	1	Organic Berries Fresh	3,861,926
2019	Gulf Coastal Countries	2	Organic Lettuce Not Head Fr/Ch	2,481,384
2019	Gulf Coastal Countries	3	Organic Strawberries Fresh	2,341,914
2019	Gulf Coastal Countries	4	Organic Coffee Roast Not Decaf	1,341,291
2019	Gulf Coastal Countries	5	Organic Vinegar and Substitutes	1,148,836
2019	**Gulf Coastal Countries**	**Total**	**Total Organics***	**14,151,018**
2018	Gulf Coastal Countries	1	Organic Berries Fresh	4,875,086
2018	Gulf Coastal Countries	2	Organic Strawberries Fresh	4,621,327
2018	Gulf Coastal Countries	3	Organic Lettuce Not Head Fr/Ch	3,866,427
2018	Gulf Coastal Countries	4	Organic Cult Blueberries Fresh	1,747,793
2018	Gulf Coastal Countries	5	Organic Carrots Fr/Ch	825,554
2018	**Gulf Coastal Countries**	**Total**	**Total Organics***	**18,602,876**
2017	Gulf Coastal Countries	1	Organic Berries Fresh	4,307,396
2017	Gulf Coastal Countries	2	Organic Strawberries Fresh	3,800,569
2017	Gulf Coastal Countries	3	Organic Lettuce Not Head Fr/Ch	2,956,875
2017	Gulf Coastal Countries	4	Organic Coffee Roast Not Decaf	1,479,852
2017	Gulf Coastal Countries	5	Organic Cult Blueberries Fresh	1,222,061
2017	**Gulf Coastal Countries**	**Total**	**Total Organics***	**16,153,622**
2016	Gulf Coastal Countries	1	Organic Strawberries Fresh	4,532,327
2016	Gulf Coastal Countries	2	Organic Lettuce Not Head Fr/Ch	3,275,608
2016	Gulf Coastal Countries	3	Organic Berries Fresh	2,817,455
2016	Gulf Coastal Countries	4	Organic Apples Fresh	779,640
2016	Gulf Coastal Countries	5	Organic Cult Blueberries Fresh	579,470

2016	**Gulf Coastal Countries**	**Total**	**Total Organics***	**13,569,435**

Note : Total organics is the sum of all exports to a country within a year

[2]

[2] GCC (Gulf Coastal Countries) refers to the region comprising of the following countries : Qatar, Kuwait, United Arab Emirates, Bahrain, Oman and Saudi Arabia

3. DEFINITIONS

Term	Definition
Health and Wellness	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 2016 – 2019 will be the average growth rates across these three years.
USDA GATS data clarification	The data presented in table 2.4 represents the dollar values of the top 5 organic commodities as well as of the total organic exports of the trade partner for the period 2016-2019 as per the United States Department of Agriculture’s Global Agricultural Trade System, a database consisting of international agricultural, fish, forest and textile products trade statistics dating from the inception of the Harmonized coding system in 1989 to present.