

مؤسسة محمد بن راشد للتنمية
المشاريع الصغيرة والمتوسطة
DUBAI SME



An Agency of the Department of Economic
Development – **Government of Dubai**

A SMALL AND MEDIUM ENTERPRISES DEVELOPMENT PERSPECTIVE OF THE FOOD & BEVERAGES MANUFACTURING INDUSTRY IN DUBAI

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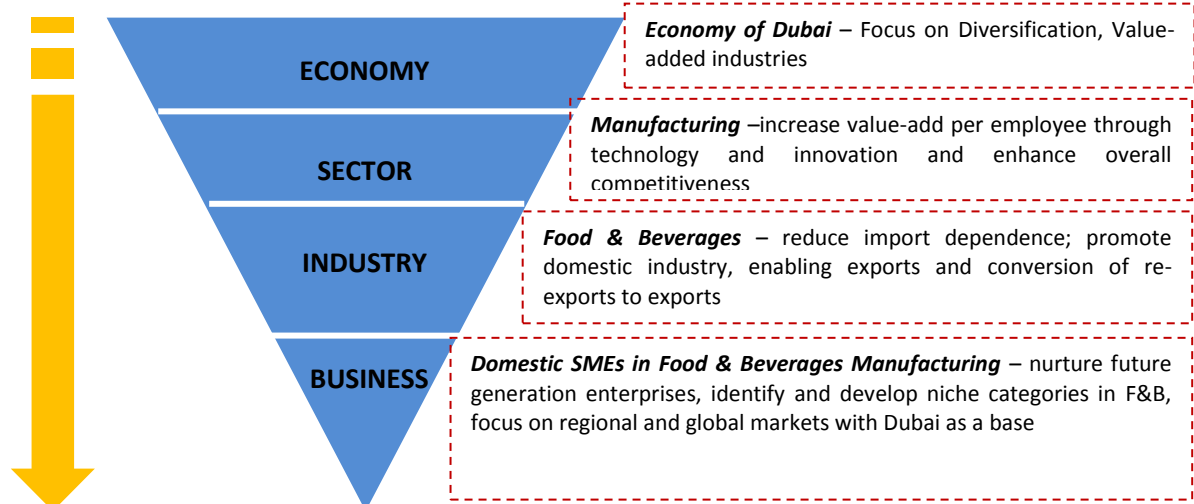
1. Executive Summary

For Dubai Food & Beverage (F&B) manufacturers, to 'reduce import dependence and enhance exports' will require raising productivity levels to global standards and using innovation to create competitive niches. With this broad theme, the report is a detailed study on the status of F&B manufacturing industry in Dubai and role of SMEs in the overall industry landscape. It highlights the opportunities for development of new product categories, competitive issues and challenges across the value chain to be overcome and appropriate solutions to address the issues and promote the industry.

The strategic objective of promoting F&B Manufacturing in the country has been highlighted below;

GOVERNMENT

To promote the industry, government needs to play a proactive role in providing incentives and creating an enabling environment for encouraging local F&B manufacturing in a highly competitive F&B environment in and around Dubai.



F&B MFG. FIRMS

Local manufacturing in F&B has remained subdued in Dubai mainly because of;

- Competition from Saudi Arabia (Dairy, Fruit & Vegetable products) and low cost manufacturers like India, Pakistan and China
- Large scale imports from foreign countries
- Heavy (or complete) dependence on imports (more than 90%)
- Relatively small size of domestic market not supporting economies of scale
- High cost of operations and living as compared to other regional countries like Bahrain, KSA and Oman (alternate F&B manufacturing centres in the region)

Based on the high-level requirements for developing F&B industry in Dubai, the report is a detailed study on the status of developments and the opportunities to uplift and enhance the current status of manufacturing in Dubai. The study has been carried out with the following objectives.

The F&B industry in Dubai is characterized by national industries (local investment) and MNCs (foreign investment). The free zones, key elements of diversification and industrialization have helped promote the development of MNCs as well as export-oriented units. However, Dubai F&B industry remains largely dependent on imports, a trend common to GCC as a region.

Given the large import dependence of the region, increasing concerns over food security and its availability in the long-term, have led the GCC governments to undertake strategic decisions on acquiring foreign farmlands and storing essential commodities. Outsourcing of farmlands is likely to secure raw material imports while storing will enable availability at all times for consumption as well as domestic production.

Domestic manufacturing plays a key role in the overall food security policy, and the GCC is increasingly looking at developing capabilities in F&B manufacturing in the long-term, albeit challenges from rising cost of imports and intense competition from imported products in the domestic market – mainly due to easy (low price) availability of produce from India, China, Levant-Egypt etc.

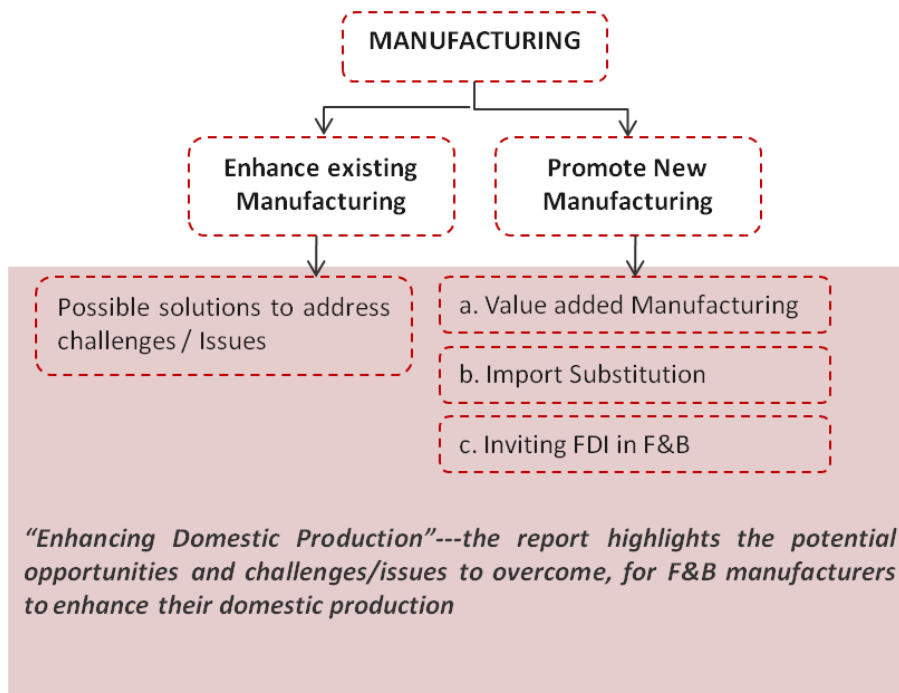
The illustration represents high-level Government (UAE) objectives of Food Security and Dubai strengths assesment (with respect to capabilities and challenges) in each of the objectives.

F&B Areas	Dubai Strength Assessment	Explanation
GROWING	LOW	Disadvantage: Limited capabilities in growing unless advanced methods of farming are adopted
STORING	HIGH	Strong Advantage: Ability to leverage on advanced Transportation & Storage infrastructure coupled with specialist “cold storage” capabilities of Emirates Sky Cargo
MANUFACTURING	MEDIUM	Average Advantage: National industries facing challenges in the form of intense competition from low-cost centres and continued rise in price of imports. However, the sophisticated demand conditions present an opportunity for development of niche product categories for the hospitality as well as the retail industry. Hence, the imperative to address challenges to strengthen existing firms and develop ‘value-added’, ‘niche’ capabilities in F&B manufacturing to enhance domestic production.

Objective: Promote local F&B manufacturing in Dubai to reduce import dependence and enhance exports

The report is a detailed assessment of F&B manufacturing capabilities of Dubai. The ‘MEDIUM’ assessment comes from an enabling business environment and sophisticated demand conditions. Moreover, Dubai can leverage on its advanced transportation and storage facilities to add to the overall capabilities in manufacturing.

Objective: “To promote Local F&B Manufacturing”



The study is a detailed “Opportunity Assessment” and “Competitiveness Assessment” to address the objectives.


Opportunity Assessment - SME Opportunities in Dubai across different product categories

The main area of opportunity for the F&B industry in Dubai relates to niche products based on the market trends of Convenience, Health and Luxury that cater to high income segments.


With a multicultural society consisting of wealthy locals and a dynamic pool of expatriates, Dubai can serve as a testing ground for innovative food products which are exports worthy. The case is similar to that of Singapore where lack of domestic agricultural output coupled with increased low cost supplies from China curtailed the growth of essential food products (which require economies of scale and enabling ecological conditions). Singapore has hence developed specific niche products with regional branding themes to complement the mass producers.

The opportunities in the industry are highlighted in the table below. These represent key product categories and themes for new SMEs to set-up manufacturing facilities in the Emirate or for existing SMEs to diversify /upgrade their product offerings;

Categories	Value-add to Re-exports	Import Substitution	Exports		
			HEALTH	CONVINIENCE	DELIGHT
Sea Food Processing	✓			✓	✓
Fruit and Vegetables Processing	✓	✓	✓		✓
Grain Mill Products Processing	✓	✓	✓	✓	✓
Sweets, Chocolate and Confectionery Products	✓		✓		✓
Spices Processing			✓	✓	✓



Focus on converting Re-exports to value-added Exports



Focus on Premiumisation and Innovation

Competitiveness Assessment – Dubai Strengths and Challenges in F&B Manufacturing

Dubai Strengths in F&B Manufacturing:

- *Developed capabilities in transportation and storage:* e.g. Capabilities to break bulk in Dubai. Such bulk shipments are growing more than 17% y-o-y. Emirates airline cargo has advanced warehouses (cold storages) which can help store and release perishable goods in a short time-frame
- *Conducive financial and business environment:* e.g. Dubai serves as a base for multinational corporations. F&B industry in Dubai has seen strong FDI flows with international players like Fonterra, Mars, etc. establishing in Dubai
- *Access to wider MENA region with a growing population and demand for F&B:* e.g. Currently, from Dubai trade can occur without any customs as per the GAFTA agreement in 18 Arab countries, 3 Islamic countries (Syria, Iraq and Morocco) with reduced documentation
- *Sophisticated Local Market:* Dubai serves as an excellent market for innovative F&B products on account of its multi-cultural and dynamic population structure. Further, Dubai has a highly mature and sophisticated retail industry that could provide support for testing and introduction of niche high-end products (organic, fortified and health foods).

Dubai Competitiveness Issues in F&B Manufacturing

- Our research among Dubai F&B industry players revealed that the local industry in Dubai has been stagnant due to increased competitive pressures from large, low cost producers in countries like KSA and India, limited supply of local agricultural and livestock produce and continuous rise in raw material prices affecting margins.
- Our analysis (based on Michael Porters Competitiveness Model) identifies Dubai's sophisticated and dynamic customer pool (forming a strong demand structure) as favorable to the development of a strong F&B industry. Dubai's "Strong Supporting and Related Infrastructure" in another positive factor for F&B industry.

Other elements of the diamond model i.e. Factor Conditions and Industry Rivalry & Structure which form the core of manufacturing are negative aspects that need to be overcome to develop the industry in Dubai vis-à-vis strong manufacturing neighbors like KSA, India and Egypt.

- The study revealed that in order to develop and increase competitiveness of F&B manufacturing in Dubai, Government intervention in the form of low cost land and utilities and increased incentives for research and development would be important. The long-term industry growth and sustainability will depend on developing niche, value-added products capable of earning premium price. Moreover, firms are expected to benefit from increased export assistance and marketing support for locally made products.

Based on the analysis the report highlights a list of possible solutions to address competitiveness issues and to capitalize on market opportunities. A brief snapshot of some of the solutions (based on ease of implementation) has been highlighted in the table below.

The table is a list of possible solutions for major issues revealed during the course of the study. These issues range across the value chain of manufacturing.

Possible solutions	IMPACT	COST	TIME
Identify areas of import substitution for semi-finished / finished products and promote National industries in their place	MEDIUM	MEDIUM	MEDIUM
Import -substitution Policies	HIGH	LOW	LOW
Promote conversion of re-exports into value-added exports	HIGH	LOW	LOW
Technology Transfer agreements with key equipment supplying countries like Germany and Italy	HIGH	MEDIUM	LOW
Technology Information Data Bank	MEDIUM	HIGH	HIGH
Provide training to F&B Finance staff on inventory management, trading on world exchanges and other financial methods for controlling the impact of commodity price fluctuation	MEDIUM	MEDIUM	HIGH
All the ports in UAE to be unified with customs procedures and food control checkpoints	MEDIUM	HIGH	LOW
Government to develop large storage and warehousing capabilities (with temperature control) to enable foodstuff availability at uncertain times (currently under consideration)	HIGH	HIGH	HIGH
Certification for HACCP professionals and their presence in F&B manufacturing firms.	HIGH	HIGH	HIGH
Tie-ups with Food Safety & Hygiene and HACCP training centres (international centres with presence in Dubai) to provide mandatory training programs	HIGH	HIGH	HIGH
Skill Action Plan - Promote educational programs and uptake of courses in F&B Specialties - Food Chemists, Quality Control managers, Nutritionists	MEDIUM	MEDIUM	MEDIUM
Provide "Food Safety Program Certification" (as mandatory requirement) by the municipality	HIGH	HIGH	HIGH
Enable Technology transfers and Government grants to obtain advanced technology	MEDIUM	MEDIUM	LOW
Promote Export readiness of the firm	HIGH	MEDIUM	MEDIUM
Technology support to SMEs - in areas of quality management, productivity improvement, and internet access. Measures might include grants for SMEs to obtain ISO 22000 certification, support for computer purchase and internet diffusion	MEDIUM	LOW	MEDIUM
Provide grants and lowered utility rates for National Industries	HIGH	MEDIUM	LOW
Branding and Packaging Kit - provide subsidized packaging material to SMEs, provide support through branding consultants and provide grants for the same	HIGH	LOW	MEDIUM
Develop a Regional branding concept, for National firms to adopt by providing grants	HIGH	LOW	MEDIUM
Marketing & Advertising Kit - create a bouquet of advertising platforms for local firms to advertise their products	HIGH	HIGH	HIGH
Tie-ups with super-markets for National product quotas and preferential shelf space	HIGH	HIGH	HIGH
Awareness programs and seminars on outsourcing benefits and opportunities as well as its impact on overall productivity of firms.	HIGH	MEDIUM	MEDIUM
Incentivize R&D and innovation in National firms by providing Innovation grants	MEDIUM	LOW	LOW
Promote food culture / food week / specialty food festival	MEDIUM	MEDIUM	MEDIUM
Manufacturing awards - innovation, best practices - as a benchmark and to set concrete examples	MEDIUM	MEDIUM	LOW
Develop a Productivity centre in line with (Asian Productivity Organisation) to monitor and consult SMEs on improving productivity	HIGH	LOW	LOW

Possible solutions	IMPACT	COST	TIME
Assess Export Readiness of SMEs	HIGH	LOW	LOW
Website to promote SME products to foreign buyers	HIGH	MEDIUM	MEDIUM
Export Subsidies	HIGH	LOW	LOW
Export Club to promote regional branding and set benchmarks for the industry	MEDIUM	MEDIUM	LOW
ESMA to create awareness of its quality mark through seminars with DCCI, DED, Supermarkets	HIGH	MEDIUM	HIGH
F&B Task force (working group of DCCI) to create a continuous dialogue between industry and government	HIGH	HIGH	HIGH
Promote locally developed Innovative and Healthy options	--	--	--
Program to foster horizontal collaboration in industrial clusters	HIGH	MEDIUM	LOW

Note: the cells in green highlight likely MBRE participation in 'possible solutions'

The report also highlights key stories of existing SMEs in F&B and their success / struggle examples.

Examples of Success Stories

Company Name	PATCHI, Chocolate Manufacturer "Arab Brand and Innovation"
Company Background	In 2001, Patchi set up a factory in Al Quoz, Dubai in partnership with a local firm. The company manufactures a large variety of filled and flavoured chocolates which are sold through its 22 retail outlets and at the duty-free outlets at the airport.
Size of the Company	No. of Employees: 15 senior management staff and approximately 50 employees for operations
Case Study	<p>Patchi makes efforts to innovate every four months (change their menu). Their differentiation strategy has helped them create a premium positioning for their brands based on Arab themes of luxury and taste (regional branding).</p> <p>They strictly follow HACCP (Hazard Analysis Critical Control Point) and are the first in the region to obtain ISO 22000 certification.</p> <p>Patchi has won several accolades for its efforts and now is one of the most recognised brands in the region as well as a popular souvenir for tourists at the duty-free shops.</p> <p>The company is a good benchmark with respect to productivity, operations, innovations in products and overall organisation climate.</p>



Company Name	Advanced Baking Concepts , <i>“Innovation in Baking for a niche segment”</i>
Company Background	ABC Baking is the first frozen bread and pastry manufacturer of its kind in the GCC with a yearly output of more than 20,000 metric tons. ABC products are available in the market under the brand name of <u>ProBake</u> .
Size of the Company	Turnover in the range of AED 20-50 mn and employee size of approximately 200
Case Study	<p>Fresh from frozen bread has enabled them to create a healthy market share in the GCC market. The frozen bread is distributed across subway outlets as well as supplied to UN bases across the Middle East.</p> <p>The long-shelf life bread is an innovative concept in the GCC.</p>

Examples of Case Studies:

Company Name	EMIRATES MACARONI FACTORY , <i>Grain-mill product manufacturer “product diversification”</i>
Company Background	EMF, one of the oldest pasta factories in the GCC was established in 1978 to manufacture spaghetti, macaroni and vermicelli. They have four local brands and four export brands.
Size of the Company	Sales are mainly for the domestic market 60% as compared to exports which are less than 40%.
Case Study	<p>The company plans to set-up a Noodles line to cater to the domestic market. Presently, majority of the noodles are imported (Indonesia, Singapore, Philippines and Thailand). The company plans to take the opportunity for developing localised flavours of ready-to-eat and other bulk packaged noodles. Currently, the company is looking at sourcing investments and machinery to enable the manufacture.</p>



Company Name	NATIONAL FOOD INDUSTRIES, “seeking expansion and product diversification”
Company Background	It was established in 1977 and is one of the oldest snack producing facilities in the GCC. It has created established brands like Pofaki and Mr. Krisps.
Size of the Company	Less than 150 employees with an annual sales turnover in the range of AED 51-100 mn
Case Study	<p>The company is looking at expanding its present capacity; however limited space in the present premises (Al Quoz) has restricted its expansion. NFI is presently looking at expansion in Dubai Industrial city and Um Al Quain.</p> <p>Recently, NFI upgraded its machinery which includes: fryer, chip line packaging and corn curl line packaging. Now it plans to upgrade its ovens.</p> <p>NFI is also planning to develop a new product i.e. pita chips based on Arabic flours and preferences.</p>

2. Introduction to the Report – F&B Value chain and Key Drivers

The report is a detailed study on the status of developments in the F&B Manufacturing Industry in Dubai with respect to SMEs. The study has been carried out with the following objectives.

1. To determine **drivers of and barriers to growth**
2. To identify **areas for SME opportunities**
3. To outline **major strengths and weaknesses** of the Industry
4. To study **key elements that enable, drive and develop the competitiveness and productivity**

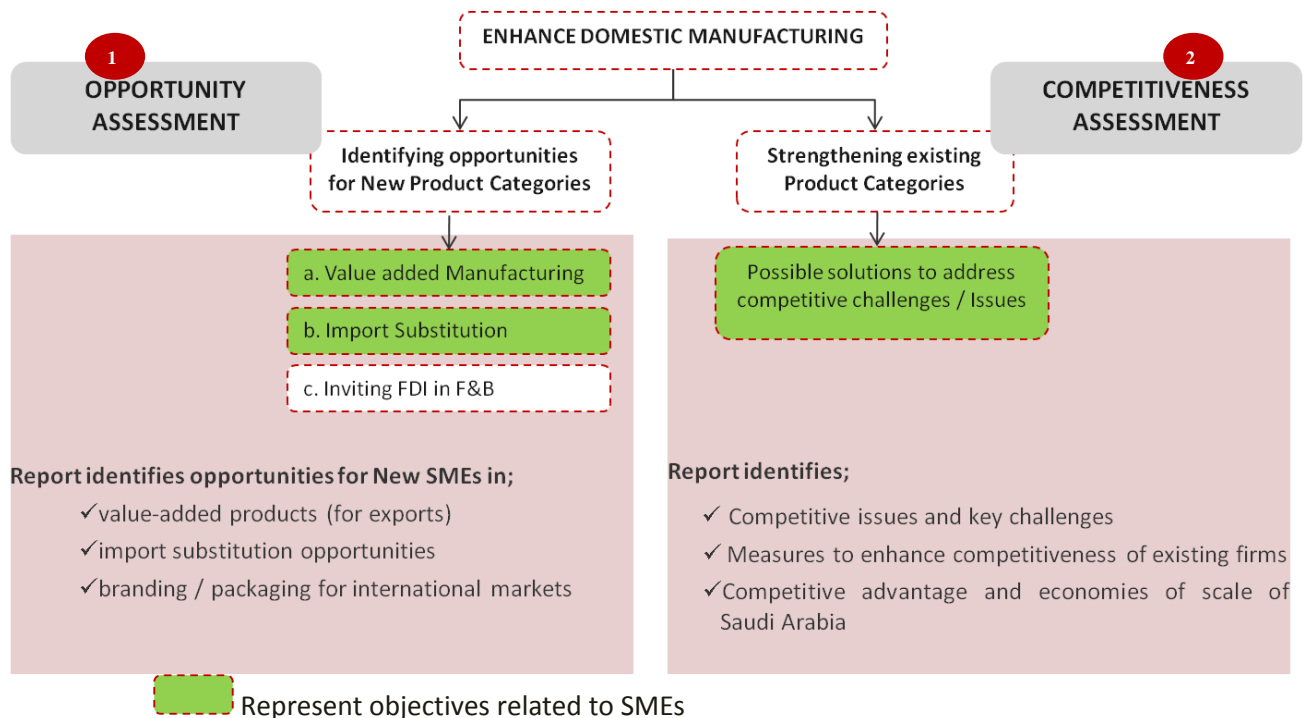
Report Structure

Local manufacturing helps develop products which are capable of earning valuable export dollars, provides employment opportunities, inculcates innovative practices and thereby supports economic development. F&B Manufacturing in the Emirate has grown mainly in the form of foreign players investing in large scale operations in the Free Zones. However, the activity has been limited in the set-up of local manufacturing operations. Moreover, local F&B manufacturers have not been able to capitalize on creating brands that can be sustained and exported.

Hence, the imperative for F&B industry in the Emirate to become more competitive as well as tap new areas of opportunity.

Consequently, the study is a detailed report on Manufacturing:

- ✓ *OPPORTUNITY ASSESSMENT - opportunities (in the form of F&B product categories) which new / existing Dubai firms could tap into*
 - ✓ *COMPETITIVENESS ASSESSMENT- identification of competitiveness challenges/issues of existing firms and solutions thereof*
1. **Opportunity Assessment** - Refers to a high-level study on the various categories of F&B products that present opportunities for new / existing SMEs, in light of competition from mass producer countries, economic conditions and growing demand from domestic market. New opportunities have been evaluated on the basis of potential for; Value-added manufacturing (exports, conversion of re-exports to exports) and Import substitution.
 2. **Competitiveness Assessment** - Refers to assessing existing manufacturing firms to identify issues and challenges to be overcome to become competitive and grow sustainably.



The report includes the following key topics:

- **Introduction to the report** - Lack of inherent advantages in manufacturing coupled with increased competition from foreign imports; necessitate high-level initiatives and policies for promoting the set-up of F&B related manufacturing in the Emirate. The report discusses means to strengthen existing product categories and identify new opportunities in product categories.
- **Overview of F&B Industry in Dubai** - The section provides details on government plan and policy measures for industry development and overall regulatory structure of the industry. The overview also highlights the SME orientation of the industry in key product categories.
- **Opportunity Assessment of F&B Manufacturing industry in Dubai** – This section details various opportunities and related challenges for F&B products manufacturing in Dubai in light of competition from low-cost mass-production centres like KSA, India & China vis-à-vis the demand conditions in Dubai and the GCC region.
- **Competitiveness Assessment of F&B Manufacturing industry in Dubai** –Overall industry challenges/issues and competitiveness issues across the processing value chain in Dubai are highlighted in this section. By addressing the issues and encouraging SMEs to leverage on the opportunities, the F&B manufacturing sector could develop at a faster rate.



- **Possible solutions to address competitive Issues and promote manufacturing** – The section highlights possible solutions to handle issues impacting competitiveness of F&B industry with a high-level analysis of the most appropriate solutions.

Note for the study:

- *The study involves Opportunity Assessment (based on global trends and Dubai capabilities to address the opportunities) and Competitiveness Assessment (based on Michael Porters' Diamond framework on Competitiveness).*
- *F&B industry refers to F&B Manufacturing unless otherwise stated*



3. F&B Industry in Dubai – an Overview

The focus of the study is on SMEs, and the characteristics of SMEs vary from one industry segment to another. Accordingly, the study begins with an understanding of the Industry Structure and Key Demand Drivers leading to a better understanding of role of SMEs and their potential for growth in Dubai.

Industry Structure (Food Processing Value Chain)

Manufacturing is a process involving progression of raw materials into intermediate and then final products fit for consumption. In each stage of the production process there is transformation which involves use of machines & equipment. In the case of F&B industry, each part of the process is usually a specialized procedure which requires constant monitoring to prevent wastage, maintain high quality standards and ensure food safety. Manufacturing firms resort to various quality and hygiene certifications to ensure conformance to international standards.

F&B Manufacturing includes the processing of the products of agriculture, forestry and fishing into food for consumption, and includes the production of various intermediate products that are not directly food products (extracts, pastes, additives, etc.).¹

The following diagram highlights the flow of processes in an F&B manufacturing facility.



Majority of the processes are critical to the industry and are performed within a single set-up. However, more and more *firms are outsourcing functions like distribution and warehousing to established logistics players to enable cost savings.*

¹ ISIC Revision 4

Classification of F&B Industry as per product categories

The study has been conducted by classifying the processed food products into various product categories as per ISIC classification as follows;

F&B Product Categories			
1	Meat and Poultry Processing	9	Sweets, Chocolate and Confectionery Products
2	Sea Food Processing	10	Ready-to-Eat Products Processing
3	Animal Feed Processing	11	Sugar, Tea and Coffee Processing
4	Fruit and Vegetables Processing	12	Spices Processing
5	Vegetable Oils and Fats Processing	13	Baby Food Products Processing
6	Processing of Milk	14	Bottled Water
7	Milk-based Products Processing	15	Beverages (except bottled water and dairy based drinks)
8	Grain Mill Products Processing		

Note: A detailed description of the individual categories as per ISIC Rev.4 is provided in Annexure I of the report. However, these categories have been re-organized for the purpose of the study (Refer Presentation 6)

F&B landscape – Dubai

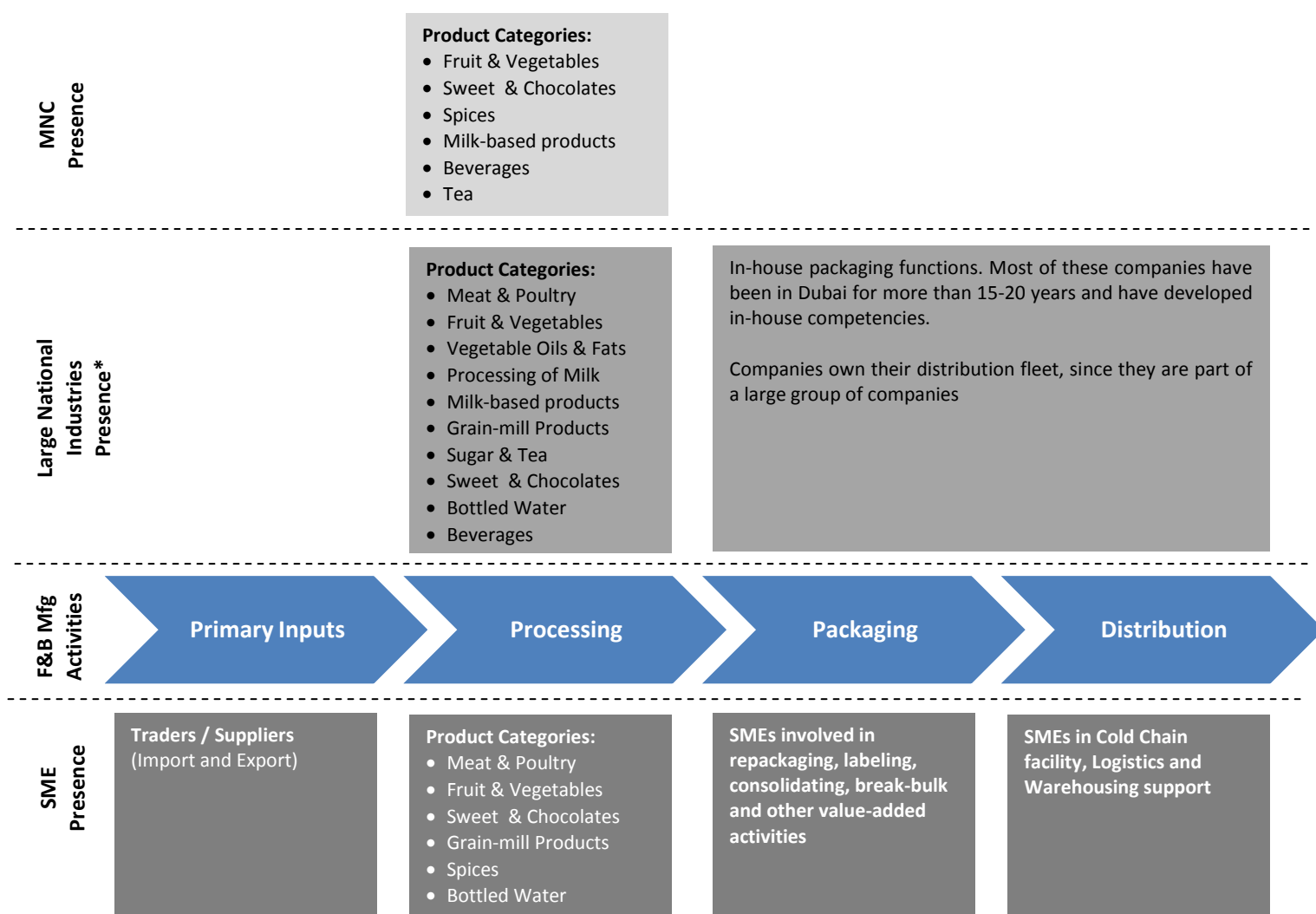
The F&B industry in Dubai comprises two distinct set of players: *National Industries (Local Manufacturers)* and *MNCs (Foreign Manufacturers)*.

- National Industries** – refer to company's set-up through local investment (Emirati partnership) in Dubai (inside or outside the free zone). Such industries have existed since the 1980s, but have not shown any significant growth (expansion and exports) over the past 10 years. Moreover, pace of formation of new establishments is significantly lower in the last few years.
Established local manufacturers continue to serve the domestic market with limited impetus on exports. Some of the established players in the industry are Oasis, Al Islami, Emirates Macaroni, Dubai Refreshments, National Food Industries, UNIKAI, Patchi, etc. Manufacturing is a high employment industry; however the participation of Emiratis in the industry is limited to owners, partners, export manager and HR / Administrative roles.
- MNCs** - Growth in the F&B industry of Dubai has mainly come from MNC players set up in the Free Zones to cater to the export (or re-export) market (GCC, Africa and Europe). Large multi-national corporations have set up in the free zones to leverage on the transportation and storage capabilities (for export purposes) and conducive business and legal environment. Some of the large MNCs in Dubai are Nestle, Mars, Lipton, Del Monte, etc. The large MNC players (estimated to be a total of 13-15) are mainly located in the free zones and are usually managed by expatriate professionals.

In addition to indigenously manufactured products, a plethora of imported F&B products are available in Dubai owing to the advanced Wholesale & Retail Trade network supported by an efficient transportation & Storage infrastructure. Dubai imports products from across the world to cater to the F&B requirements of a large expatriate population (more than 200 Nationalities). Dubai serves as an import base for UAE as well as the GCC for various product segments.



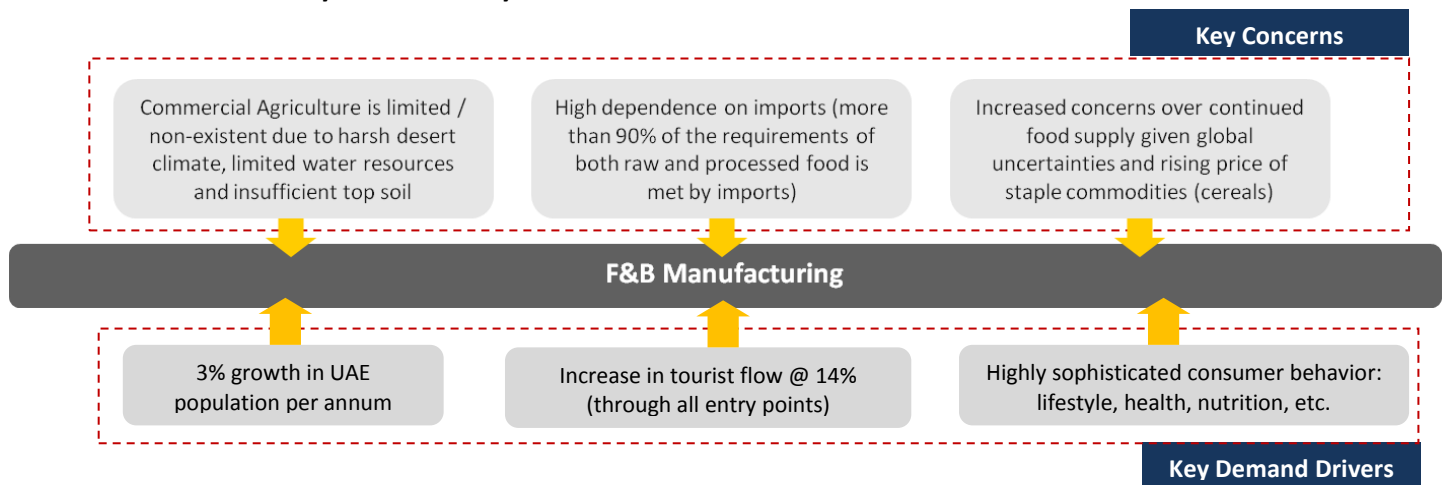
For the purpose of the study, various product categories manufactured locally by National Industries and MNCs have been identified. The role of firms in the entire value chain is also mapped. Focus is on segments with high SME involvement. Collectively, this can be seen as the landscape of F&B in Dubai.



Note: The categorization of companies is based on the official SME definition of Dubai

The illustration highlights presence of SMEs across F&B manufacturing activities in Dubai. It highlights SME contribution in support functions like trading, packaging and distribution.

F&B Industry in Dubai – Key Drivers and Concerns



Consequently, the objective to ‘enhance domestic manufacturing’ comes from the high-level Government objective to address Food Security concerns and secondly to increase share of F&B in manufacturing in light of the growing demand for food products.

Key Industry Drivers

The demand for F&B products is highly dependent on the population and its lifestyle characteristics. A highly demanding population provides incentive to innovate and improvise products. The key drivers for F&B manufacturing in Dubai have been illustrated as follows;

- ✓ **Favorable Demographics in UAE** -- High % of children and youth
- ✓ **High GDP Growth**
- ✓ **High GDP per capita**
- ✓ **Population growth of 3% p.a.**
- ✓ **Large Expatriate Base** (more than 70% of the population in UAE is expatriates)
- ✓ **Increased inflow of tourists**
- ✓ **Growth in retail and hospitality industries**
- ✓ **Demand for Health, Lifestyle and Luxury based F&B products**
- ✓ **High local competition** - Need to diversify in regional and global market

The key drivers highlight need for F&B industry to become more efficient to sustain and to innovate to grow. The report is a high-level market assessment of the existing players as well as opportunity assessment related to various F&B products that can be manufactured in Dubai.

The F&B landscape of Dubai in terms of F&B brands is relatively crowded with a multitude of imported products/brands. Foods sold in retail outlets are estimated to consist of 75-80% imported consumer-ready products, and 20-25% locally processed foods. Consequently, there is potential to increase share of indigenously manufactured F&B products as well as to enhance value-addition on re-exports before it reaches the customer. There are also avenues for Emiratis to explore entrepreneurship opportunities (in select product categories). Overall, the theme should be to enhance the role of “Domestic Production”.

In the absence of a strong primary sector (agriculture, livestock and fishing), Dubai heavily relies on imports for more than 90% of its raw material and processed food requirements. Consequently, it raises heightened concern regarding secure, ready access to food supply given soaring commodity prices, reduction in global stock levels as well as increasing cost of agricultural inputs. UAE and indeed the wider MENA region are strongly affected by these factors and the lack of indigenous primary resources amplifies manufacturing concerns.

Countries in the region are taking a close look at alternative sourcing and manufacturing strategies as part of a comprehensive food security policy. Many countries have built their own Food Clusters to ensure the same (KSA, Oman, Abu Dhabi, Dubai). The Food Cluster strategy is to promote manufacturing in certain value added products which are export-worthy to counter the growing import bills as well as to provide for the country and the region.

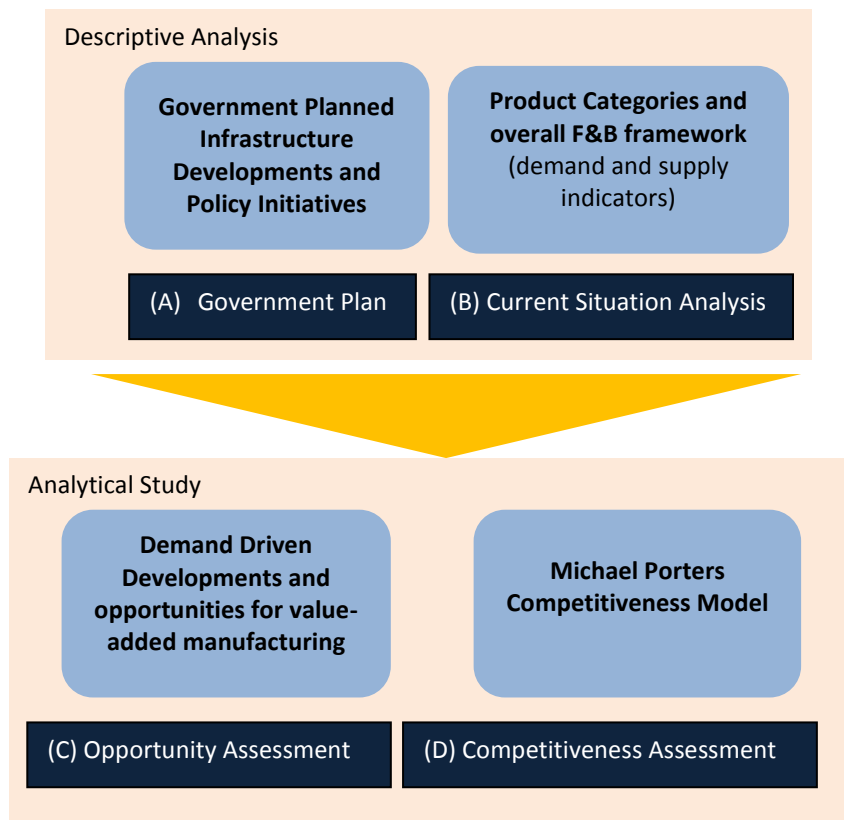
The development of F&B industry is key to the strategic development plan of the Emirate. From an economic and strategic perspective, F&B manufacturing contributes to the following objectives: Food security and diversifying manufacturing.

Apart from Dubai, neighboring emirates like Abu Dhabi, Sharjah, and Umm Al Quwain along with other GCC countries like KSA and Oman are developing manufacturing capabilities in F&B. However, favorable business environment, presence of Free-zones and conducive government policies provide an overall case for Dubai to emerge as a likely destination for F&B in the region.



The study provides detailed descriptive analysis of the industry as well as opportunities and areas of future growth based on the following framework;

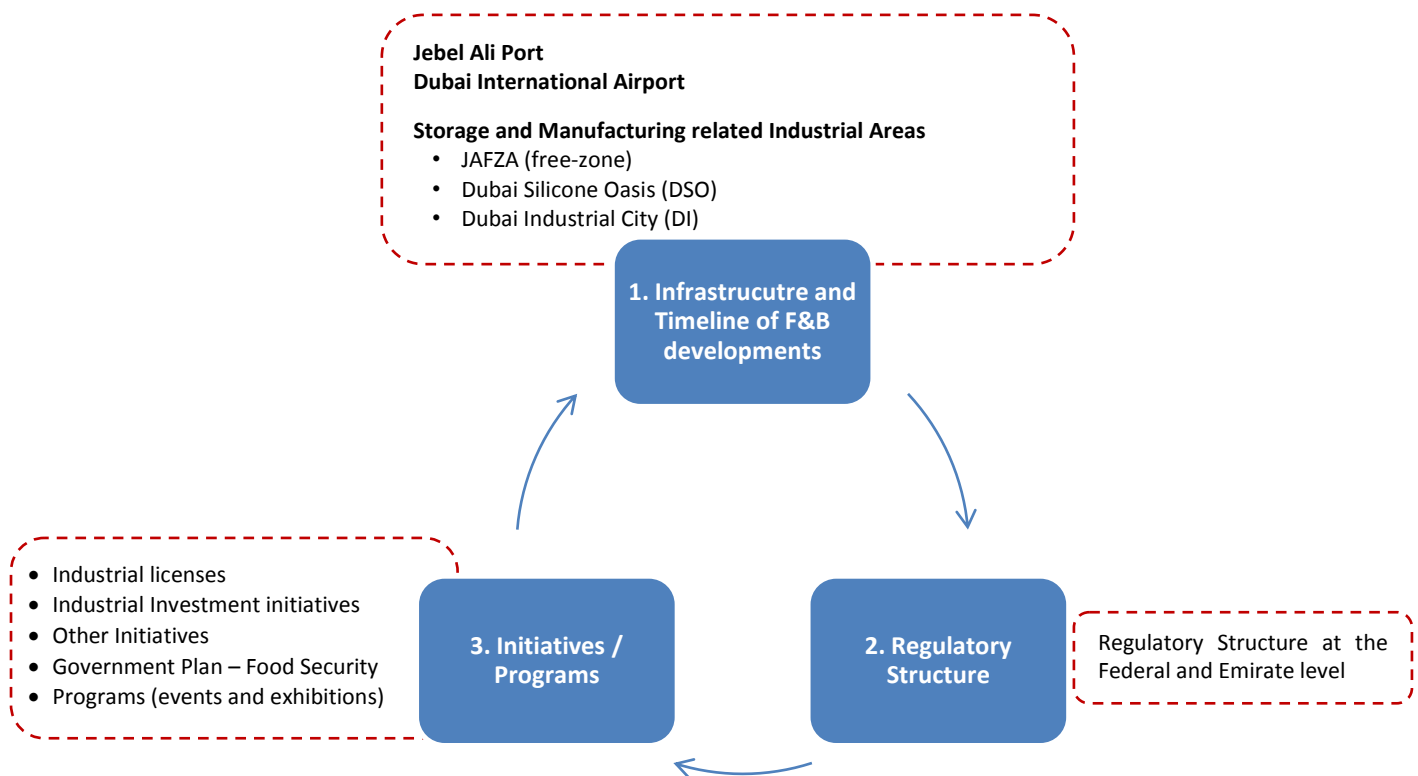
FOOD & BEVERAGE MANUFACTURING INDUSTRY IN DUBAI



Each of the parts and the resultant analysis on Opportunities and Competitiveness Issues are discussed in detail in the report.

(A) Government Plan

The Government Plan highlights steps taken by the government to develop F&B industry in Dubai. The initial infrastructure developments were followed by setting-up of regulatory / industry bodies to promote manufacturing developments. Further government initiatives and policy measures to support the industry directly and indirectly have been highlighted in the report. It should be noted that some of the government steps are not specific to F&B; – nevertheless, such steps have contributed to development of F&B.



1. Infrastructure

UAE has taken steps to nurture the development of manufacturing through the set-up of improved facilities such as industrial zones, business parks and vital transport networks. A list of these areas and free zones in Dubai is provided in Annexure II of the report and the main zones are described below;

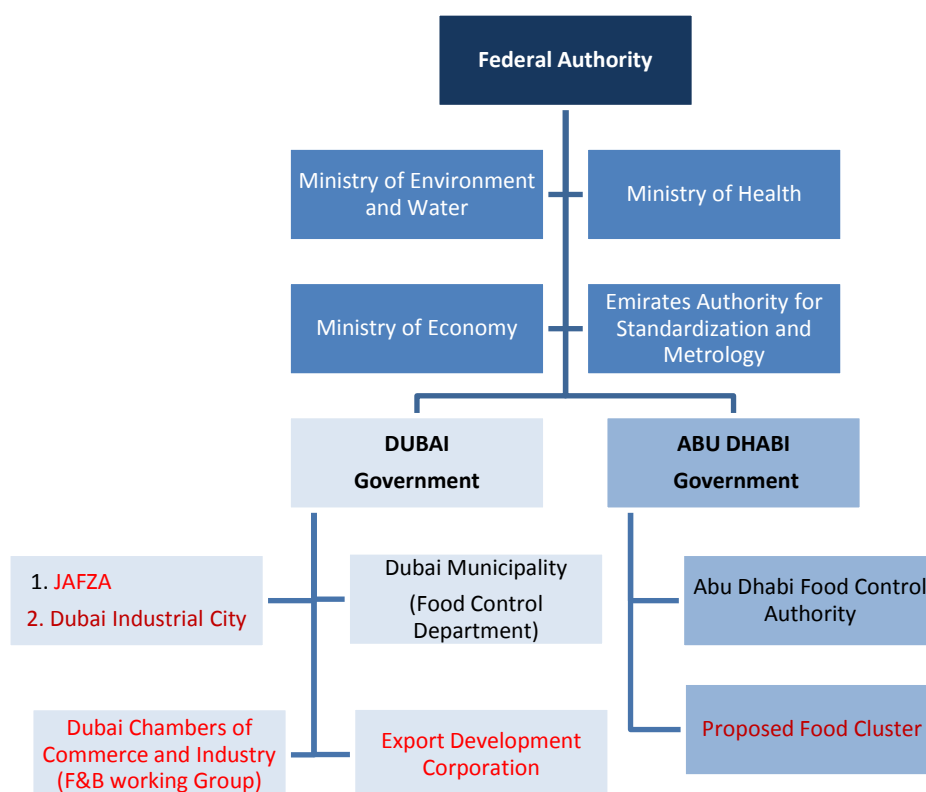
- JAFZA (Free zone)** offers 100% foreign ownership, zero corporate and income taxes for a period of 50 years, exemption from local labor restrictions, full repatriation of profits and capital, and no foreign currency restrictions. The set-up allows export-oriented foreign companies to set-base in Dubai and provide for the entire Middle East.
- Dubai Industrial City/Food City** is a dedicated industrial zone/cluster for F&B manufacturing. DIC has signed a MoU with MBRE for facilitating industrial land at lower cost for SMEs.

Industrial zones and cities helped transform the UAE industrial and manufacturing base. However, National firms evolved much before the free zones and were set-up across the Emirate on account of government incentives and advanced infrastructure facilities in the form of Ports and airports.

2. Regulatory Structure

The Manufacturing activities in the country are regulated by the federal body: Ministry of Economy. Further, distinct Federal and Emirate-level government organisations also play a role in regulation, development and overall inspection & certification (Food Safety). The overall regulatory structure and relevant government related F&B bodies in the UAE have been illustrated in the diagram below.

Note: the ones marked in red are not regulators –but they influence the regulatory environment.



Each ministry / regulatory body has its own portfolio of regulatory functions and some examples of their regulatory relevance to F&B are highlighted below.

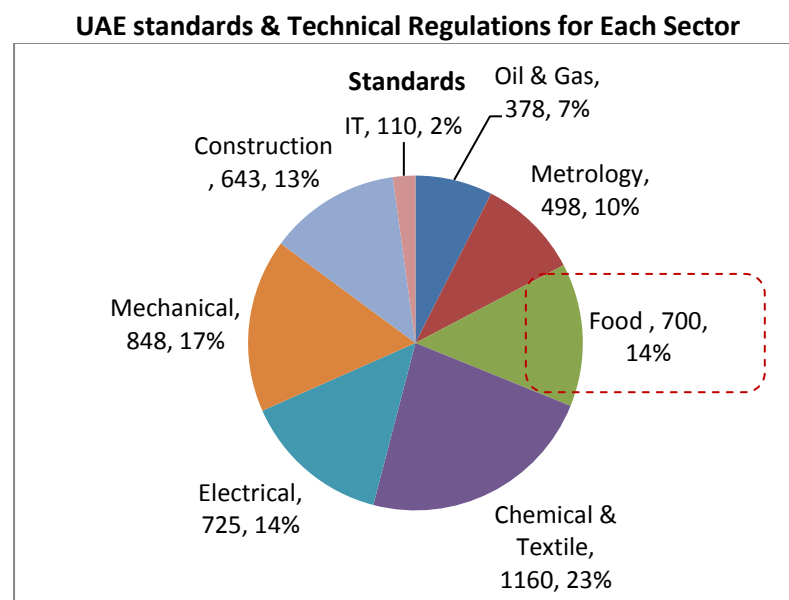
Ministry of Economy plays an important role in granting licenses for manufacturing, Ministry of Environment and Water regulates Organic farming and bottled water industry, Ministry of Health is concerned with Baby food and other Medical/Nutritional certifications and the Emirates Standardization and Metrology (ESMA) is the overall standards.

At the emirate level, Dubai Municipality oversees food quality control among other areas. Dubai Export Development Corporation plays an influential role in supporting exports in various sectors including F&B.

Roles of various regulatory bodies have been detailed as follows;

- ✓ **Ministry of Economy** – The Ministry is the pivotal authority for industrial regulations and policies. To promote exports the ministry provides a “**Made in the UAE**” website for manufacturers to promote their factories, products, and services. It enables UAE manufacturers to reach and connect with a global audience of buyers.
- ✓ **Emirates Authority for Standardization and Metrology (ESMA)**
The role of ESMA is that of preparing, approving, publishing, reviewing, modifying, issuing and adapting standards and technical regulations, and establishing a national measurement system in the country in line with the GCC Standards Organisation. However, the responsibility of enforcement of standards and inspections lies with respective Municipalities in each Emirate (except Abu Dhabi which has formed a separate body called Abu Dhabi Food Control Authority)

The pie-chart highlights the number of standards for each sector in the country.



Source: ESMA, 2010

The various standards and quality marks certified by ESMA aid F&B manufacturers in export and quality conformance.

- **ENAS:** Emirates National Accreditation system. The aim is to establish a national and international recognition of competence of testing & calibration laboratories, certification bodies and inspection bodies in UAE and to build confidence and reliability in test reports, calibration certificates, conformance certificates and inspection reports for international acceptance which will reduce the Technical Barriers to Trade (TBT). These services are accepted internationally by signing mutual



recognition agreement with international bodies to enhance the competency and integrity of labs, inspections and certification bodies---fees: AED 1100 for each application and certificate AED 2500 for each day of the auditor.

- **ECAS:** The Emirate Conformity Assessment Scheme – to support the effective implementation of UAE standards for products/services/system processes that affects health, quality, safety and environment. ECAS shall enable easy access of products in the GCC market.
- **UAE Quality Mark** – UAE National Mark of Approval for products. It provides a marketing edge because the product has been assessed and found to be in compliance with the requirements of the UAE/GCC standards. The mark is obtained by a one-time fee of approximately AED 30,000 subject to renewal every year. Presently, Fine Tissues and Jazeera Golden eggs are among the few manufactures which have obtained the Quality mark.

ESMA also provides information on other standards:

- a. Standardization Organisation for GCC (GSO)
- b. International Organisation for Standardization (ISO)
- c. International Organisation for Food Standards (Codex)
- d. IEC – Conformity assessment schemes for Electrotech Equipments & Components
- e. International Laboratory Accreditation Corporation (ILAC)
- f. Arab Industrial Development and Mining Organisation (AIDMO)

✓ **Dubai Export Development Corporation (EDC)**

EDC has been established to provide exporters with services required to enter or expand into foreign markets including trade information, branding advice, financial, legal and foreign trade representation and access to potential buyers. The EDC also undertakes an advocacy role for exporters in their relations with government and other relevant agencies through the formation of long-term and mutually beneficial partnerships (Thailand, Malaysia, etc). Further, EDC has international offices in India and KSA (2 key trade partners of UAE).

Various initiatives by EDC to support and promote exports of National firms are;

- **EAP - Export Assistance Program**, provides financial assistance to aspiring and current exporters. It intends to help exporters (SMEs), who have a stable operation and exploit international business opportunities, by providing access to financial assistance needed to support their export activities.
- **Dubai SPX - Dubai Sub-contracting and Partnership eXchange** is a program that serves as technical information sharing and match making hub, with a mission of promoting Dubai's industrial, business and service capacities.
- **Dubai Export Academy**, conducts seminars to enhance the exporting skills of UAE firms so as to ensure that they become successful in foreign markets.

✓ **Dubai Chamber of Commerce and Industry (DCCI)**

The DCCI F&B Business Group was founded to propel the growth of the sector through a dialogue between the firms and the government. The group meets regularly to discuss issues and interact with DCCI.



✓ **Dubai Municipality (Food Control Department)**

The department has the following roles and responsibilities;

- Inspection of food consignments bound for Dubai
- Issuance of Food Health Certificates
- Food Import and re-export services
- Food label approvals
- Food Safety enforcements
- Set guidelines for food transportation and operations, manufacturing set-up, etc.

The department conducts random checks to inspect manufacturing and warehouse premises and award grades as per a set of pre-defined check points. The grades determine the severity and frequency of inspections and penalties for non-compliance.

3. Government Initiatives and Programs

Initiatives to promote Manufacturing in Dubai² are divided into: Industrial licenses, Industrial Investment initiatives and other initiatives. Programs refer to various events and exhibitions held in Dubai to promote and build partnerships in F&B manufacturing.

• **Industrial Licenses**

- a. The DED issues **Industrial license** to carry out manufacturing activities
- b. **National Industrial License**: Issued to companies meeting the requirement for National Production Certificate. The license criteria is listed below;
 - The industrial firm must be registered in the Industrial register at the Industrial department
 - The firm must have a valid Industrial Production License issued by the Ministry of Finance and Industry.
 - The firm must have an industrial license issued by the Department of Economic Development
 - The contribution of the UAE national to the paid up capital should not be less than 51%.
 - The value added resulting from the production of the finished product should not be less than 40% of its final value.
 - The paid up capital should not be less than AED 250,000

• **Industrial Investment Initiatives**

- a. **Taxes and duties exemption** - Import duties on food products entering the GCC are simple and low: Bahrain and Oman have 5%; Qatar has a 4% charge; Kuwait and the UAE have none.
- b. **National industrial firms** enjoy exemption from any taxes or duties levied on profits or production, with the exception of certain administrative fees imposed by authorities in charge of licensing and issuing of certificates of origin.

² DED

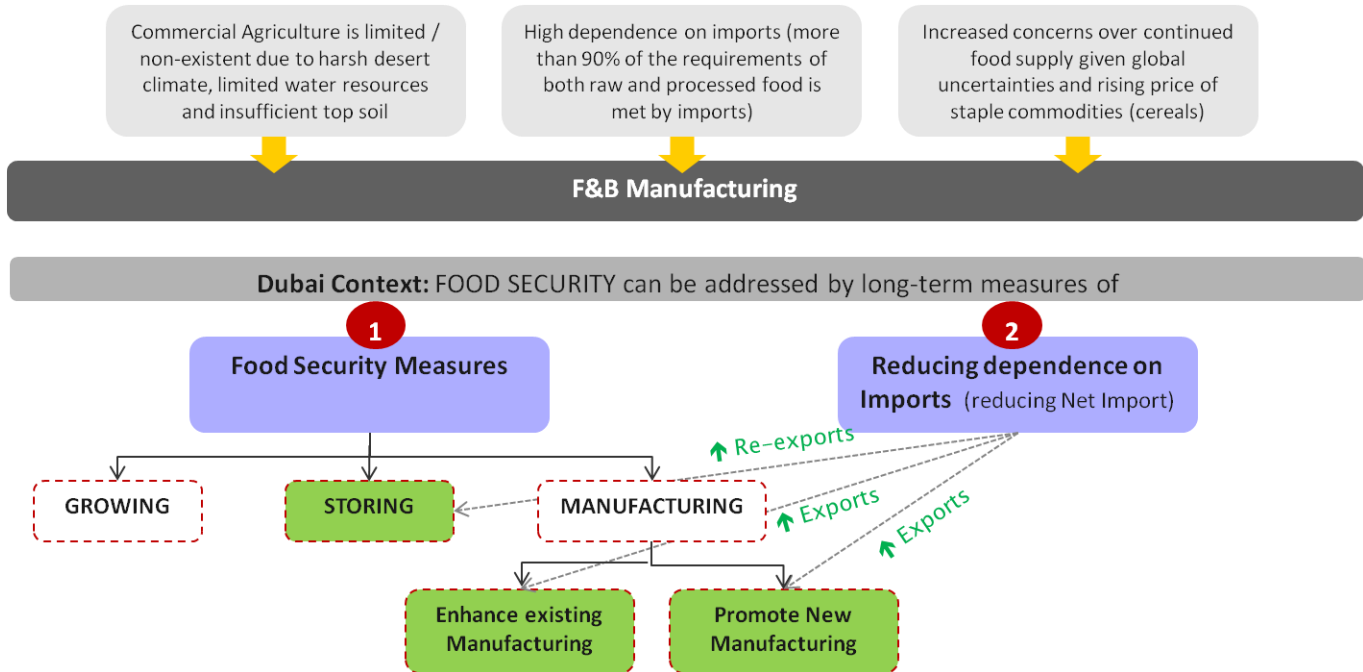


- c. **Exports exempted from custom duties** - The imports of industrial projects (machinery, equipment and raw materials) as well as their exports (manufactured or semi manufactured products) are exempted from custom duties
- d. Industrial establishments operating in Dubai are exempted from the chamber's fees.
- **Other Initiatives / Events**
 - a. Government bodies like **EDC (Export Development Corporation)** promote the development of national industry through organizing trade exhibitions and publishing industrial and commercial directories, information brochures regarding firms and their products
 - b. **Price Preferences:** National products are given a 10% price advantage in the government purchases over imported goods.
 - a. **Events and Exhibitions** like Gulfood, Ingredients Middle East, Gourmet 2010, Seafood Processing Expo, Halal Show, Organic Show, Private Label Middle East – FMCG, Sweets Middle East, etc. Such programs enable local firms to develop partnerships and secure deals with foreign firms.

Government Plan in the form of infrastructure and initiatives highlights the measures taken by the Govt. to promote local F&B manufacturing. The policies have been able to attract large global MNC firms into Dubai as a base for manufacturing and exporting across the Middle East.

Along with relevant manufacturing related policies and programs, the government is addressing Food Security related issues. The report briefly highlights the issues and provides an impact assessment of food security measures on the manufacturing industry in Dubai.

Government Plan – High-level objective of Food Security and its impact on Manufacturing Activities



Note; the report is a detailed assessment of Manufacturing related issues and opportunities. However, a high-level understanding of Food Security is provided to emphasize the strategic importance of the subject.

Food Security in Dubai context can be addressed through;

1. **Food Security Measures; (1) Growing of primary crops, (2) Storing of primary produce and processed food and (3) Local Manufacturing of F&B.** All the three measures and their applicability to Dubai context have been explained in this section.

2. **Reducing dependence on Imports (reducing Net imports)** - Net Import refers to higher value of imports versus exports for a particular commodity. Dubai has always been a Net importer of both raw and processed food.

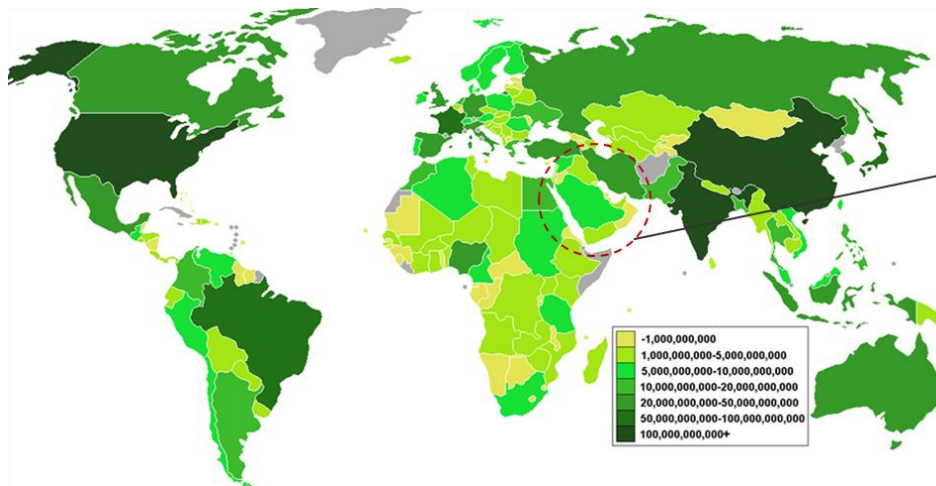
The gap between Imports and Exports reflects the growing import bills of the emirate in light of the limited manufacturing activities (and hence limited exports). The main reason for increase in imports is higher prices and an increase in demand on the back of growing population. The cost of imported products are expected highly influenced by currency changes, transport conditions, prices rises at the country of origin, supplier's behavior and other factors.³

³ Department of Economic Development, Abu Dhabi 2009

FOOD SECURITY MEASURES

Growing – primary production

Disadvantage: Limited capabilities in growing unless advanced methods of farming are adopted



The value of agricultural output in the GCC is much lower than the fertile plains of Asia and America. High summer temperature, sandy soil and arid climate in the region prevents a healthy crop production. More than 80% of UAE is covered in sand.

Government Support for Agriculture

- *Support to farmers* – equipment, easy loans and subsidies
 - *Organic farming initiatives* – free land access and water (13 at present)
- However, these projects have been coming under increasing criticism owing to the water resources they require.

Source: FAO - countries by USD value of their agricultural output, as of 2006.

Agricultural production is hampered by the country's climate. The UAE's hot and arid climate has few areas hospitable to large-scale farming (Abu Dhabi, Al Ain and Ras Al Khaimah). Further, UAE cannot meet the water requirements of cultivation. Extreme aridity, nutrient-poor soil and high summer temperatures coupled with unavailability of fresh water and seed stock has resulted in overall low percentage of cultivable land (less than 15%).

Food self-sufficiency, 2009		
	Arab region	UAE
Cereal	49%	40%
Wheat	48%	NA
Corn	34%	NA
Rice	75%	NA
Barley	29%	NA
Vegetable	101%	14%
Fruit	98%	1-2%
Sugar	28%	33%
Cooking Oil	32%	50%
Meat	86%	30%
Poultry	75%	18%
Egg	98%	50%
Fish	106%	80%
Dairy	69%	60%

Source: Arab Organisation for Agricultural Development, DCCI and DSC



Agricultural production is limited (pre-dominantly located in Abu Dhabi) and comprises Crops (tomatoes, cucumbers, squash), Livestock (chicken, eggs), Dairy (milk) and Fish. And hence, the country is highly dependent on food imports to fill the gap between domestic production and the demands of a growing and wealthy population. Imports are also fuelled by expatriates' preferences for foods from their home countries.

Most of the Arab region is deficient in growing sufficient crops. The food sufficiency table highlights UAE's current adequacy and inadequacy in food (UAE's average food self-sufficiency rate stood at only around 36% in 2009). The cells marked NA reflect absence of production in those varieties in the country.

'Growing' deficiency can be addressed through: (a) advanced methods of farming and (b) outsourced farming as possible solutions.

(a) Advanced methods of Farming:

- **Hydroponics** is a farming method of growing plants inside an enclosed structure without soil, but in a selected growing medium where the lighting, temperature, and nutrients are closely regulated. The method has many advantages and is suitable for the constrained natural environment of UAE. Some of these advantages are: minimal chemical usage, savings on water upto 300%, not dependent on local soil conditions and less labour intensive.

Mirak Group – leading farming developments in the country

Mirak, a Dubai based company with farms in Dhaid, produces high quality produce for distribution in the local market and export to countries like Japan, Hong Kong, Singapore and Europe. It has been successfully running hydroponic operations over the last 8 years.

- More than 50 hectares of farms in the oasis of Dhaid, Sharjah produce annually more than 2000 tons of high quality produce.
- Technologies and techniques used by Mirak include growing in hydroponic systems (the Vertical Growing and Channels System of growing), adapted to the U.A.E. climatic and growing conditions.
 - Saving more than 90% of water used in irrigation of crops, very low usage of high quality fertilizer applications, very low and in many cases no usage of Harmful Chemicals, are among the main features of these growing systems.
 - Mirak has been conducting numerous research and development programs over the past three decades with the aim of producing crops of high value and quality suitable for export markets as well as the local market.

- **Organic Farming⁴**

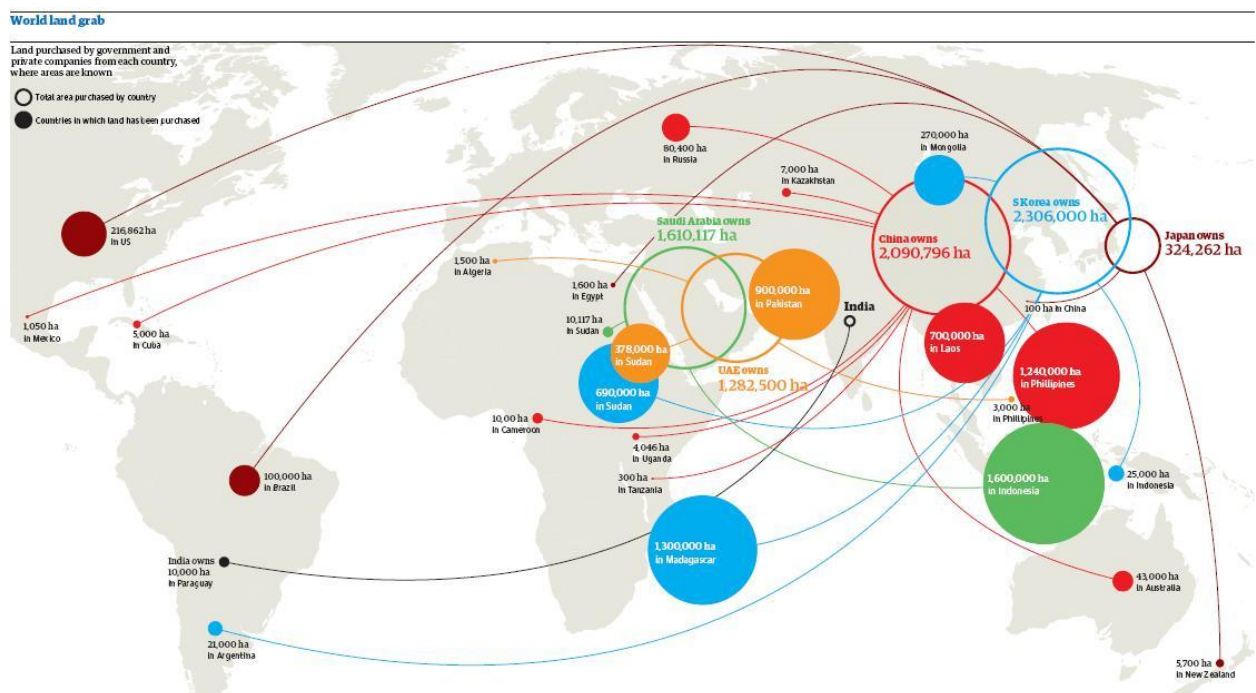
Organic farming is the process of producing food naturally by avoiding use of synthetic chemical fertilizers and genetically modified organisms to influence the growth of crops. GCC market for organic foods is currently valued at **AED 1.1 billion**. Presently there are 8 certified organic farms operating in UAE with another 7 under conversion– only a few are selling to retail. Desalination and import of water is a concern for organic producers going forward.

⁴ Ministry of Environment and Water

Government support for Organic Farming

- Currently international certifications are being taken by directly contacting the international certification bodies, however going forward the Ministry of Environment & Water intends to support farms in getting these certifications through the Ministry itself.
- Ministry of Environment & Water will pay 50% for building greenhouses and pay 50% for organic fertilizers to promote organic farming
- Government in Dubai plans to add 23 new organic farms by June 2011 to the 13 that already exist. In addition, the government will add new laws that regulate both local and imported organic foods that will include a trademark to make it easier for consumers to find the organic products.

(b) *Outsourced Farming* - solution to limited 'Growing' and securing food supplies for the future



Source: FAO (Food and Agriculture Organisation of the UN)

Note: The colored rings reflect the origin of investments and their size respectively. The completely colored bubbles reflect destination of investments.

Outsourced Agriculture refers to buying or renting arable land. Government across the GCC is actively investing in agricultural land across the globe to secure continuous food supply in light of growing population and limited agricultural production in the region.

Top 5 investors	Hectares obtained
South Korea	2.9 mn
China	2.0 mn
KSA	1.6 mn
UAE	1.2 mn
Qatar	0.5 mn

Source: International Food Policy Research Institute, 2009

The deals are either barter deals or promise for better seeds, marketing & distribution, schools and clinics. Such deals will enable to secure food commodities at affordable prices as well as allow for usage of raw materials in the home country for further processing thereby creating greater value- add for the economy.

Food Security Initiatives in the GCC

	Qatar	UAE	Saudi Arabia
Food Security - definition	<p>Food Security - increase domestic production in a sustainable manner, by preserving the natural environment and using green technologies, while at the same time supplementing the shortfall from imports.</p> <p>For this they have implemented a task force and a plan QNFSP (Qatar National Food Security Program)</p>	<p>Food security - strategy in which the country will build a three-month strategic stockpile of 15 commodities, to discourage rising food prices.</p> <p>UAE also plans to invest in agriculture overseas, including in Sudan and planting rice in Cambodia.</p>	<p>King Abdullah bin Abdulaziz proclaimed a “food security initiative,” backed by an investment fund of USD800 mn, to support investment by private sector Saudi companies in agricultural projects abroad in ensuring food security, combating poverty and providing rural employment.</p>

	Qatar	UAE	Saudi Arabia
Policy Measures	<p>QNFSP objective is to increase domestic production which will lead to scientific and technological development in the four following areas:</p> <p>Agricultural development, including the adoption of technologies such as Hydroponics and water-efficient techniques such as drip irrigation</p> <p>Water management and desalination technologies</p> <p>Renewable Energy with a special focus on solar energy and the establishment of a solar park</p> <p>Food Processing through the establishment of an Agro-Industrial Park</p>	<p>Abu Dhabi plans to develop over 70,000 acres of farmland in Africa's largest country Sudan as the first step in a broader strategy to secure food supplies amid rising prices. The farm in Sudan will grow alfalfa, which is used as animal feed, while soil studies were being carried out to decide on other crops. Corn, beans and potatoes are the prime candidates.</p> <p>The value of UAE's agricultural investments abroad has increased significantly (45%) from 2006 to 2008. In 2006, agricultural investments were approximately USD10.9 bn and reached USD15.8bn in 2008.</p> <p>The UAE controls more than 2,800 square kilometers in farms in Sudan as a result of its decision to invest in agricultural projects in fertile Arab nations</p> <p>Other interests lie in Bulgaria, Australia, Europe, Vietnam, Indonesia, Pakistan and other fertile Arab nations.</p> <p>Farmers will be granted Dhs 90,000 annually as financial subsidies. This will be distributed in equal monthly installments.</p> <p>Additionally, date farmers will be granted Dh10,000 on a one-time basis, with plans to gradually abolish the subsidies (as per the Ministry of Water and environment)</p>	<p>Saudi Arabia and IFAD have launched a major initiative under which they have identified eight countries (Lebanon, Yemen, Algeria, Senegal, Sudan, Morocco, Bosnia and Mauritania) to co-finance agriculture projects that would go a long way to ensuring food security.</p> <p>Some of the agreements involve Saudi private companies (Almarai Company and Savola Al Azizia United Company) getting a certain percentage of amount of foodstuffs produced in exports back to the kingdom in return for their investments. In other cases, the Saudi government can barter with these countries and exchange crude oil supplies in exchange for food.</p> <p>Riyadh's 2010 budget allocates USD12.3bn to the agriculture and water sectors, a 31% increase over 2009.</p>

Storing – storage of primary produce and processed food products

Strong Advantage: Ability to leverage on advanced Transportation & Storage infrastructure coupled with specialist “cold storage” capabilities of Emirates Sky Cargo.

The advanced Transportation and Storage infrastructure capabilities developed by Dubai have enabled significant strengths in Trade, Warehousing and Distribution of F&B foodstuffs.

- Dubai is at the centre of the Agri-food trade in the UAE, it is both an important market, and also acts as a major re-export market serving GCC, and the Arab region more broadly. The Dubai World Trade Centre estimates that Dubai imports 80% of the UAE's consumable items per year. 30-40% of these imports move-on to other markets, India, Pakistan and East Africa.
- Food items enter UAE primarily via seaports with free trade zones situated in all the Emirates. The Jebel Ali port and the Dubai Airport (Cargo village) are highly regarded for their expertise and precision in cargo handling. Dubai Cargo Village handles more air cargo than any other airport in the region, much of it coming into Dubai by sea and going out by air mainly to Europe.
- Food sold in retail outlets consist of 75-80% imported consumer-ready products, and 20-25% locally processed foods, further necessitating sufficient storage of food items. Most of the large supermarkets maintain their own warehouses.
- Further, local consumption is small, so opportunities exist for consolidators of mixed consignments, reconsolidation for re-exports to other GCC / Arab markets, repackaging and labeling.

Storage Capacity in Dubai is significant and allows for increased food storage, re-export, re-packaging and distribution activities

	Warehousing Capacity	Storage Capabilities
Dubai International Airport / Dubai Cargo Village	34,154m ²	Mechanical Handling, Air-Conditioned Storage, Refrigerated Storage, Deep Freeze Storage, racks for small, medium & large pallets
JAFZA, Dubai	Not available	Warehousing space in the range of custom-built units of 313m ² and 619m ² (and other spaces created by owners)
Dubai Logistics City	43,000m ²	Not Available
Abu Dhabi International Airport	40,000m ²	Bonded Warehouse ⁵ , Transit Zone, Mechanical Handling, Heated Storage, Air-Conditioned Storage, Refrigerated Storage, Deep Freeze Storage
Sharjah International Airport	21,600m ²	Bonded Warehouse, Air-Conditioned Storage, Refrigerated Storage, Deep Freeze Storage, Cargo terminals include storage facilities especially freezers, chillers, cool rooms. Trucking services are available to other airports in UAE

Source: Respective websites

⁵ A **bonded warehouse** is a building or secured areas in which dutiable goods may be stored, manipulated, or undergo manufacturing operations without payment of duty.

Food Storage Capacity: Dubai boasts of significant storage capacity (more than 60% of the total storage capacity in UAE). Further additional capacity is planned in the form of a *Food City to ensure sufficient stock and maintain prices of foodstuffs. The project is a 5mn square foot self-contained development, aimed at wholesale food merchant rolled out in four phases with phase one expected to be completed by 2012. This will significantly enhance Dubai's competitiveness as a storage hub for the Middle East.*

The Emirate's trade growth (particularly in prepared food-stuffs and other unprocessed food materials like crops, vegetables and livestock) have fuelled the need for increased storage and warehousing capabilities which in-turn are likely to promote value-added activities like break-bulk, re-packaging, grading, sorting and dispatch' of foodstuffs. The trade growth rate of prepared foodstuffs highlights growth in overall imports exports and re-exports, necessitating need for Storage.

Trade-pattern of Foodstuffs in Dubai

04 - Prepared Foodstuffs: beverages, spirits and vinegar, tobacco and substitutes of tobacco

		AED mn	Tons	AED mn	Tons	AED mn	Tons	CAGR
		2007		2008		2009		
		Value	Qty	Value	Qty	Value	Qty	
Direct Foreign Trade	Import	6575	2260574	6924	1382335	6222	894528	-3%
	Export	2809	1589283	2992	1567550	3494	1585341	12%
	Re-export	1744	337570	1687	311396	1987	359844	7%
		2007		2008		2009		CAGR
		Value	Qty	Value	Qty	Value	Qty	
Free Zone Trade	Import	4164	346589	5576	1505013	6331	1756710	23%
	Export	4459	269052	4561	151196	5124	163336	7%
		2007		2008		2009		CAGR
		Value	Qty	Value	Qty	Value	Qty	
Total	Import	10739	2607163	12500	2887348	12553	2651238	8%
	Export	7268	1858335	7553	1718746	8618	1748677	9%
	Re-export	1744	337570	1687	311396	1987	359844	7%

Source: Dubai Statistics Centre

Dubai houses more than 257 food warehouses meant for storage of dry, chilled and frozen food. Food Safety and hygiene of the food storage spaces is of prime importance for the Dubai Municipality and strict measures are in force to ensure the same. Around 7% of the warehouses did not comply with Dubai Municipality Food Standards in May 2010 (mainly on account of the following reasons: lack of proper ventilation and allowing stock to build up over months)⁶.

Manufacturing – domestic manufacturing and processing of food products

Advantage: Dubai could strengthen existing firms and develop 'value-added', 'niche' capabilities in F&B manufacturing to enhance domestic production

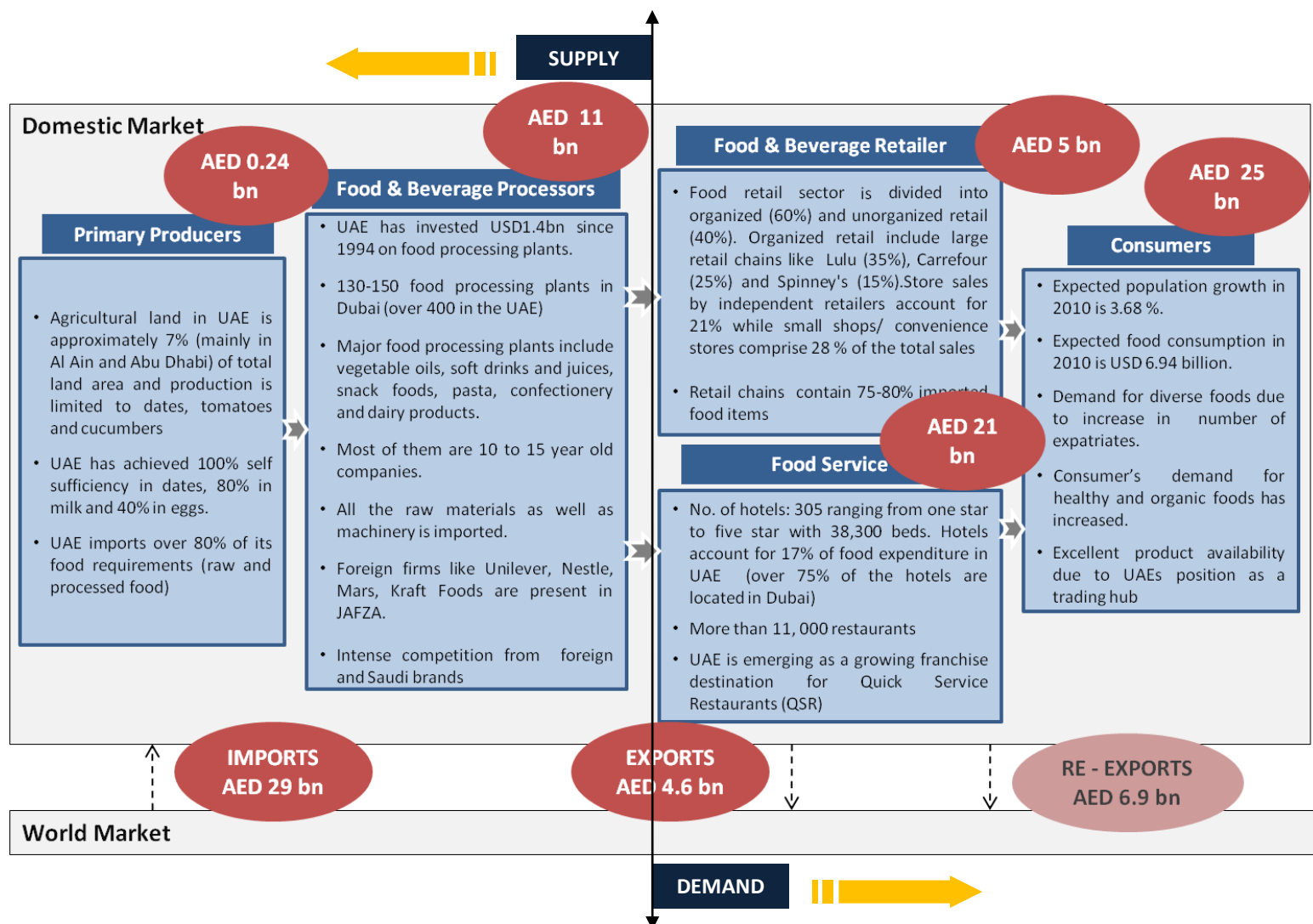
Note: Manufacturing capabilities and its assessment is covered in the following sections of the report.

The government plan thus highlights the initiatives taken to promote the industry and address Food Security concerns. The following sections are now focused on Manufacturing.

⁶ Dubai Municipality

(B) Current Situation Analysis

The following framework highlights structure of F&B in Dubai, originating from primary producers to the end users. *While Primary producers, F&B Processors and imports constitute 'SUPPLY' side of the framework, F&B retailers, Food service outlets (restaurants and hotels), consumers and exports comprise 'DEMAND' side. The structure highlights the in-sufficiency in domestic production and hence the high reliance on imports to meet requirements.*



Source: All figures are for UAE and represent sales revenue

- Primary Producers: Dubai Statistics Centre, 2008, Agricultural production of crops and fodder, fruits and vegetables
- Food & Beverage Processors: Datamonitor 2008
- Food & Beverage Retailers: Mass Grocery Food Retail Sales (Hypermarkets, supermarkets & convenience stores) – BMI09
- Food Service: BIS Shrapnel, 'Foodservice in the Middle East - the UAE 2009
- Consumers: Australian Trade Promotion Board, 2009
- Trade figures: Ministry of Economy, 2008 (includes raw vegetables, live animals, fats & oils and prepared foodstuffs)

Each of the above categories in the framework has been detailed in this section. Since the focus is on Food Processing firms, the other categories are discussed in brief.

1. PRIMARY PRODUCERS

Farms and forests cover about 4.5% of the UAE. As discussed earlier, primary production in Dubai is limited due to the arid conditions and soil conditions. The present farming lands are located on the Dubai-Hatta border and Dubai-Al Ain border. Some domestic Dubai crops are: Dates, tomatoes, melons, cucumbers, lettuce, aubergines, celery, camel milk, poultry and fish.

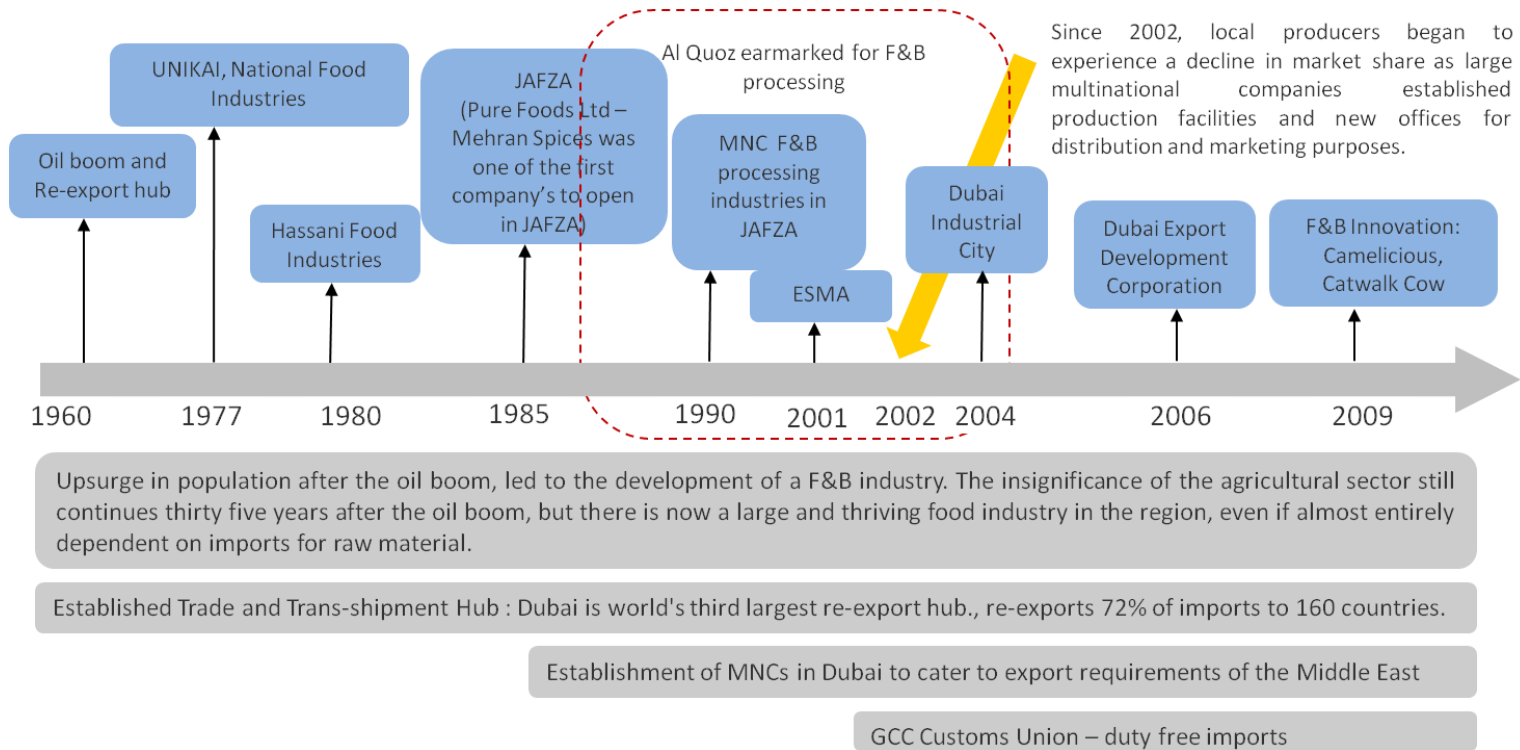
		Vegetables	Fruits	Crop & Fodder	Total
Abu Dhabi	Area (donum)	48831	1724197	278559	2051587
	Quantity (Ton)	179801	599665	2604733	3384199
	Value (AED mn)	296.6	1439.5	2866.9	4603.0
Dubai	Area	1159	17040	6912	25111
	Quantity	2137	16519	46418	65074
	Value	3.5	55.9	62.1	121.6
Sharjah	Area	9247	56165	15923	81335
	Quantity	27119	73671	143645	244435
	Value	41.8	249.7	188.1	479.7
Northern Emirates	Area	21594	76725	29551	127870
	Quantity	80751	93743	223237	397731
	Value	132.7	316.4	271.9	721.1

Source: Ministry of Environment and Water, 2003

Abu Dhabi (especially the Al Ain belt) contributes more than 90% to the total farming acreage and 80% of the agricultural output in UAE. Ras Al Khaimah contributes more than 60% to the total Northern Emirates output. *(Note: These are 2003 numbers, recent figures are not available).*

3. FOOD & BEVERAGE PROCESSORS

The evolution of F&B industry in Dubai was catalyzed by Government investments in infrastructure (Ports and Airports facilitating trade) and incentives in the form of duty-free imports (raw materials and equipment).



- Upsurge in population after the oil boom, led to development of F&B processing industry. The region with its harsh climatic conditions and lack of river water systems has virtually no agriculture activity. This necessitated large food imports, which ranged from ordinary beverages to packaged foods to perishables like meat and vegetables. However, population increased sufficiently by the early 1980s, to permit the development of a food processing industry almost entirely dependent on imports for raw material.
- **Export oriented industrialization** - The aim was to attract FDI (MNCs) from developed countries to the Emirate to increase manufacturing output with special focus on exports. Hence, Dubai resorted to enabling a business environment to make Dubai a destination of choice compared to neighboring countries (strategic trading location, well-equipped physical infrastructure and a relatively skilled workforce, coupled with political stability). This facility (Free Zones) in Dubai is typically intended as an export hub rather than a facility catering to the domestic market. The free zones saw the establishment of regional offices of large MNC corporations in Dubai to leverage on the advanced infrastructure and trade capabilities for exports. However, majority of the F&B units in the free zones are not manufacturing establishments. The dominant activity is warehousing rather than manufacturing. Operations taking place in the warehouses often add value



by preparing merchandise for its final markets: re-packaging, re-labeling, bar-coding, quality control, palletisation⁷ and unitization⁸.

- National industries are established local enterprises, usually part of large group of companies. One of the earliest factories was National Food Industries (Aseel Ghee, UNIKAI), led by other investments on Sheikh Zayed road in the form of Emirates Marconi, Dubai Refreshments, etc.
- In the early 1990s , Al Quoz as well as a part of Al Khail was earmarked for F&B firms, however the area is now cluttered with fabricators and construction related firms and few F&B firms (which potentially points to concerns on Food safety conditions)
- Establishment of large number of global MNCs in the free zones resulted in drop in market shares of local manufacturers in the domestic market. However, the established firms continue to supply to the domestic markets searching for new markets outside the Emirate (namely Africa).
- Most of the companies setup in 80s and 90s still continue to remain SMEs and have not being able to grow into large enterprises on account of competition from regional and global players and constraints of local market size.
- Recent years have seen the emergence of a few innovative SMEs. E.g. Camelicious (camel milk chocolates) and CatWalk Cow (Fat free brownie mix) were set up in the last two years.

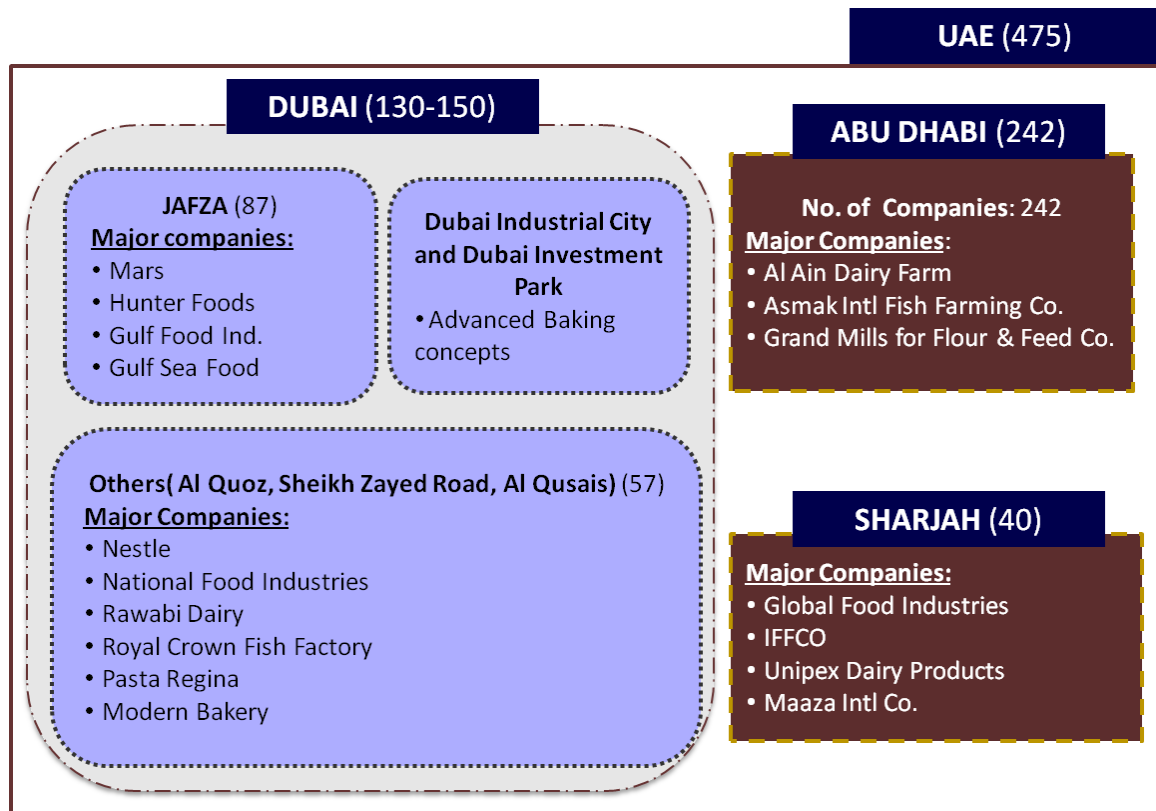
Dubai's food-processing sector has been undergoing a period of slow expansion over the past several years, a trend which is expected to continue moving forward. It has played a lead role in developing the food industry in GCC, despite it being much smaller than Saudi Arabia, the largest country in the GCC in terms of population, GDP and resources. *About 40 % of the region's food processing plants (both foreign and domestic) are estimated to be in UAE.*

The distribution of F&B firms in Dubai is illustrated in the diagram below. *While MNC companies are located in the Free Zone of JAFZA, established vintage players are located along Sheikh Zayed Road and some parts of Al Quoz in Dubai.*

⁷ Palletisation - to stack or transport on a pallet or pallets

⁸ Unitization - the act of packaging cargo into unit loads

Distribution of Food & Beverage Industrial Establishments in UAE



Source: Based on Dubai Statistics data 2008, Ministry of Economy Industrial Establishments survey and JAFZA data

Note: For Dubai There are 192 companies with less than 10 employees in the F&B Manufacturing category, most of these are small bakeries and are not included in the diagram above

Dubai Industrial City created especially for F&B companies, has witnessed slow growth in new firms mainly because of unfinished infrastructure developments in the area. Although the site is strategically located parallel to JAFZA, near the Abu Dhabi border and close to the new Al Maktoum airport, high industrial land prices (as compared to other emirates) has resulted in many firms looking for cheaper land options in Sharjah or Umm Al Quwain.

Based on Dubai Statistics Centre Data - The above statistics are for the period 2007-2008 and hence may not reflect any recession and post-recession impact.

2 digit Codes (ISIC 3.1)	Total number of establishments 2007 (classified by number of employees)								Total number of establishments 2008 (classified by number of employees)							
	(1-10)	(11-25)	(26-50)	(51-100)	(101-250)	(251-500)	(501+)	Total	(1-10)	(11-25)	(26-50)	(51-100)	(101-250)	(251-500)	(501+)	Total
15- F&B Manufacturing	180	50	25	30	28	17	9	339	192	38	26	36	27	18	9	347

2 digit Codes (ISIC 3.1)	Gross Value Added 2007 in AED mn (classified by number of employees)								Gross Value Added 2008 in AED mn (classified by number of employees)							
	(1-10)	(11-25)	(26-50)	(51-100)	(101-250)	(251-500)	(501+)	Total	(1-10)	(11-25)	(26-50)	(51-100)	(101-250)	(251-500)	(501+)	Total
15- F&B Manufacturing	48	101	172	277	891	896	1,104	3,490	135	83	107	602	789	1,266	1,052	4,034

2 digit Codes (ISIC 3.1)	Output 2007 in AED mn (classified by number of employees)								Output 2008 in AED mn (classified by number of employees)							
	(1-10)	(11-25)	(26-50)	(51-100)	(101-250)	(251-500)	(501+)	Total	(1-10)	(11-25)	(26-50)	(51-100)	(101-250)	(251-500)	(501+)	Total
15- F&B Manufacturing	310	277	423	1,348	2,787	4,581	6,712	16,439	480	269	368	3,195	2,083	5,816	5,823	18,033

2 digit Codes (ISIC 3.1)	Total no. of employees 2007								Total no. of employees 2008							
15- F&B Manufacturing	22,908								24,249							

Key Industry Indicators	2007 in AED mn (classified by number of employees)								2008 in AED mn (classified by number of employees)							
	(1-10)	(11-25)	(26-50)	(51-100)	(101-250)	(251-500)	(501+)	Total	(1-10)	(11-25)	(26-50)	(51-100)	(101-250)	(251-500)	(501+)	Total
GVA per establishment	0.3	2.0	6.9	9.2	31.8	52.7	122.7	10.3	0.7	2.2	4.1	16.7	29.2	70.3	116.9	11.6
Output per establishment	1.7	5.5	16.9	44.9	99.6	269.5	745.7	48.5	2.5	7.1	14.2	88.8	77.1	323.1	647.0	52.0
GVA per employee	0.15								0.17							
Output per employee	0.72								0.74							

Note: the above data is not valid for 2009-2010

Key industry indicators reflect a significant improvement in the category of companies with 51-100 employees. The number of companies in this category increased from 30 to 36 in 2008 with a more than 100% increase in their GVA and overall output. The overall GVA per employee and output per employee has also increased in the given period reflecting growth and enhancement of the industry in the period.

For the purpose of the study, F&B manufacturers / processors have been classified as per product categories. Each of the product categories have been detailed below with respect to their market characteristics, typical capital requirements, demand trends, opportunities, key players and competitive landscape. Based on the descriptive analysis the table also highlights current presence of SMEs in each product category.

F&B Product Categories			
1	Meat and Poultry Processing	9	Sweets, Chocolate and Confectionery Products
2	Sea Food Processing	10	Ready-to-Eat Products Processing
3	Animal Feed Processing	11	Sugar, Tea and Coffee Processing
4	Fruit and Vegetables Processing	12	Spices Processing
5	Vegetable Oils and Fats Processing	13	Baby Food Products Processing
6	Processing of Milk	14	Bottled Water
7	Milk-based Products Processing	15	Beverages (except bottled water and dairy based drinks)
8	Grain Mill Products Processing		

Source: Based on ISIC Rev. 4 classifications and mapped to Dubai context as per project requirements.

Note: Ready-to-Eat products shall be studied under each product category as relevant.

Descriptive Analysis of Product Categories in Dubai

	Product Categories	Key Characteristics	Number of companies and Key Players
1	Meat and Poultry Processing	<p>UAE has a significant local meat processing capacity with over 60-65% of the meat being processed locally and the rest being imported. The output of 12,500 tons consists mostly of burger patties, other minced meats and beef Mortadella.</p> <ul style="list-style-type: none"> Raw materials are Imported from Brazil, India, Australia 80% of sourcing is through imports and small items are procured from local market Import ingredients – seasoning (spices, premix etc) <p>Poultry is largely imported from South America although there is some local production particularly out of Saudi Arabia. Most eggs are sourced locally, although there are imports of free range and organic eggs.</p> <p>Majority of the firms are large firms with more than 200 employees and initial capital outlay of AED 17-20 mn. Market is segmented into two parts</p> <ul style="list-style-type: none"> Frozen Product – Burger, Kebabs – ready to cook Chilled Products – Mortadella, Salami – ready to eat <p>Total UAE Market Size AED 600mn. Market Size for locally processed value added products - around AED 360 – 400mn</p> <p>Import of prepared & preserved meat – AED 200mn in 2008</p> <p>Demand Conditions: The UAE market is relatively sophisticated for the region with demand having moved to chilled product from the traditional frozen carcass.</p> <p>Currently there is an overcapacity of meat processing activities in UAE (EMKE Group has recently shelved its project to start a meat processing plant in Al Ain). Moreover, the category is highly capital intensive with requirements for special machines to heat and cool meat for preserving and packing.</p> <p>Opportunities: Opportunities lie in providing premium products like enriched eggs, egg white powder, egg white only, value-added innovative meat products (different batter and flavorings) for export market. Meat processors can also look at Pet food category.</p> <p>EXAMPLE: Al Jazira Eggs - Al Jazira Poultry Farm LLC produces “Golden Eggs” and is Dubai’s first egg producing farm, established in 1999. Al Jazira Poultry Farm is one of the few organizations in the food sector and the first poultry farm to have been awarded the Emirates Quality Mark.</p>	<p>GCC: Six of the 15 major meat processing plants are in the UAE; with the other nine are located in Bahrain, Kuwait and Qatar.</p> <p>UAE: There are around 11 companies in meat processing, located in Dubai and Sharjah.</p> <p>The category is dominated by large players in Dubai (Al Kabeer, Al Islami) and KSA (Sadia). Large players are Al Kabeer (20-25% market share), Americana, Al Islami, etc.</p> <p>SME Presence: Low</p>



	Product Categories	Key Characteristics	Number of companies and Key Players
2	Sea Food Processing	<p>The seafood processing industry in MENA region is growing at a rate of 5% per annum.</p> <p>Market size of sea food processing (primary processing excluding value-added products) in UAE is AED 400 mn. (2009)</p> <p>The seafood processing industry in Dubai is typically known for canning and preserving of seafood. Most of the raw fish is imported from Oman, Thailand, Vietnam, Philippines, India and Iran which is then processed in plants and converted into a number of seafood preparations.</p> <p>A key element of seafood manufacturing is proper storage. Dubai has ample facilities for cold storage in JAFZA and in rest of the Emirate. This has enabled a strong wholesale market in Dubai mainly catering to the Hotel, Restaurants and Institutions segment (HRI).</p> <p>Most processors located in Dubai/Ajman buy from wholesale market</p> <p>However, challenge lies in sourcing sufficient quantity of fish given the global situation of depleting fish reserves and disposal of waste generated.</p> <p>Opportunity: Fish Farming (high investment) – There is no major aquaculture industry in the country (One aquaculture farm on commercial scale in UAE producing approximately 1400 tons of local and exotic fish).</p> <p>SME opportunity lies in value-added products for HRI segment in the Middle East as well as Europe</p> <p>EXAMPLE</p> <p>Al Islami - One of the oldest firms (30 years old) with modest beginnings. The company has earned many accolades: Supply Chain & Logistics Award from Al Maktoum Business Award, Best Halal Food award, Superbrand GCC (Most preferred brand in the region), etc. The company also has a list of firsts: Halal food for children, range of quality products that are 100% REAL Halal, launch of Halal-certified AL ISLAMI Feta White Cheese, Glass Cheese, Portion Cheese, Slice Cheese, Mozzarella, Halloumi Cheese, and more.</p> <p>To meet the challenges posed in an increasingly competitive market, the company has conducted new and innovative promotional campaigns focused on HALAL concepts.</p>	<p>Dubai has very few seafood processing companies out of which only two or three are located in JAFZA (Gulf Sea Food, Gulf Food Industries and Al Mhail Fish Manufacturing Factory). These companies export 40% of sea food preparations to Middle East, USA and Fareast.</p> <p>Only ten companies in UAE manufacture value added seafood products most of which are located in Dubai (Al Kabeer) and Sharjah (Cascade Marine Foods Ltd.). No foreign player exists in processing of seafood.</p> <p>In Dubai, trading of seafood products is popular. Traders deal in buying and selling of seafood preparations in UAE of which most are located in Dubai (Emirex Fisheries, Trans Ocean Sea Food, Al Kaseb Foodstuff and Gulf Sea Fish Trading). According to DCCI, companies involved in trading for seafood preparations amount to 19.</p> <p>SME Presence: Low</p>



	Product Categories	Key Characteristics	Number of companies and Key Players
3	Animal Feed Processing	<p>UAE Total Production is around 400,000 tons/year (most plants are operating at 50 to 60% capacity)</p> <p>Market Size is around AED 450mn</p> <ul style="list-style-type: none"> 95-97% of the production is for local sales Customers Segments -Farms (60%) and Retail Shops in Al Ain, Abu Dhabi <p>Due to high imports of meat products, local livestock production has gone down and thus led to less demand for animal feed. Prices of feed have gone up and thus cost of running animal farms has also increased. Significant overcapacity is built-up in this category. Capital intensive business AED 40mn and above which needs large scale production. Low Potential for SME participation due to limited local market (limited livestock production) and difficulty in competing with export market (economies of scale and cost).</p> <p>EXAMPLE Gulf Feed Mill - Production capacity is around 130,000 ton/year, average production is around 60,000 to 80,000 tons/year (operating at 50% capacity). The company is facing tremendous pressure due to low cost imports and closure of livestock farms due to competition from big farms.</p>	<p>5 large Companies in the UAE: Grand Mill (Abu Dhabi) – largest company 300 employees, National Foods (Abu Dhabi), Unipex (Sharjah), Gulf Feed Mill (Dubai) - 130,000tons/year capacity and Fujairah Feed company – Small company – around 60,000 capacity</p> <p>Gulf Feed Mill has 15-20% market share in UAE while Grand Mill is the largest producer.</p> <p>SME Presence: Low</p>
4	Fruit and Vegetables Processing	<p>UAE imports around AED 1347mn (2008) worth of processed vegetables and fruits annually.</p> <p>Dubai faces intense competition from foreign players such as Saudi Snack Foods Co. Saudi Arabia has acquired the art of growing chipping quality potatoes. Thus, they are able to manufacture potato snacks at a much lower cost as compared to the companies in Dubai. Lays (produced by Saudi Snack Foods Co. but a brand of Pepsi Co.) gives stiff competition to the local brands such as Pofaki, Mr Krisps, etc. In the tomato paste category, Dubai brand such as Safa faces high competition from Del Monte (US brand).</p> <p>Dates - The date processing industry is dominated by 7 players and faces competition from neighbouring countries</p> <p>Tomato Puree/Paste, Mayonnaise, Ketchup plant machinery AED2.4 mn for 500kg/hr. Jams and Marmalade Production for 500lts requires AED3mn for machinery.</p> <p>Average employees per company range from 50 to 100 depending on extent and type of operations. Established National brands like National Food Industries and Hunter Foods have been in the market for over 15 years.</p> <p>Opportunity: Potential to look at value added date products, tomato pastes and jams and marmalade to the HRI segment.</p>	<p>The number of companies registered with DCCI for fruits and vegetables processing are 20 which manufactures tomato paste, jams and potato chips. Out of which, four are located in JAFZA.</p> <p>According to DCCI, companies involved in trading of fruits and vegetables and its preparations are 576.</p> <p>The major fruit and vegetable processing companies are located in JAFZA (Hunter Foods Ltd, Gulf Food Industries, Gulf Processing Industries, and Amize Food Industries).</p> <p>Others are located in Al Quoz (National Food Industries, Crown Food Industry, and</p>



	Product Categories	Key Characteristics	Number of companies and Key Players
		EXAMPLE Hunter Foods - The company is known for its innovative products (Specialty in gourmet snacks - Potato Chips, Ice lollies, Fried onions, lentil pappad and corn pappad) and private –label manufacturing Partnered with companies to manufacture private labels - Armani Café, EPPCO, Cozy café. It is one of the first Companies in MENA to get the SQF 2000.	Hassani Food Industries) and in Al Ramoul Industrial Area (Best Foods, Saigol & Gulf Ltd. Co). SME Presence: High
5	Vegetable Oils and Fats Processing	<p>The current market size in UAE is estimated to be around 60,000 tons / year, which translates into an estimated revenue potential of over AED 480 Mn. Average employees per company in UAE are around 200.</p> <p>The products produced by Dubai industries: Sunflower oil, Corn oil, Ghee, Soya bean oil, Palm Oil and fatty acids.</p> <p>Capital intensive industry (single line of equipment costs around AED160 mn)</p> <p>EXAMPLE United Foods company - The company is known for its brand - Aseel Ghee that has been in production since 1970's and is one of the oldest and biggest manufacturing plant in UAE. UFC has a plant planned in JAFZA that's costing AED160 million.</p>	<p>Five major refining and packaging plants generate about 200,000 metric tons annually in the GCC (UAE 40%; Bahrain and Oman 25% each; Kuwait 10%). Future expansion plans, mainly in the UAE (Aseel Ghee), are likely to double regional capacity.</p> <p>Dominated by large players like United Food Company (Aseel – Dubai), Mazola (KSA)</p> <p>SME Presence: None</p>



	Product Categories	Key Characteristics	Number of companies and Key Players
6	Processing of Milk	<p>As per a large Dairy manufacturer in UAE, market size of Milk processing is: Liquid milk 195,000 tones.</p> <p>Consumption of milk is high in UAE (per capita consumption of 25.4 liters p.a. while KSA is 22 liters p.a.)</p> <ul style="list-style-type: none"> The category is highly capital intensive with large equipment required for processes like pasteurization and homogenization. Fresh Milk processing also involves maintaining a cold storage chain which leads to extra costs. Around 20-30% of milk is imported from Saudi Arabia. Milk prices are higher in UAE than Saudi and it becomes a cheaper option to buy fresh milk from Saudi, as Saudi government gives subsidies for milk production. During summer, as much as 40% of the needs are imported from Saudi Arabia Low reliance on imports – local production caters to the domestic requirements. (24% of the liquid milk market is served by imports) Exports of liquid milk are primarily to neighboring countries like Oman. <p>Opportunities: Some SME opportunities exist for setting up UHT plant, milk spray businesses etc. in the dairy space.</p> <p>UHT: Converting milk powder/fresh milk into long life milk – AED40 mn to set up a plant of 100,000 liters/day</p> <p>Milk spray drying unit – investment of around AED 10-15m.</p> <p>EXAMPLE</p> <p>Gulf and Safa Dairy - Gulf and Safa dairy is one of the oldest dairy companies with over 40 years of successful presence in the UAE. A progressive company with dynamic management, Gulf and Safa is renowned for its popular brands like Laban UP, Sterilac and Safa. The company has been successful in launching flavored Laban drinks (garlic, mint)</p>	<p>Market over saturated with dominant players (Dubai - 2, UAE - 7 and GCC competition from Saudi giants like SADAFCO and Al Marai). Further, the players are diversifying into milk based drinks and products (healthy variants)</p> <p>UAE market shares: NFPC 33% (includes Almarai contract manufacturing), Al Ain Dairy 28%, Al Rawabi Dairy 26%, Gulf & Safa 6%, Marmum Dairy 5% and UNIKAI 2%.</p> <p>SME Presence: None</p>



	Product Categories	Key Characteristics	Number of companies and Key Players
7	Milk-based Products Processing	<p>UAE Market size for value added dairy products – 295,000 tonnes in volume (AED 800 Mn)</p> <p>Health awareness is rising and thus a shift towards healthy products. Global move towards higher margin products like gourmet Italian cheeses or new products like low fat products, super premium frozen desserts. Regional trend moving towards value added products such as pro-biotic and other functional yoghurts, reduced-fat and enriched milk products and fermented dairy drinks and organic cheese.</p> <p>UAE Market size for value added dairy products (Laban, yogurt, cheese etc) – 295,000 tonnes in volume</p> <ul style="list-style-type: none"> • Laban Market size – AED 200mn (High Local Production) – low imports (11% of the market served by imports) • Yoghurt Market Size – AED 330mn (High Local Production) – low imports (13% of the market served by imports) • Cheese Market Size – AED 200-220 mn (2008) - low local production • Butter Market Size – AED 100 to 110 mn (2008) – low local production • While there is no local production of milk power, some domestic re-packing from bulk does take place. <p>Dairy products produced are primarily ice cream, butter, yogurt, cheese and cream. Powdered milk is imported mainly from the EU and New Zealand to supplement local fresh milk production. Other suppliers include Denmark, France, Turkey, Lebanon and Australia.</p> <p>Local consumption of dairy is high, including pasteurized fresh milk, labneh (cream cheese) and Laban (liquid form). Western brands of dairy products, particularly yoghurts and specialty cheeses, can be found in most retail environments, although the volume brands are local.</p> <p>Most of the milk processing plants have diversified into milk based products. Dominated by large players (milk processing industry) and Cheese & Butter – largely international imports</p> <p>Opportunities: Opportunities requiring low investment exist in pro-biotic Laban (health drinks, milk processing – Goat & Camel Milk, Cheese Plant (Natural Cheese) and yoghurt plant (Fruit & Pro-biotic Yoghurt)</p> <p>EXAMPLE</p> <p>Al Rawabi - The company maintains high visibility given its 300-strong sales and merchandising team which operates along 150 routes, ensuring smooth distribution of Al Rawabi product from the point of dispatch through the delivery process to in-store distribution. The staff is also responsible to check stock at retail outlets and its replacement.</p> <p>Launched a new line of Health and Functional products – Yoghurt (aloe vera and green tea flavoring), dairy based drinks which are fortified. Further, the company is also active in R&D with the launch of its newly designed bottle inspired by cows.</p>	<p>60 dairy processing plants (about 40% in the UAE) produce 300,000 tons of dairy products annually)</p> <p>Large players are: Al Rawabi, Al Marmum</p> <p>SME Presence: Low</p>



	Product Categories	Key Characteristics	Number of companies and Key Players
8	Grain Mill Products Processing	<p>Grain Mill Products Processing refers to manufacture of cereal breakfast foods, bakeries, milling of flour or meal from grains or vegetables and the manufacture of starch and starch products.</p> <p>UAE Biscuits Market – AED 500 Mn. Imported brands (mainly from Europe, Brazil, the Far East and India) continue to account for around 40% of the domestic market for biscuits.</p> <p>UAE Pasta & Noodles Market – AED 200-250 Mn</p> <p>The typical capital requirements are mainly for machinery (extrusion machines for pasta and other bakery related equipment) and range between AED 2 to 5 mn.</p> <p>Opportunity: Commercial Bakery for pastries, muffins, cakes, Premium Biscuits. Opportunity also lies in JV with international players for knowledge and technology transfer.</p> <p>EXAMPLE Emirates Macaroni - Is the oldest pasta manufacturer in the UAE. The company is currently planning to launch a new noodle manufacturing unit for packaged and instant noodles.</p>	<p>Currently there are more than 100 bakeries registered in Dubai (micro firms with less than 10 employees)</p> <p>Major supermarkets like Carrefour, Lulu, and Choitrams have their own bakeries.</p> <p>UAE Manufacture of bakery - biscuits and other – 2 major companies (Tiffany Foods IFFCO Group, 62% market share, has the largest biscuit manufacturing facility in the UAE). It has been the largest producer of biscuits and exports around 80% of its production to major markets in Africa, the GCC, Canada and Europe. Seville products, is also part of the IFFCO group. Seville Products produces chocolates, confectionery and wafers. Others are Strategic Foods 31% (Al Quoz) and Masterfoods 7% (JAFZA) which are mainly focused on exports.</p> <p>SME Presence: Medium (Bakery – High)</p>
9	Sweets, Chocolate and Confectionery Products	<p>Confectionery Confectionery is dominated by imported products, controlled by multinationals. Nestle, Kent, Cadbury's, Kraft Foods etc. do not operate manufacturing operations in the UAE, and, although their brands are strongly marketed in the country, all products are imported.</p> <p>Masterfoods do have a manufacturing presence in the UAE for the production of the GALAXY chocolate range. Hershey's brands are locally manufactured by Seville Products (part of the IFFCO Group) under a contract-packing arrangement.</p> <p>There is limited production of chewing gum in the UAE (Smitters Gum Industries located in Sharjah), with the local chewing gum market dominated by imported brands.</p> <p>Chocolate</p>	<p>Majority of the companies are situated outside the free trade zone except Nestle, Food Point, Ami's Food Industries, Kraft Foods and Mars.</p> <p>The number of companies registered with DCCI for pastry and sweets manufacturing are 80.</p> <p>64 companies are registered with DCCI for</p>



	Product Categories	Key Characteristics	Number of companies and Key Players
		<p>UAE Market Size of AED 550 Mn, 27% growth by value and 14% by volume in 2009. The faster growth in value over volume is an indicator of demand shifting into bespoke, luxury chocolates over cheaper chocolate bars.</p> <p>A study revealed that the chocolate market in the UAE is robust with 98% of respondents claiming to consume chocolate at least once a week. Customer Segments targeted are middle-upper class expat families and local Emiratis.</p> <p>For low end products the market is dominated by multinationals like Mars & Cadbury who compete fiercely on price and branding. Chocolate is entirely imported in Dubai. No brand manufactures chocolate from scratch in the emirate. Local chocolate imports chocolate from France and Patchi imports chocolate from Lebanon and KSA.</p> <p>Setting up a chocolate plant is capital intensive. Machinery and raw material used to manufacture chocolates are imported. Chocolate packaging machines itself cost around USD 100,000.</p> <p>Opportunities: Freshly made, high-end premium products like chocolates & cakes are made by SMEs. SMEs can look at establishing a strong brand targeted at middle-high income families and local Emiratis. They can sell their products through boutique retail outlets, thus reducing their cost of distribution through traditional retail channels (hypermarkets etc).</p> <p>JV opportunities with international brands to manufacture candies, gums and chocolates in Abu Dhabi – international companies can setup local manufacturing to cater to middle east region.</p> <p>EXAMPLE Nadiya Dates The economic recession has changed consumer preference for buying luxury items, hence Nadiya dates has renovated its packaging from the elaborate boxed to dates in poly bags – for the product to be accessible to the mass market. However, different forms of packaging and different products require new machinery increasing the overall capital requirement.</p>	<p>sugar candies manufacturing out of which Nestle is a foreign player.</p> <p>38 companies manufacture cocoa and chocolate candies in Dubai. Out of which, Mars and Kraft Foods are located in JAFZA and are foreign players.</p> <p>Local brands of chocolate face competition from Tiffany (IFFCO) and foreign players such as Nestle and Mars. 8 players in the UAE fresh luxury chocolate products business, including the following significant players: Patchi, Pistache, Foualla.</p> <p>SME Presence: High</p>
10	Sugar, Tea and Coffee Processing	<p>UAE dominates sugar processing in the GCC. UAE consumption demand, after adjusting for speculative demand, is between 500 and 600 thousand tons (AED 900mn to 1bn) More than half of this demand is being met by domestic manufacturing of refined sugar (albeit from imported raw sugar).</p> <p>Sugar manufacture in U.A.E. is confined to refining sugar from raw sugar, for both domestic and export markets. There is only one factory, in Dubai.</p> <p>Substantial demand for sugar from the manufactured foods industry (particularly soft drinks) and also from the large number of restaurants and bakeries. Sugar processing is not an SME industry and investment sizes are typically large in this industry (AED 350mn and above)</p> <p>Coffee (Imports of around 90mn AED) - Coffee demand is met by large international players. The tea bag market is dominated by Unilever's Lipton Tea in UAE (as well as in the GCC).</p>	<p>Only 1 large scale sugar factory – Al Khaleej Sugar in Dubai serving the entire GCC, producing around 1.5mn tons of sugar (90% of this production is exported)</p> <p>An additional plant is planned for Oman.</p> <p>SME Presence: Low</p>



	Product Categories	Key Characteristics	Number of companies and Key Players
11	Spices Processing	<p>Market Size - Raw and processed Spice Imports stood at AED 650mn Spice market can be segmented into branded market and unbranded market</p> <ul style="list-style-type: none"> Branded market – 15-20 players in UAE Unbranded – all B class supermarkets have their own spices (around 200 in UAE and 45 in Abu Dhabi, 75 in Dubai) and Large retailers have their own brands <p>Capital investment is approximately AED 15 million for a 5 mn kgs of annual production capacity. Opportunity: Opportunity for manufacturing Arabic spices with focus on exports to Arab countries and Africa– Arabic Mix: Zaatar, Sumac, Rosemary, Tahina (produced in Jordan and Lebanon) and Premix Business - Chicken Biryani etc.</p> <p>EXAMPLE Gyma Spices - The processing involves identifying quality products from across the world which is then cleaned, graded, grinded, roasted, flavored and packed.</p>	<p>Gyma (34% market share) and Shama (both Dubai based) are leading brands in spices in UAE. Moreover there are small mills that are grinding spices.</p> <p>SME Presence: High</p>
12	Baby Food Products Processing	<p>Baby food manufacturing is a highly capital intensive and regulations oriented product category. The manufacturing needs to meet stringent Health and infant guidelines to start processing. International organisations involved in Food safety and quality - FAO, WTO, WHO, Codex Alimentarius Commission Almarai in KSA has recently announced a JV with Mead Johnson Nutrition company to make baby foods in the Gulf region for an undisclosed value. Presently there is no major manufacturer of baby foods in UAE and the market is dominated by international brands like Heinz, Guber, Hero, etc.</p>	<p>SME Presence: No player</p>
13	Bottled Water	<p>UAE's mineral water industry is worth around AED1bn – BMI estimates. The UAE's per capita bottled water consumption has reached 275 liters per annum, which is comfortably the highest consumption rate in the world.</p> <p>Bottled water segment is dominated by local producers. Locally produced bottled water is very competitively priced, with 20-litre tower bottles delivered to residences and offices for around AED7-10. Imported bottled waters are generally successful (at a higher price point than the local) if they have strong brands internationally and particularly in Europe and Lebanon. Current trend in hotel restaurants is to have a bottled water menu which lists brands from all over the world.</p> <p>Masafi in Dubai and Al Ain Water in Abu Dhabi control more than 40% of the total market respectively in their Emirates (in both the retail and gallon business) Capital investment includes - machinery, filling plant, date coding, storage tank, compression, ozone – to kill bacteria, 15 delivery Canter trucks that will deliver around 192 bottles in a single delivery Machinery Cost: 3-4mn AED for 4000 Ltrs /Hr plant.</p>	<p>Bottled Water in UAE (upto 1litre)</p> <ul style="list-style-type: none"> Leading companies in UAE are Masafi, Al Ain Water, Oasis, Gulfa, Jeema Mineral Water Market Shares – Masafi (35-40%) and Al Ain Mineral Water (25%) <p>Bulk Bottled Water in UAE (5 gallons)</p> <ul style="list-style-type: none"> Leading Companies – Oasis, Al Ain Water Oasis is the market leader with around 40% market share <p>SME Presence: Low</p>



	Product Categories	Key Characteristics	Number of companies and Key Players
14	Beverages (except bottled water and dairy based drinks)	<p>UAE Fruit Juice Market Size AED 800-900mn (2009). Large players dominate the market. Growth is around 10-15%.</p> <p>The UAE market for non-alcoholic beverages is virtually self-sufficient. The market for all soft drinks products is dominated by local production although imports for juices from other GCC producers have increased considerably over the past few years. Several major dairies have added juice processing product lines to complement their dairy production. Juice markets are dominated by local production. There is also a selection of imported juices and juice drinks, with South Africa being a major supplier.</p> <p>Fruit juice industry is capital intensive with limited SME potential and dominated by large players</p> <p>Opportunity: High value products - functional drinks category and ready-to-drink teas offer premiumisation potential.</p>	<p>There are 36 soft drink and juice processing plants in the GCC, mainly concentrated in UAE, Kuwait and Bahrain. All the major U.S. soft drink brands are bottled under license in each country.</p> <p>Dubai Refreshments company controls 70% of the market in UAE. Milco/Lacnor has 20% of market Share with other significant player like Gulf & Safa, Al Marai and Masafi.</p> <p>Fruit juice industry dominated by large players like Al Rawabi.</p> <p>SME Presence: Low</p>

Source: Primary interviews and Secondary research, SME presence is based on whether currently are there any SMEs in the particular product category

Descriptive analysis highlights segments which are oversaturated in Dubai with respect to domestic production. Locally produced F&B products are limited to salty snack foods, to internationally known brand name soft drinks produced under licensing agreements, packaged edible oils and juices, processed dairy products and a small quantity of locally grown and then frozen vegetables.

While UAE is self-sufficient in processed foods like soft drinks, bottled water, ambient milk and milk products, the self-sufficiency is below 70% in processed foods like juice products, fresh milk, edible oils, snack foods, biscuits and confectionery.

Self sufficiency of Dubai in product categories like snack foods, biscuits and confectionery is low and are key categories to promote domestic manufacturing. However, the market is increasingly being supplied by competitive brands from global and regional markets to cover the shortfall. The trade-pattern highlighting the imports is discussed in this section.

Snack foods, biscuits and confectionery are all sectors where the UAE industry is either less efficient, or less willing to compete with imported brands. All the three categories can be SMEs and are the focus of the report.

SME Orientation of F&B Manufacturing Industry in Dubai

Globally, large F&B companies have advantages in raw material purchasing, manufacturing efficiencies, distribution, and marketing budgets. Small firms can compete effectively by self-distributing products, selling online, or marketing products as gift items.

For the study, 7-8 F&B product categories were selected to identify categories with greater SME presence and potential for future growth.

Based on a filtering process (what is the role of Government/Large players? are there any regulatory barriers for SMEs? what are the typical capital requirements?) and the descriptive analysis, the following table reflects product categories with greater SME orientation. These are marked by ✓.

	Product Categories	Filtering (Reasons for Excluding Categories)
1	Meat and Poultry Processing	Operated by large players in Dubai (Al Kabeer , Al Islami, Iffco) and KSA (Sadia) Currently there is an overcapacity of meat production in UAE (Emke Group has recently shelved its project to start a meat processing plant in Al Ain)
2	Sea Food Processing	✓
3	Animal Feed Processing	Low Potential for SME participation due to limited local market (limited livestock production) and difficulty in competing with export market (economies of scale and cost) Significant overcapacity is built-up in this sector (plants operating at 50%-60% of their capacity)
4	Fruit and Vegetables Processing	✓
5	Vegetable Oils and Fats Processing	Capital intensive industry (AED160 mn) , dominated by large players like United Food Company (Aseel – Dubai), Mazola (KSA)

	Product Categories	Filtering (Reasons for Excluding Categories)
6	Processing of Milk	Market over saturated (Dubai - 2, UAE - 7 and GCC competition from Saudi giants like SADAFCO and Al Marai)
7	Milk-based Products Processing	Most of the milk processing plants have diversified into milk based products. Dominated by large players (milk processing industry) Cheese, Butter – largely international imports
8	Grain Mill Products Processing	✓
9	Sweets, Chocolate and Confectionery Products	✓
10	Ready-to-Eat Products Processing	✓
11	Sugar, Tea and Coffee Processing	The tea bag market is dominated by Unilever's Lipton Tea in UAE (as well as the GCC) There is only one plant in the region for producing refined sugar which is Al Khaleej Sugar processing Coffee demand is met by large international players
12	Spices Processing	✓
13	Baby Food Products Processing	The product category is subject to tight regulations and restrictions based on US health and Pharmaceutical standards. Further, the category involves large scale investment and is mainly an extension of pharmaceutical manufacturers.
14	Bottled Water	Masafi in Dubai and Al Ain Water in Abu Dhabi control more than 40% of the total market respectively in their Emirates (in both the retail and gallon business)
15	Beverages (except bottled water and dairy based drinks)	Dubai Refreshments company controls 75% of the market in UAE. Fruit juice industry is capital intensive with limited SME potential and dominated by large players like (local - Al Rawabi as well as international competition)

Note:

- ✓ Henceforth, the report focuses on SME related issues and opportunities
- ✓ The product categories identified above are the main focus of all the analysis and research
- ✓ Unless otherwise expressly stated all the data and reference is related to the products categories identified above.
- ✓ The trade data has been separately calculated based on the product categories and reflect analysis for the particularly category only and not for the entire F&B industry.

3. FOOD & BEVERAGE RETAILER

The category involves retail sales of products through Mass Grocery Retail units. Investment into the UAE's Mass Grocery Retail (MGR) industry increased considerably on the back of its economic boom between 2002 and 2008. During this period, MGR sales increased by 141% to reach AED5bn in an industry that had traditionally been dominated by independent outlets.

	2008	2013 (estimated)
Mass Grocery Retail Sales ⁹	AED 5bn	AED 6.8bn
Hypermarket Contribution	AED 3.55bn	AED 4.8bn
Organised Retail Vs Unorganized	60% Organised 40% Unorganized	78% Organised 22% Unorganized

The hypermarket segment, contributed an estimated 71% to MGR sales in 2008. Over the forecast period, hypermarket sales are expected to increase by 35%. The segments growth will likely be driven by expansions by the leading operators.

UAE MGR Sector - Sales Value by Format - Historical Data & Forecasts

	2004	2005	2006	2007	2008e	2009f	2010f	2011f	2012f	2013f
Supermarkets (AEDbn)	0.81	0.91	1.01	1.14	1.28	1.31	1.36	1.45	1.55	1.64
Hypermarkets (AEDbn)	1.95	2.27	2.63	3.04	3.54	3.64	3.83	4.14	4.46	4.78
Convenience stores (AEDbn)	0.09	0.11	0.14	0.17	0.20	0.23	0.27	0.32	0.37	0.43
Total mass grocery retail sector (AEDbn)	2.85	3.30	3.78	4.35	5.01	5.18	5.47	5.91	6.38	6.85

There are more than 500 MGR outlets (144 supermarkets, 21 hypermarkets and 340 convenience stores in UAE). Chains like Lulu, Carrefour and Spinney's dominate the Mass grocery retail space in UAE with over 75% of the market share between the 3 retailers. Lulu accounts for 35% of the total UAE MGR market, followed by Carrefour (25%), Spinney's (15%) and Choithram's (6%)¹⁰. The UAE's MGR sector has been experiencing strong growth in recent years, with major expansion activity.

Foods sold in retail outlets consist of 75-80% imported consumer-ready products, and 20-25% locally processed foods. Supermarkets and hypermarkets for food purchases account for nearly 50% of all food retail sales in the UAE.

F&B sales through MGR in the country are likely to continue to increase given the large expansion activities coupled with growing demand for variety in F&B products.

⁹ BMU UAE Food & Drink Report Q4 2009

¹⁰ BMI 2009

4. FOOD SERVICE FIRMS

The Dubai 'Food Service' category involves F&B sales by hotels and restaurants and is valued at USD 21 bn (2009). Dubai is one of the leading tourism and business destination in the Middle East and is alone targeting 10 million tourists by end of 2010. Increased tourist inflow results in increased demand for restaurants serving F&B products.

The number of stand-alone restaurants in the UAE exceeds 11,000 (4,250 in Dubai, 3000 in Abu Dhabi and 2775 in Sharjah account for 80% of total food services demand in the UAE) serving both residents and tourists and is growing by 5% every year. The hotels account for more than 17% of food expenditure in the UAE. Dining out is becoming increasingly fashionable in the UAE and new dining facilities are opening at a rate of approximately 500 per year to meet the rising demand.

In the next four years Dubai is set to add 14,000 hotel rooms, the highest growth in the Middle East. Abu Dhabi follows close behind Dubai adding 10,000 new hotel rooms.

The food service sector is therefore a particular growth area given the significant expansion of the tourism sector and the large number of new hotels and resorts being opened in the UAE.

5. FOOD CONSUMPTION

Food consumption per capita in UAE is estimated to be AED 5336 in 2009 which is comparable to a number of Western states.

UAE Food Consumption Indicators¹¹

	2006	2007	2008	2009	2010f	2011f	2012f	2013f	2014f
Food consumption (AED bn)	20.41	22.34	24.44	24.9	25.48	26.69	28	29.33	30.66
Per capita food consumption (AED)	4,826	4,975	5,183	5,336	5,352	5,391	5,438	5,477	5,559
Total food consumption growth (y-o-y)	NA	9.45	9.39	1.91	2.32	4.76	4.91	4.73	4.54
Per capita food consumption growth (y-o-y)	NA	3.09	4.18	2.94	0.31	0.73	0.88	0.71	1.5
Food consumption as % GDP	3.27	3.06	2.71	2.94	2.6	2.5	2.37	2.35	2.3

E/f=BMI estimate/forecast. NA = not available. Sources: BMI, UAE National Statistical Authority

The main drivers of F&B consumption are: growing population, rapidly increasing population in the age group of 20-35 years and changing lifestyle and individual values – new buying habits (convenience diets, health consciousness).

¹¹ BMI: Business Monitor International

6. F&B TRADE PATTERN (UAE and Dubai)

Dubai is a major trading hub in the Middle East. Majority of the imports coming into Dubai are meant for further re-exports into the Arab, European and Asian regions.

The transport & storage capabilities of Dubai have enabled the emirate to develop its trading base. Further, demand for imported F&B foodstuffs comes from the large expat base in the country. Food suppliers from all over the world vigorously compete for market share in the UAE. The major supermarket chains import some of their products direct from overseas suppliers. The major sources of supply are from the Asian subcontinent and European supply sources that enjoy comparatively low freight rates.

The trade pattern of processed foodstuffs in UAE and Dubai is given below. More than 90% of UAE's International trade in F&B product categories is through Dubai.

UAE F&B Imports

UAE Food & Beverage Imports (AED mn)				
	2007	2008	Growth	Share
LIVE ANIMALS AND THEIR PRODUCTS	5679	8268	46%	28%
VEGETABLE PRODUCTS	7698	11637	51%	39%
ANIMAL OR VEGETABLE FATS, OILS	1276	2671	109%	9%
PREPARED FOOD & BEVERAGES	6132	6905	13%	23%
TOTAL	20786	29482	42%	100%

Source: Ministry of Economy – UAE Trade Data 2008 (HS Codes Chapters 1-11 and 15-23)

Vegetable products have the highest share of imports due to insignificant domestic production. Imports of processed/prepared foods have not grown so rapidly because a part of the rise in demand is met by domestic production.

Specific product categories like Cereals (CAGR – 48%), Meat products (CAGR – 27%) and Beverages (CAGR – 20%) have seen high growth rates in the years 2006-2008.

UAE F&B Exports

UAE Food & Beverage Exports (AED mn)			
	2006	2007	2008
LIVE ANIMALS AND THEIR PRODUCTS	376	253	290
VEGETABLE PRODUCTS	299	241	345
ANIMAL OR VEGETABLE FATS, OILS	426	455	735
PREPARED FOOD & BEVERAGES	2,603	2,985	3,279
TOTAL	3,704	3,934	4,650

Source: Ministry of Economy – UAE Trade Data 2008 (HS Codes Chapters 1-11 and 15-23)

Export contribution –UAE Exports stood at AED 4.6 billion in 2008

Dubai trades in more than 135 food products. Of these, the major category of exports (by domestic local manufacturers) are biscuits and snack foods. The level of exports in domestically manufactured food products is given in the following table.

UAE level of Exports in select Food product categories, 2005

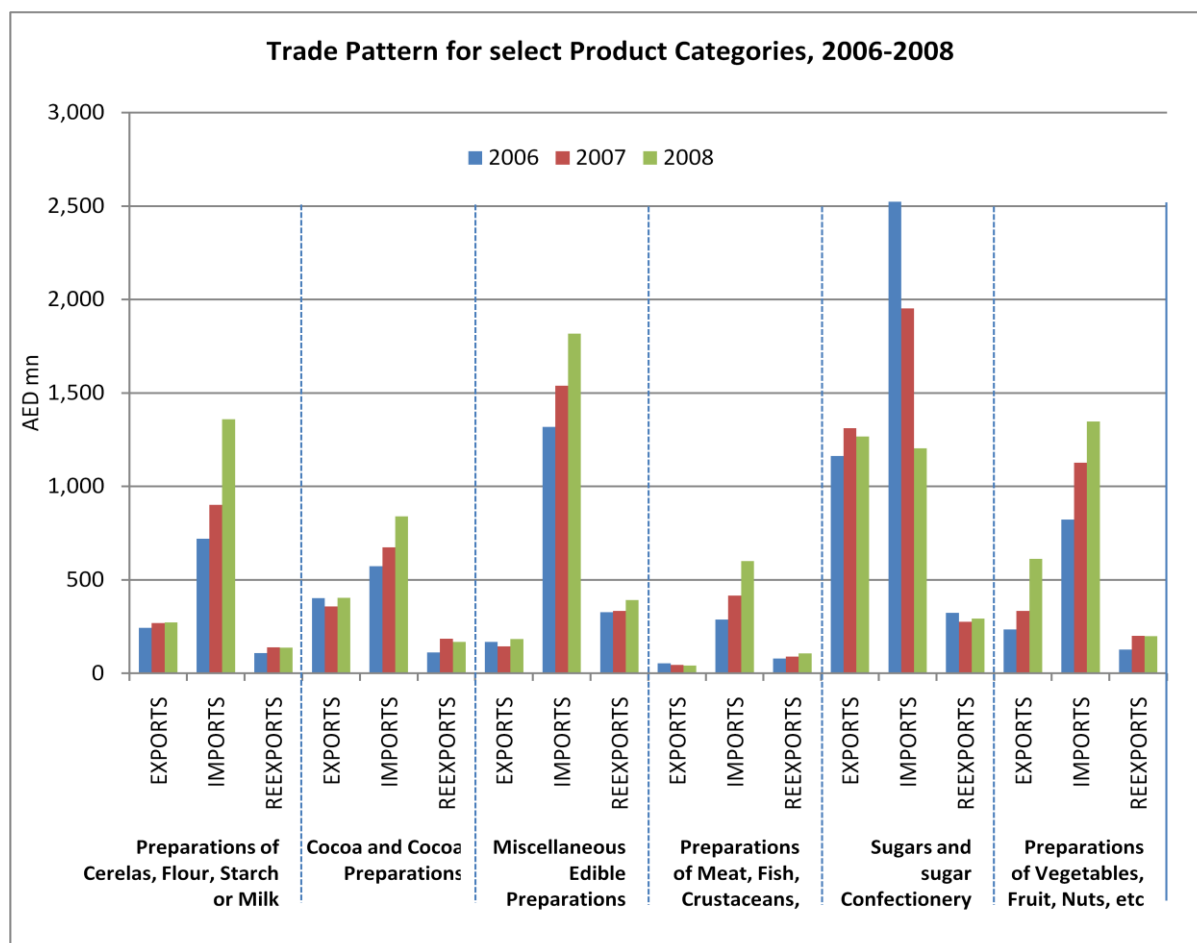
Sector	% of Production Exported	Description
Milk	24% and reducing	The perishable items are meant for local consumption. Some portion is exported into neighboring countries like Oman and Yemen.
Laban	18% and reducing	
Yoghurt/labneh	14% and reducing	
Carbonates	<10%	Majority of the international carbonate manufacturers like Pepsi and Coca-Cola have their local bottling plants in each of the GCC countries and hence meant for local consumption.
Juice Products	20-30%	--
Bottled Water	30%	--
Edible Oils	50%	Large edible oil manufacturers are located in Dubai which caters to the entire GCC market.
Biscuits	80%	The product categories usually cater to low value-add, high volume foodstuffs. As such they are exported to Africa and the rest of the Middle East. Confectionery includes sugar. Al Khaliji sugar is the single largest Sugar refining capacity in Dubai which caters to the regional requirements.
Confectionary	80%	
Snack Foods	60%	

Source: IMES Consulting

Since the report focuses on categories with greater SME orientation, categories like biscuits, confectionery and snack foods are discussed in details in the following sections of the report.

UAE Trade Pattern in select Product Categories

The selected product categories have greater SME orientation as described earlier and are the focus of the report. The trade pattern and key trade partners for the categories are illustrated below.



Source: Ministry of Economy – UAE Trade Data 2008 (HS Codes Chapters 1-11 and 15-23). The categories are not as per the project category classification, but close approximates to the category.

Import for all the categories has witnessed significant increase, except for sugar and confectionery (mainly because of Al Khaliji sugar, the single largest sugar refinery in the Middle East hoarding at low price in 2006). On the other hand, exports have displayed a slow incline across all categories studied.

The table highlights the top five trade partners of UAE for the specific Product Categories. Majority of the export and re-export destinations are the Middle East and African regions. ***Saudi Arabia and Oman are the largest trade partners for most of the selected product categories.***

Trade Partners for select Product Categories

Category	Countries		
	Exports	Imports	Re-exports
Cereal, flour preparation & products (bakery, pasta, cereals)	Angola	Saudi Arabia	Somalia
	Morocco	U.K	Djibouti
	South Africa	Germany	Iraq
	Somalia	USA	Rwanda
	Iraq	Italy	Iran
Cocoa and cocoa preparations	Saudi Arabia	Netherlands	Kuwait
	Kuwait	U.K	Oman
	Oman	Italy	Qatar
	Qatar	Switzerland	India
	Yemen	Indonesia	Bahrain
Miscellaneous edible preparations (sauces, spices, soups)	Oman	USA	Iran
	Saudi Arabia	U.K	Iraq
	Iraq	France	Afghanistan
	Pakistan	Turkey	Tanzania
	Iran	Philippines	Somalia
Seafood food preparations	Saudi Arabia	Thailand	Yemen
	USA	Philippines	France
	Korea	China	Qatar
	Canada	Morocco	Iraq
	Oman	USA	Saudi Arabia
Sugar confectionery (incl. white chocolate)	Iraq	India	Iraq
	Syria	Brazil	Iran
	Kuwait	Thailand	Somalia
	Lebanon	China	Oman
	Sudan	Saudi Arabia	Sudan
Vegetables, fruits, nuts, etc. food preparations	Iraq	China	Iran
	Iran	Saudi Arabia	Iraq
	JAFZA	USA	Oman
	Oman	India	Somalia
	Saudi Arabia	Netherlands	Saudi Arabia

Source: Ministry of Economy – UAE Trade Data 2008 (HS Codes Chapters 1-11 and 15-23). The cells highlighted in Green reflect Trade partners of the Middle East and Africa region.

Based on the F&B framework, the characteristics of F&B in Dubai can be summarized as follows (the ones marked in red are favorable and the ones in green are unfavorable to the development of a thriving F&B industry in the Emirate);

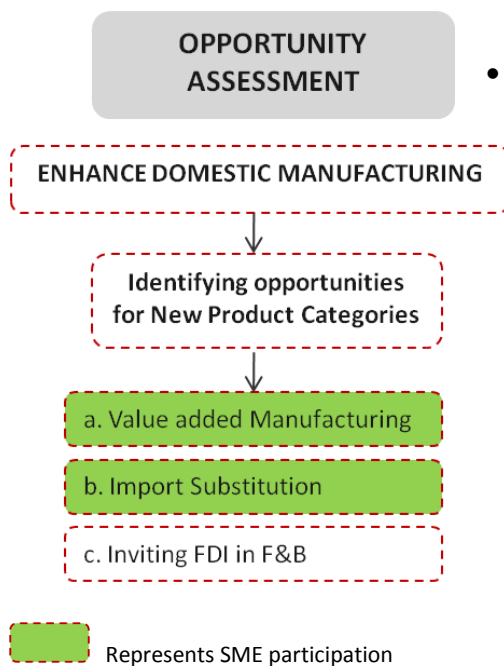
- ✓ In the absence of a sufficient agricultural acreage, the country is completely dependent on imports for primary products (vegetables, fruits and livestock). Further, Dubai based F&B processors are almost completely dependent (90%) on raw imports (raw materials and equipment) for secondary processing. Mounting import bills and hence inflation are a growing concern for the Emirate.
- ✓ Increased competition in mass products from large scale manufacturing set-ups in KSA, Egypt and India deters local production.
- ✓ The diversity and relevant size of foreign workforce in the UAE is one of the key defining characteristics of the country. A total of 202 different nationalities exist in the country and the population is expected to grow at approximately 3% p.a. thereby increasing the food consumption¹². However, difficulties also arise due to the highly fragmented market nature.
- ✓ High GDP per capita supports the consumption of luxury, premium and specialized foods like health, organic and nutraceutical foods. Increasing tourist inflow supports higher F&B consumption growth.
- ✓ Dubai is the hub for F&B trade in the Middle East and continues to attract activities like break-bulk, packaging, labeling for distribution to other Arab and European countries.

¹² Ministry of Labour

4. (C) Opportunity Assessment

Dubai is already serving as an import / re-export hub for various F&B products, serving not only UAE but the wider MENA region. Moreover, Dubai offers a R&D / testing ground for various F&B products given the large expatriate base. Such R&D efforts can enable development of products catering to regional / global consumers. However, given Dubai's natural disadvantages (lack of raw-materials, costs) versus some regional competitors (e.g. KSA), focus has to be on niche products / segments where Dubai has greater opportunities.

A detailed description of this scenario is provided in 'Opportunity Assessment' as below.



The opportunity assessment objective is to;

- Identify product categories for value added manufacturing (exports, conversion of re-exports into exports)
- Import substitution with reference to SMEs.
- The third objective of inviting FDI is for large MNC players and is not explored in the project.

Opportunity Assessment is based on;

- Demand drivers for processed F&B in Dubai (*global and regional trends in F&B*)
- Current situation analysis (*presence/absence of players and competition analysis in each category*)
- Trade pattern (*key imports / exports/ re-exports in each product-category*)
- Primary Research (*government, industry and retailers*)

The Outcome of Opportunity Assessment is classified into opportunity for;

- Converting re-exports to exports
- Import substitution
- Value added product development

Additionally, the report also highlights;

- Key areas of opportunity/themes for development across the F&B value chain (packaging, warehousing, transportation, marketing)

F&B Trends – shaping demand in the Middle East

✓ **Rising health consciousness and increasing demand for nutritive food items**

- Increasing demand for health and Wellness Ingredients¹³ - Global sales for fortified dairy is approximately USD 63 billion in 2009 which is forecasted to rise to USD 69 billion by 2015.
- The economic slowdown has led to consumers going 'back to basics' cooking from scratch, which has focused attention on what ingredients really go into food products and whether they are contributing positively to health.
- Weight management is one of the key growth areas within the functional food sector and within this category; development has focused on foods that suppress appetite. High fiber, high protein ingredients, such as oats and whey protein, have been used.
- Probiotic (products containing strains of bacteria that deliver health benefits when consumed) such as DANONE's Activia, antioxidants and vitamins, and whole grain and high-fiber ingredients will continue to permeate across more food categories.

✓ **Demographic shift**

- Ageing population is the biggest demographic shift occurring globally. There were around 750m people aged 60 or over in the world in 2008 (11% of the total population) according to United Nations estimates. By 2050, the over-60 population is predicted to be just over 2bn (22% of the total population). The segment is likely to drive demand for specialist food categories like diabetic foods, low sugar/salt content foods and other nutraceutical items.
- The youth comprised 18% of the world population in 2008.¹⁴ The segment is likely to drive demand for convenience foods (ready-to-eat) and gourmet / surprising combinations of flavors.

✓ **Local F&B Demand drivers;**

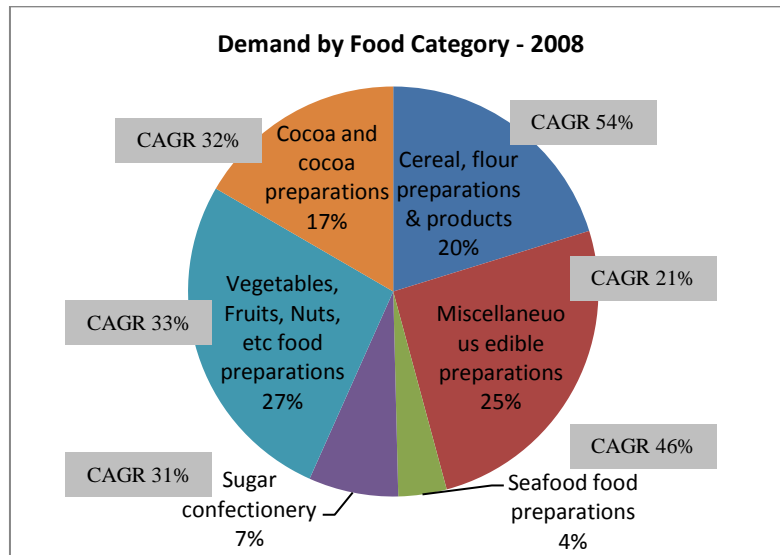
- High per capita GDP and growing population base (growth of 3% p.a.)
- Large number of passengers (transit, arrivals and departures) coming to Dubai airport (growth of 9% p.a.)
- Large expatriate base demanding greater variety of F&B products (78% expatriates)
- Active segments to drive demand for innovation in F&B: children and youth, bachelors and working women, health conscious population
- Tourism to drive consumption at Hotels and Restaurants
- Cafeterias and Retail outlets manufacturing private labels will increase business opportunities for innovative SMEs
- Food per capita expenditure growing at 3% p.a.

¹³ 2020 Vision : Global Food & Beverage Industry Outlook by Frost & Sullivan

¹⁴ Source: United Nations, World Population Prospects 2008 Revision Database.

F&B Demand by product category

The demand by product category can be reasonably gauged by the imports in each category.



Source: Trade Map, 2008, CAGR of imports for the period 2005-2008

The tables in this section provide detailed Descriptive (Blue heading rows) and Analytical (Brown: capabilities of Dubai to address the opportunity, Green - examples of opportunity in the product category, Red – key issue and challenges) study for each product category (with SME orientation).

Key considerations for Opportunity Assessment;

- The figures and facts mentioned in the report are for “Processed food” (04 - Prepared Foodstuffs: beverages, spirits and vinegar, tobacco and substitutes of tobacco----classification of Dubai Statistics Centre). A detailed breakdown of the constituents is provided in Annexure I of the report.
- For the purpose of the study manufacturing related to tobacco and spirits has not been considered
- The detailed selection of product-categories considered for the study has been explained in the report and the entire report discusses the categories in detail.
- The opportunities reflect prospects for new SMEs to set-up manufacturing of the related products or for existing SMEs to upgrade / diversify /value-add.
- Opportunity assessment is based more from a “Demand & Growth Perspective”. The opportunities have not been evaluated from a financial or technical feasibility perspective. Further detailed feasibility analysis needs to be conducted for investment decisions. As such, the report is based on global / regional demand trends and a qualitative analysis of Dubai fit to cater to such demand.

Key Notes:

- The trade pattern figures are from the Ministry of Trade, UAE. In the absence, of trade data by HS code for each product category for three years, the graphs represent the whole category inclusive of the ones selected for the study.
- As per EDC the following are the relevant trade related definitions;
 - **Exports** – is defined as a Dubai export only when it is made in Dubai (i.e. more than 35% of the value-addition to the product is done in Dubai itself)
 - **Re-exports** –if the product has undergone less than 35% value addition it is recorded as re-export
 - All three are monitored separately, however there is no mechanism to monitor past stored / goods which are being slowly released into the market (locally or through exports)
- HS codes and description of products considered in each product category are given in ANNEXURE V
- Ready to eat foods are considered to be extensions of the individual food categories and have been studied in their respective product categories. Ready-to-Eat Products processing refers to manufacture of ready-made (i.e. prepared, seasoned and cooked) meals and dishes. These dishes are processed to preserve them, such as in frozen or canned form, and are usually packaged and labeled for re-sale, i.e. this class does not include the preparation of meals for immediate consumption, such as in restaurants. To be considered a dish, these foods have to contain at least two distinct main ingredients (except seasonings etc.).
- Regional themes have been identified for Dubai to leverage on its image and to transpose these on F&B manufacturing.

SEA-FOOD PROCESSING

Sea Food Processing – Profile, Challenges and Opportunities	
Description	<p>Consists of businesses whose primary activity is processing and manufacturing fish or other seafood based products. It also includes freezing, shelling and bottling / canning / preserving of fish (to prolong its shelf-life)</p> <p>Sea-food Processing in Dubai - In Dubai, the activity is limited to cleaning, freezing, packing, cooking and canning of fish. Further, large facilities like Al Islami and Al Kabeer engage in value-added processing in the form of fish fillets, breaded fish and fish cutlets. Most of the raw fish is imported from Oman, India and Iran which is then processed in plants and converted into a number of seafood preparations.</p> <p>Most of the sea-food processing companies are medium sized with little or no value add (other than companies like Al Islami)</p>
Current Situation Analysis - Dubai Context	<p>Market Size and Key demand drivers</p> <ul style="list-style-type: none"> Market size of sea food processing (primary processing excluding value-added products) in UAE is AED 400 mn (2009). Overall demand for seafood is expected to grow at the rate of 5% p.a. shaped by a variety of consumer tastes and preferences. The demand is driven by the expat base as well as the hospitality and retail sector (HRI) demanding ready-to-cook fish (cleaned, frozen, chilled, fillet, breaded especially for the fast food and catering outlets). The demand for fresh seafood (from the UAE foodservice sector) is expected to grow by 42% and reach USD 158 million by 2012 (Datamonitor, 2008). Consumers are more concerned about their health and prefer more healthy, wholesome foods (seafood is an excellent source of Omega 3 oils which reduces the risk of heart disease) Per capita sea-food consumption in UAE is estimated to be 51.1 kg (3 times the worldwide average of 17 kg per capita as per FAO latest statistics in 2010) <p><i>The growing demand for seafood based preparations in the Emirate has witnessed launch of a sea-food oriented exhibition in Dubai for the 4th consecutive year. Countries like Vietnam and Thailand have nearly doubled their shipments to the Emirate in view of the increasing demand for high-value, quality sea-food products within the retail and hospitality sectors.</i></p> <p>Competitive Landscape</p> <p>In the GCC, 10 seafood processing plants clean and freeze mainly local products. Annual production capacity is 12,500 tons. Four plants are in the UAE, two each in Bahrain, Kuwait and Oman and one in Qatar.</p> <ul style="list-style-type: none"> National Industries - 10 companies in UAE manufacture value added seafood products most of which are located in Dubai (Al Kabeer, Al Islami) and Sharjah (Cascade Marine Foods Ltd.). 3-4 are located in JAFZA (Gulf Sea Food, Gulf Food Industries and Al Mhail Fish Manufacturing Factory). These companies export 40% of sea food preparations to Middle East, USA and the Far East. SMEs are mostly engaged in cleaning and freezing of sea-food for the HRI segment in the domestic market. MNC - No foreign player exists in processing of seafood in Dubai. <p>In Dubai, trading of seafood products is popular. Traders deal in buying and selling of seafood preparations in Dubai (Emirex Fisheries, Trans Ocean Sea Food, Al Kaseb Foodstuff and Gulf Sea Fish Trading). According to DCCI, companies involved in trading for seafood preparations amount to 19.</p> <p><i>Dubai has primarily been the trading hub for fish (seafood trade has exceeded more than AED 1 bn in 2009 as per Dubai Sea-food Expo). Processing is limited and done by large players like Al Islami and Al Kabeer. Many European and French players supply processed sea-food (battered fish, fish cakes, etc) to the retail markets. Other categories like canned and preserved sea-food are dominated by South-East Asian and Italian brands. The role of local players is limited to cleaning fresh fish, fillet or cooking for distribution across the GCC.</i></p>



Typical Capital Requirements

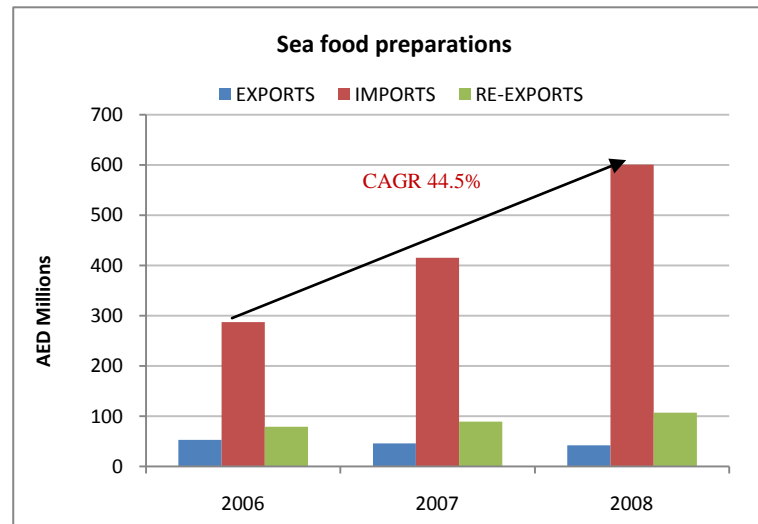
Typical capital requirements for a LARGE firm involved in chilling, freezing as well as manufacturing value-added products is in the range of AED 700 to 750Mn. Setting up a seafood processing plant requires investment in terms of machinery and storage. It is a capital intensive business and hence SMEs can only take up parts of the processing to enable value-added manufacturing.

- A blast freeze seafood processing project would cost around AED 20 million.
- Secondary Processing - Value added items like fish fillets etc can be made by using an IQF(individual quick freeze) machine which costs around AED1.4mn for a 500kg/hr machine

A key aspect of seafood processing is the maintenance of quality, freshness and shelf life. Food safety is a critical issue which every food processing company has abide.

Fresh Seafood - Seafood is sourced locally within the Gulf and the waters of the Indian Ocean. Cool water species, including salmon, are sourced globally and imported both frozen and chilled. There is an increasing supply of live shellfish, including oysters and mussels from Europe and New Zealand, largely for the hotel trade. Frozen and chilled seafood imports from Vietnam and Thailand are increasing in the Emirate.

Trade Pattern



Source: Ministry of Trade, UAE figures

Exports: UAE exports a major proportion of Sea food preparations to Saudi Arabia (60%), USA (36%) and Korea. Products exported include: prepared or preserved shrimps & prawns, fish and crustaceans as well as fish, prepared or preserved, whole or in pieces but not minced. There has been a fall in export of sea food preparations from 2006 to 2008 (CAGR -11%), due to a fall in the exports of prepared, preserved shrimps as it accounts for 97% of the total exports.



	<p>Imports: UAE imports sea food preparations mainly from Thailand (70%) and Philippines. Major imports include: prepared or preserved fish and prawns. The import of sea food preparations has escalated from 2006 to 2008 (CAGR 44.5%).</p> <p>Re-exports: UAE re-exports sea food preparations to countries such as Yemen (28.3%), France (19%) and Qatar. Most of the re-exports are to GCC countries. Products that are mainly re-exported include: prepared or preserved caviar, tunas, skipjack, fish, sardines and shrimps.</p> <p><i>The increased imports highlight the growing consumption of seafood in the Emirate (simultaneous fall in exports and relatively steady growth in re-exports). The main categories imported are: pre-cooked & then frozen and canned / preserved fish while the main products exported are: cleaned fish, prawns and crustaceans. The relatively low current level of exports in value-added products reflects opportunity for local value-added processing.</i></p>
Key Global Trends	<p>Vertical Integration: Processors are adding sauces, fresh vegetables, and rice to products, extending beyond basic fillets to create value-added meals.</p> <p>Private label products for retailers and catering/restaurants (as well as restaurant chains). Value add in the form of dried and preserved seafood, processed and canned seafood, fish based sauces and mixes, etc</p>
Current Competencies / Capabilities to address Opportunities	<ul style="list-style-type: none"> Dubai has a large wholesale market for fresh fish. Fresh catch from Oman and parts of UAE (Ajman and Dubai) get assembled in the markets of Dubai for further trade and processing. Most processors located in Dubai/Ajman buy from wholesale market. The cold storage capabilities of the emirate combined with the advanced capabilities of Emirates Sky Cargo have created opportunities for traders to set-up small manufacturing facilities for cleaning, fillet, cooking and freezing fish (value-added activities) GCC countries rely on Dubai's fish trade for their sea-food requirements. As such there is opportunity for SMEs to manufacture value-added products for the catering industry of GCC as well as for Europe by transferring the fish fillet into customized fish fingers, battered fish or fish cakes. A key element of seafood manufacturing is proper storage. Dubai has ample facilities for cold storage in JAFZA and in rest of the emirate. This has enabled a strong wholesale market in Dubai mainly catering to the Hotel Restaurants and Institutions segment (HRI). <p><i>Local availability of fish (Ajman and Oman) as well as increased imports from Thailand, Vietnam and Philippines has made Dubai a hub for sea-food trade. The likely potential lies in converting the trade to value-added manufacturing in the form of customised products for the HRI segment in Dubai as well as the GCC.</i></p>
Opportunities for SMEs	<p>SME opportunity</p> <ul style="list-style-type: none"> Fish varieties indigenous to the Gulf waters – can be promoted as regional varieties with value-added manufacturing in these varieties Value added manufacturing: for the local market in the form of fish meals, freezer and fryer products (Ready-to-eat varieties) and blanched, cooked and marinated fish products. Re-exports to exports: Value-added products for HRI segment in the Middle East as well as Europe <p>Other Opportunity in the product category: Fish Farming (high investment) – There is no major aquaculture industry in the country (One aquaculture farm on commercial scale in UAE producing approximately 1400 tons of local and exotic fish).</p>



Key Issues

Global Issues

- **Challenges that shape commercial fishing** - regulations, legislation, changes in fish availability due to overfishing and migratory patterns, and vessel fuel prices - have a trickle-down effect on processors and wholesalers.
- **Sourcing sufficient quantity of fish** given the global situation of depleting fish reserves. Local varieties like Hammour are facing depletion and responsible consumption practices have been put into force to ensure their sustained availability (for e.g. supermarkets like Choithram's mark their fresh fish variety in terms of their global conservation status in terms of red, green and blue in increasing order of availability)

Local Issues

- **High Switching Costs** — Processors invest heavily in automation and assembly lines designed specifically for a single species of fish. Any changes in the type of fish processed or the final manufactured product can incur large capital investments.



FRUITS & VEGETABLES PROCESSING

Fruits & Vegetables Processing – Profile, Challenges and Opportunities

Description	<p>The two major types of operations in the product category are canning and freezing. Canned goods account for about 50% of the category revenue globally. For the purpose of the study vegetable and fruit juices have been included in the beverage category and excluded from study in this product category. Subsequently, the category includes; processing, canning, cutting and peeling (ready-to-cook) of fruits and vegetables, roasting of nuts and manufacture of snack foods (corn, potatoes and other vegetables).</p> <p>Fruits & Vegetables Processing in Dubai - Major products manufactured locally are potato chips, corn chips, tortilla chips and bulk nuts (canned nuts). Majority of the processed food is made from imported ingredients. Local producers of snack foods concentrate on high-volume items, notably potato chips and extruded snacks (corn curls). Tomatoes and cucumbers are the only produce which is locally grown and processed, the rest are imported.</p> <p>The market is divided into 4 main categories (based on the products manufactured by National industries): Snack Food, Preserving of Vegetables, Pastes (tomato paste) and Dates based products (syrup, paste, packaged dates). A single company may manufacture one or all of these categories.</p>
Current Situation Analysis - Dubai Context	<p>Market size and Key demand drivers</p> <p>Snack Foods – Total market demand for snack foods in UAE is estimated to be approximately 12,200 to 12,500 tons with an annual growth rate of 5-6%. Export sales have also shown a healthy trend growing at double-digit rates over the last few years. The demand is mainly driven by a growing population led by children and youth (World Social Security Report 2010/11 revealed that around 25.2% of the UAE's population is either aged above 65 years or below 14 years in 2010)</p> <p>Most of the snack processors are established players and their products sell on nostalgic value rather than any concrete demand characteristics. These are low value high volume products mainly for the local market. Consumers are cutting down on fried products and consuming imported brands which are baked or roasted. Further, the variety in flavorings has also widened providing an opportunity for consumers to choose.</p> <p>Vegetable Processing – Dubai as a transshipment hub provides opportunities for players to clean, peel, freeze and can vegetables, prior to its export to destination countries. The large imports of fresh fruits and vegetables are converted in frozen mixed vegetables by large players like California Garden, Al Ain Vegetables, Al Islami, etc. Players like Barakat have created niche ready-to-use cut and peeled vegetables.</p> <p>Locally grown tomatoes are converted into paste (Al Ain Fruits & Vegetables). Crown Food and Al Hassani also manufacture plain tomato paste. Most of the floured and ready-to use tomato paste is supplied by large players in Al Ain, KSA and Kuwait from the GCC and foreign manufacturers like Italy and Europe. The foreign brands are well-known established brands as Pizza sauce and other pasta bases.</p> <p>Dates - The date palm is indigenous to the country and UAE (three main regions: Western & Eastern coastal areas, RAK, Liwa and Al Ain) produces more than 800,000 MT of dates per annum (2006) – the fourth largest producer of dates in the world after Egypt, Iran and KSA. Majority of the dates are exported as unprocessed dates or sold in the wholesale and retail market as unbranded products. Local processing is limited to chocolates.</p> <p>As an indigenous product, dates are highly being used as gift items, duty-free sales products and take-away gifts for tourists and for nostalgia/ savouring the feel of the region.</p>

Nuts – Dubai is a large trading hub for dry fruits and nuts. The customs in the region involve nuts as an integral part of festivals and occasions.

Dubai is a snack eating Emirate (potato chips category expected to grow at 34% p.a.) and as consumer preferences move towards 'Health', 'Nutrition' and 'Portion control', local manufacturers need to adapt and offer products in-line with the demand. Increased focus on convenience products is likely to see increased availability of cut, peeled, ready-to-cook vegetable and fruit products. As tourist inflow continues to increase in Dubai the demand for premium and indigenous Date & Nut products is also likely to increase.

Competitive Landscape

The number of companies registered with DCCI for fruits and vegetables processing are 20 which manufacture tomato paste, snack foods and potato chips. Out of which, four are located in JAFZA (Hunter Foods Ltd, Gulf Food Industries, Gulf Processing Industries, Amize Food Industries). Others are located in Al Quoz (National Food Industries, Crown Food Industry, and Hassani Food Industries) or in Al Ramoul Industrial Area (Best Foods, Saigol & Gulf Ltd. Co).

Snack Foods: Seven snack processing plants in the UAE produce 8,500 tons of snack food yearly. Fresh potatoes imported from nearby countries are the main raw materials for snack food production. Majority of the products are regular snacks which are losing popularity with attractive packaging and flavored imports. Presently, local manufactures have not ventured into health snack options. However, example of SMEs innovating snack products are Hunter foods (flavored Poppadums as well as fried onions)

Dubai faces intense competition from foreign players such as Saudi Snack Foods Co. Saudi Arabia has acquired the art of growing chipping quality potatoes. Thus, they are able to manufacture potato snacks at a much lower cost as compared to the companies here in Dubai. Lays (produced by Saudi Snack Foods Co. but a brand of Pepsi Co.) gives stiff competition to the local brands such as Pofaki and Mr Krisps.

There is increased competition from snacks foods from China, USA, India and Netherlands. The large expat base demands a variety of products from their home countries which are familiar to their tastes and preferences.

Preserving Fruits & Vegetables: According to DCCI, companies involved in trading of fruits and vegetables and its preparations are 576. They supply the produce to local manufacturers as well as aid further re-export.

In the tomato paste category, Dubai brand such as Safa faces high competition from Del Monte (US brand) as well as brands from Kuwait (KDD) and Al Ain (A Ain Vegetables and Fruits).

Dates –The date processing industry is dominated by 7 players and faces competition from neighbouring countries. There are 3-4 local players having more than 1000tons/year production and small companies like Nadiya have 50 tons/year production. Processed date products face severe competition from branded products of Saudi (Bateel). Although Emirates is known for its quality of dates, KSA is known for its variety.

Nuts – BEST nuts and Nutty Nuts are two well known brands in the Emirate. The brands occupy a large market share. However, nuts from KSA (Al Rabae) are increasingly being preferred in the country. Supermarkets have also developed their own brands in developing packaged nuts for the high volume – price sensitive population. Two major and 13 minor packaging plants pack dry pulses and nuts under their own brand names for retail sale. Dried pulses come mainly from India, Australia, Turkey, Iran and the United States.



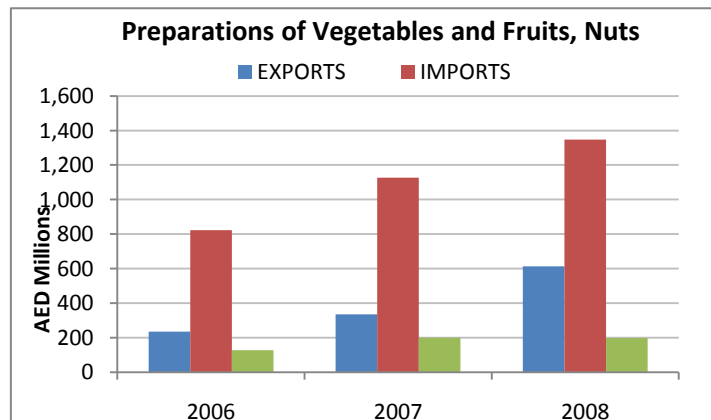
Dubai is well known for its brands like – BEST (nuts), Pofaki, Aladdin (chips), Hunter Fried Onions, Nadiya Dates and Emirates Dates mainly due to nostalgia (established local brands). However, new imported brands are increasingly making in-roads into the retail market. The increasing competition signals the need for local manufacturers to expand their product portfolios and innovate; in-line with changing consumer tastes and preferences.

Typical Capital Requirements

- Tomato Puree/Paste, Mayonnaise, Ketchup plant machinery AED2.4 mn for 500kg/hr
- Jams and Marmalade Production – AED 3 mn for machinery - 500lts
- Dates: between AED 5-7 mn

Average employees for SMEs in the industry range from 50 to 100 depending on extent and type of operations.

Imports of fruit and vegetables in Dubai rose by almost 40% to more than USD 1 bn since 2007 to 2009.



Exports: UAE exports a large proportion of vegetables, fruits and nuts preparations to Iraq (27%), Iran (14%), Oman and Saudi Arabia. Products that are mainly exported comprise of: Beans (prepared or preserved), Tomato paste, Potatoes (prepared or preserved), Vegetables, fruit, nuts, fruit-peel & other parts of plants, preserved by sugar (drained, glaze or crystallized) and Roasted nuts. From the graph, it is observed that the exports have increased from 2006 to 2008 (CAGR of 62%) mainly due to canned and preserved beans (account for 24% of total exports) which witnessed growth. The top markets for beans were Saudi Arabia and Kuwait

Imports: UAE imports vegetables, fruits and nuts preparations mainly from China (16%), Saudi Arabia (14%), USA (8.9%), India and Netherlands. Major products imported include: Tomato paste, Frozen potatoes, Pineapples, Beans (prepared and preserved) and Assorted pickles (prepared or preserved by vinegar or acetic acid). Imports have witnessed a growth (CAGR 28%) from 2006 to 2008.



	<p>Re-exports: UAE re-exports vegetables, fruits and nuts preparations to a number of Middle East and North African countries like Iran (40%), Iraq (16.6%), Oman (11.5%), Somalia and Saudi Arabia. The main products re-exported are: Pineapples (prepared or preserved), Tomato paste, Beans (prepared or preserved), Vegetables, fruit, nuts, fruit-peel & other parts of plants, preserved by sugar (drained, glaze or crystallized) and Roasted ground-nuts, whether or not salted. The re-exports have also remained relatively stable in the period studied.</p> <p><i>The continued rise in exports highlights success of indigenous firms in the category. However, the imports continue to rise indicating competitive pressures in the Emirate.</i></p>
Key Global Trends	<p>Demand is driven by consumer tastes and health considerations.</p> <ul style="list-style-type: none"> • Healthier Products — Manufacturers are creating new snack products that include healthier ingredients. Especially in the chips category: low-sodium chips, baked chips. Changing consumer demographics resulting in changing consumer tastes and increased demand for reduced fat products and snack foods with greater nutritive content. • Convenience foods – ready-to-eat / use products are gaining importance as the proportion of working mothers looking for quick-meals increases • Packaging – Green packaging (made from biodegradable material, CFC and HFC free packaging) is gaining attention • Demand for gourmet (based on cuisines) and portion control foods
Competencies / Capabilities to address	<ul style="list-style-type: none"> • Al Awir fruit and vegetable market in Dubai includes 15 to 20 of the UAE's largest direct importers, with renowned fruit, vegetable and juice brands such as Fresh Fruits, Barakat and Schokri Hassan, who have either chosen Dubai as their head office or have at least a central office located there. Facilities such as the ones found at the market, along with the cool chain process at the Dubai Flower Centre that ensures all products passing through are maintained at the same temperature, have ensured that Dubai has positioned itself as the central hub for fruit and vegetable imports and re-exports. Hence, the opportunity is to convert the re-export into export-worthy products through value-added processing like flavoring, seasoning, etc. • Indigenous produce like Dates are readily available. Further date festivals are held in the Western Region of the Emirate. Although Dubai itself does not produce significant quantity of Dates the remainder of UAE is known for its quality produce. <p><i>The capabilities highlight the potential of creating "Dubai based brands" based on indigenous products like Dates</i></p>
Opportunities for SMEs	<ul style="list-style-type: none"> • Leverage on local produce to create value-added products; <ul style="list-style-type: none"> • Tomatoes: Pastes, tomato sauces (with herbs and other flavors), Pizza sauce (HRI bulk buying) • Regional branding of Dates: Jam, chocolates, syrup (date sweeteners), further processing of dates as ingredients in cereals, confectionary and bakery products, date energy bars as well as Dates ice-cream • Localizing snack foods – chips made of pita bread • Leverage on large imports of dry fruits for bulk-buying by HRI segment and exports; <ul style="list-style-type: none"> ○ Customised sorting, flavoring and packaging for the HRI segment and exports ○ Peeled, cut ready-to-use vegetables, salads and seasoned vegetables • New flavors (gourmet flavors based on cuisines), Ready-to-eat sauces and pastes • Value-Added Processing : cooking, blending, and flavoring of vegetables – for the Ready-to-eat food category <p><i>Key opportunities for SMEs lie in regional branding of local produce like dates (converting unbranded sales into branded products), creating value-added processed products for the HRI segment and convenience foods for the working population in the Emirate.</i></p>



Key Issues

- **High cost of packaging** - The cost of packaging for snack food products relative to the cost of the contents of the package is considerable. However, improved packaging can prevent the arrival of damaged products in domestic and export markets. Further, extreme conditions in the Emirate necessitate quality packaging to prevent spoilage.
- **Intense competition for shelf space in retail outlets** – Foreign players and large manufacturers have significant advertising and marketing budgets and hence get preferential placement in retail outlets. Most of the National Industry products are often found positioned below-the-eye at the retail level. As a result, increased investments in new marketing campaigns, attractive packaging and offering variety which is essential becomes a challenge for survival for National firms and even so or SMEs. Large retail formats have separate company, product and then brand listing fees resulting in overall increase in marketing budget which is unaffordable to SMES.
- **High cost of product innovation** — launching a truly new, exciting snack food product can be difficult and expensive (continuous R&D, new equipment, testing and advertising); most new products fail to become profitable. Rather than offering new products, companies are often content to create new extensions of proven brands.

SWEETS, CHOCOLATE & CONFECTIONERY PRODUCTS

Sweets, Chocolates & Confectionery Products - Profile, Challenges and Opportunities

Description	<p>Confectionery includes sweets made from sugar crystals or syrup including chewing gum. Major products are chocolates, candy made from purchased chocolate, and non-chocolate candy. The category also includes specialty sweet-meats.</p> <p>Sweets, Chocolate and Confectionery products processing in Dubai - While sweet-meats are mainly manufactured by the retail sector (bakeries), long shelf-life packaged specialty sweets are dominated by Lebanese brands. Typically chocolates are made from purchased chocolate and there is minimal / no manufacturing from cocoa, only molding and localization of flavors done in Dubai. Premium chocolate categories like Fualla and Patchi (National Industries) are successful brands known regionally as well as internationally. The confectionery products of Dubai are in large demand in the UAE and GCC duty free shops .More than 50% of the production is exported to GCC, Africa, India, Pakistan and the Middle East</p> <p>Dubai has also been successful in launching its innovative line of chocolates (made completely from scratch) from Camels milk – Al Nassma.</p>
Current Situation Analysis - Dubai Context	<p>Market Characteristics and Key demand drivers</p> <p>The total Middle East confectionery market is valued at USD113 billion and the market has grown by 15% over the last three (2005-2008) years with Saudi Arabia and Qatar experiencing the largest growth at around 24%.</p> <p>Sweets consumption is driven by influence of young consumers (15 - 24 age) who have the financial backing to purchase impulse and indulgent items such as confectionery. Secondly, foreign residents cause a surge in confectionery sales. Foreign residents, often Westerners, bring with them a demand for the Western brands and high value processed goods they are accustomed to. These consumers also represent a substantial and wealthy target for retailers active in the region, helping drive modernization of the retail sector. Such modernization has resulted in far greater product selection than ever before, along with efficient distribution, warehousing and cold storage.</p> <p>Chocolate - AC Nielson data values the UAE chocolate market at USD 148.7 mn (5% of all retail food spending) and strong growth of 27% by value and 14% by volume is anticipated. UAE Confectionery Market has grown at 18% y-o-y from 2005 to 2008. The faster growth in value over volume is an indicator of demand shifting to bespoke, luxury chocolates over cheaper chocolate bars. Large multinational companies own majority of market-share (Nestle, Master Foods, and Cadbury which are produced locally and have deeper marketing and sales budgets).</p> <p>In the UAE, where the wealthy expatriate population is sizeable and residents enjoy high incomes per capita, demand for chocolate is growing. Chocolate sales lead in terms of value compared to sugar confectionary and gum sales.</p> <p>Hard and soft candies, jellies, and other sugar confections typically occupy the lower end of the consumer market. Distributors rely on imports to satisfy demand for sugar-free candies since the market size is not large enough for local production. For imported sugar confectionery, Turkey is a leading supplier.</p> <p>Chewing gum market is segmented into low and high-end products, particularly with the onset of functional gums; it is still largely dominated by low price chewing gum from multinational companies (Wrigley's) and large local competitors (Gandour, Strauss-Elite, and Seham). Chewing gum sales are projected to grow steadily over the next few years.</p> <p>By incorporating holiday themes, manufacturers take advantage of the increased level of consumption. Confectionery gifts are common in the UAE. Further, ready availability of a</p>



large variety of confectionery and chocolate products creates a case for increased consumption of the product category.

High disposable income of expatriates making room for premium chocolates as well as confectionery focused on Health. Companies like Patchi and Al Nassma are increasingly becoming Arabic brand ambassadors due to their innovation and branding capabilities.

Competitive Landscape

There are about 18 factories (National Industries – 9 registered with DCCI) in Dubai producing a variety of chocolate and confectionery products for the domestic and international markets.

UAE: Confectionery: Local Production by Type/Supplier, 2005

Local Production in tonnes	Chocolate	Sugar Confectionery	Chewing gum	Total
Seville	9,600	8,400	--	18,000
Master Foods	9,600	--	--	9600
Gulf Confectionary	--	1,400	--	1400
Laronda	800	--	--	800
Patchi	400	--	--	400
Smitters	--	--	250	250
Total	20,400	9,800	250	30,450

Source: IMES estimates

Seville and Masterfoods are the only significant exporters from the table above. The fresh luxury chocolate products business in UAE is led by dominant Dubai players like Patchi (locally manufactured), Nadiya, ChoCo Ah and La Chocoa. Another brand Fualla is based out of Abu Dhabi. Both Nadiya and Fualla are known for their date chocolate combination, while Patchi is one of the leading brands in regional premium chocolate sales.

Presently, no local manufacturer is involved in manufacturing sugar-free or other healthy confectionery variants.

MNCs play a large role in the category with most of the high volume-low price range manufactured by MNCs. UAE market share: Mars 26%, Nestle, Unilever, Kraft, and Perfetti Van Melle Group (10.2%). Confectionery is manufactured by Perfetti and Unilever.

Dubai has been successful in developing an indigenous brand Al Nassma – made from Camel milk, the product is a highly indulgent premium variety which is also being exported to Europe as well as places like Japan and UK in premium shops (like Harrods)



Typical Capital Requirements

Candy Manufacturing - AED 5 to 10 mn : 1500tpa and Lollypop:360tpa

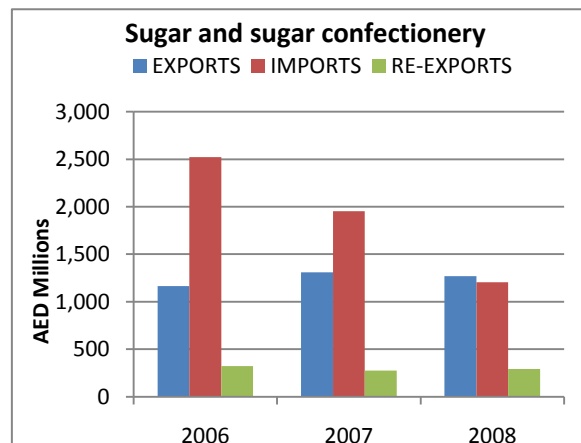
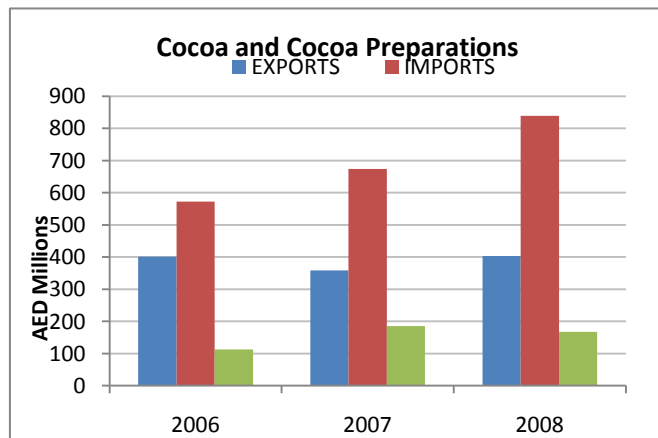
High-end premium chocolate plant, about AED 3 - 5mn investment for a 600 kg/day finished products plant

Chocolate packaging machines itself cost around USD 100,000 and these can pack only in one style.

The manufacturing process is completely automated, except for packaging which may be done manually (depending on the type of chocolate, while confectionery and toffees are automated, premium chocolates may require special wrapping)

Dubai imports large amounts of chocolate bars and slabs from premium locations like Belgium, France and Switzerland from which variety of chocolates are made locally.

Trade Pattern



Exports: UAE exports a major proportion of cocoa and cocoa preparations to many GCC countries such as Saudi Arabia (50%), Kuwait and Oman. Products that are mainly exported under this category include: chocolate (in form of slabs, bars) and confectionery products.

Imports: UAE imports a major portion of cocoa and cocoa preparations from Netherlands (18%), United Kingdom and Switzerland. The products that are mainly imported include: chocolate and food preparations containing cocoa (in the form of blocks, slabs and bars), cocoa butter and confectionery products containing cocoa. The import of cocoa and cocoa preparations witnessed a CAGR of 21% in the period 2006 to 2008.

Key Global Trends	<ul style="list-style-type: none"> • Development of sugar-free products - Euromonitor International predicts a 10% growth in retail sales for sugar gums but higher growth rates for sugar-free and functional products. • Improvements in the taste and texture of artificial sweeteners are encouraging their usage in candy and chocolate. For instance, Chocoa, a leading producer of premium chocolates in the UAE, introduced a variety of chocolates that are aimed towards consumers with diabetes. The UAE and Bahrain are especially targeted for these product innovations since they have one of the highest rates of diabetes in the region. • Healthy options - Consumers continue to look for healthier snack options such as chocolate with nuts, granola or grains, portion-controlled, calorie-controlled, reduced-fat, sugar-free and fortified products. • High cocoa content chocolates - focus on health and medical benefits of dark chocolate • Premium products - Exotic chocolate flavorings: citrus, spice, salt, fruits, surprising confectionery flavors like cinnamon, watermelon, etc. Flavor infusions like chocolate and spices, sweet and savory, herbal and floral
Current Competencies / Capabilities to address Opportunities	<ul style="list-style-type: none"> • Availability of raw materials like sugar – Al Khaliji sugar is one of the largest refining facilities in the Middle East located in Dubai. Availability of sugar combined with relatively inexpensive energy prices (required for toffee and sweets) makes Dubai a preferred location for manufacturing confectionery and candy • Availability of relatively low-cost manual labour in the Emirate (as compared to foreign destinations like Europe) enables artistic wrapping and packaging of chocolates, enabling Dubai to become a premium chocolate destination in the Middle East.
Opportunities for SMEs	<ul style="list-style-type: none"> • Duty-free sales of sweet –meat products meant for gifting and souvenirs. These can be packaged and wrapped for long shelf-life • Shopping online - The large expatriate base in the Emirate provides opportunity for sales of premium chocolates as gifting options (through online sales). Locally produced Arabic chocolates provide an ideal gifting experience. • JV with International brands to manufacture locally – to cater to the MENA region • Branding – Chocolate and date combinations to promote the regional branding concept. <p><i>Opportunities exist in product categories that symbolize Arabic culture and tastes (luxury and premium).</i></p>
Key Issues	<ul style="list-style-type: none"> • Cost competition and losing market to unbranded chocolate (roasteries, supermarket private-labels, etc). Local cafes have also developed their private-label chocolates. • Temperature controlled transportation and constant monitoring to prevent spoilage in extreme weather conditions of Dubai increase cost of transportation (and hence overall operating costs) • Lack of sufficient funds for branding and marketing to compete with foreign and private labels. • Rising concern over health & wellness Consumers are becoming increasingly health conscious. As such, the confectionery industry is challenged to invest in product innovations that will satisfy the customer's craving for sweets while accommodating their health concerns. Further development of sugar-free products will be a key driver in the coming years. Recent improvements in the taste and texture of artificial sweeteners are encouraging.

GRAIN MILL PRODUCTS PROCESSING

Grain Mill Products Processing - Profile, Challenges and Opportunities

Description	<p>The category includes milling of grains for cereal manufacture, flour and flour related bakery items and other starchy products like pasta and noodles.</p> <p>The category comprises 3 main products globally: Bakery, Cereal and Pasta</p> <p>Bakery - Nearly 50% of the category sales is from baked breads, 25% from rolls, buns, muffins and croissants; 10% from soft cakes; and the rest from pastries, donuts and a variety of sweet goods. Some of the retail bakeries also manufacture biscuits (plain biscuits, wafers, cookies and cream & jam filled biscuits)</p> <p>Pasta refers to starchy products made from semolina or wheat (durum). It is produced in the form of sheets, ribbons, cords, tubes, and other shapes, each with its own name (e.g., spaghetti, macaroni, etc.).</p> <p>Grain mill products processing in Dubai – The bakery market in Dubai is highly fragmented with a large number of retail bakeries serving local communities (these have diversified into food service outlets like French Bakery). The bakeries manufacture limited quantity of biscuits, cakes, pastries and bread (Arabic, Lebanese and Iranian varieties) for daily consumption, offering similar varieties of products (exception being premium retail bakeries like French Bakery).</p> <p>Pasta manufacture is limited to specific types from wheat and semolina, while there is no local cereal manufacturer in the Emirate.</p>
Current Situation Analysis - Dubai Context	<p>Market Characteristics and Key demand drivers</p> <p>Bakery - The UAE bakery market is estimated to be AED 360-400mn with a 20% growth rate. While the Biscuits market is estimated to be worth AED 500 mn, with a few players manufacturing locally, it is largely an import driven market (>AED 350Mn of biscuits are imported). UAE's per capital biscuit consumption is around 6 kg of biscuits and wafers each year compared to 10 to 15kgs in western countries, and it contributes 20% by value and 17% by volume to the total consumption in the GCC. Demand for high quality bread is increasing as expat population rises especially from western countries.</p> <p>All the ingredients for baking are imported. Germany is the hub for machinery imports. The machines are different for making bread, sweets and cookies. Innovation, in terms of Frozen bread is limited. R&D is limited to low value-added products (by altering any one of the characteristics – sweetness, softness, crispiness, moisture loss qualities for bakery products). Biscuits lack branding in Dubai and are usually positioned as low value mass products.</p> <p>Pasta - UAE Pasta Market size is around AED 150-200mn and Noodles Market size is estimated to be approximately AED 40 to 50mn. The category is growing 12% y-o-y for pasta and around 10% for noodles. Pasta is typically made from ingredients like wheat, semolina, corn and rice. Dubai manufacturers only the wheat and semolina varieties, other varieties like corn (considered healthy) are not yet manufactured locally.</p> <p>The demand for pasta products is driven by both the expat and local population: Local Emiratis & other Arab Nationals eat pasta more than 3 times a week while Western Expats eat pasta 1-2 times a week. Macaroni & Spaghetti are favored by Europeans, while Vermicelli is popular with Middle East citizens and Noodles with Far East nationals.</p> <p>Cereals – The approximate market size of cereals in UAE is AED 24 mn in 2008 (refers to total imports in the country). Increased variety and preference for healthy breakfast options has resulted in increase in cereals consumption in the country.</p>



The booming market for packaged foods has been growing by nearly 10% annually in the GCC countries, driven by high per capita incomes, a high proportion of population under 40 years, double incomes, single earners and limited local agricultural production. Rising demand for packaged, heat-and-eat meals, coupled with improved packaging technology, are set to drive the growth further.

The key demand drivers for the product category show an increased consumption trend. Additionally, high GDP per capita and increasingly inflow of expatriates and tourists is likely to keep the demand high in the near term. Growing use of pasta/ instant noodles as convenience food by youth (students and working age group) also provides opportunity for local manufacturers to cater to the consumer demand locally and for the entire Arab region.

Competitive Landscape

Bakery - Bakery Market is fragmented - Currently there are around 63 (small and medium) bakeries registered with DCCI. Of these, Al Jadeed Bakery, Modern Bakery and Golden Fork Bakery are large bakeries constituting more than 60-70% of the market. The remaining bakeries cater to local demand for fresh baked products (bread, cakes and biscuits). Most of these have also diversified into manufacturing sweets (Indian and Arabic). Major supermarkets like Carrefour, Lulu, Choithram's, and Spinney's have their own bakeries. There is strong competition among the bakeries that compete on price and convenience / location.

Companies like Advanced Baking Concepts and DoFreeze have been successful in innovation by developing frozen bread for the UN and military.

Biscuits market is driven by high competition from imports and low presence of local manufacturing/local brands in UAE.

Emerging competition from premium products like long-life bread, diabetic, organic bread and gourmet bakery items from UK and Germany which are now increasingly available in the Organic/diabetic/Health sections of supermarkets.

Pasta - The production capacity of Pasta in GCC Countries is around 165000 tons per annum. In 2006, there were 24 pasta operating factories in GCC out of which 14 were in Saudi Arabia and 6 in UAE (Emirates Macaroni Factory – 4 brands 80% market share in local market; Al Ghurair – 3 to 4 brands – 10% local market share, more export oriented; Kolson – 2 brands; Al Ghurair manufactures instant noodles and is exporting the same in GCC and Jenan Instant Noodles from Al Bustan Macaroni & Noodles). The local brands are low value high volume products and are typically placed in the bottom shelves of super-markets. Further, large super-markets are marketing their own brand of packaged pasta. Italian and KSA brands have made inroads into the pasta market by offering flavoured, textured, organic and wholesome pasta for all age groups (for kids a special variety of pasta – alphabets, cartoon shapes and colours). Local importers also buy pasta in bulk to package and label it under their own private labels.

The UAE has four of the region's eight flour mills. Australia, Canada and the European Union (EU) are the principal wheat suppliers. Durum wheat for pasta production is imported mainly from EU countries.

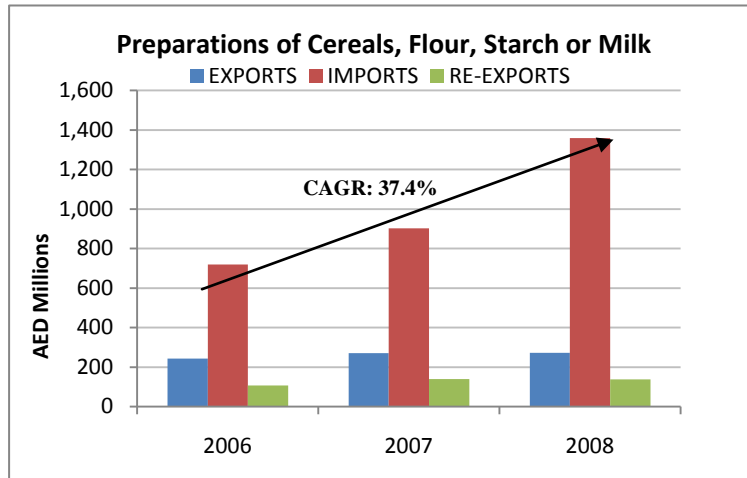
There are three companies listed under cereal manufacturing: Superfood Processing & Packing, Hassani Food Industries and Transworld Foodstuff FZ as per DCCI; however these are engaged in packaging and labelling.

Increased preference for home country bakery and pasta products has resulted in increased inflow of foreign brands in the market. The challenge for local manufactures is hence to provide food products which are capable of competing with foreign brands on variety, quality and flavours.

Typical Capital Requirements

Bakery - AED 5-10mn

Pasta and noodles - AED 10-25mn



Exports - UAE exports preparations of cereals, flour and starch to many African countries such as Angola (12%), Morocco (8.8%) and South Africa (7.8%). Majority of exports include: Sweet biscuits, Pasta cooked but not stuffed, Macaroni & noodles, Pastries, cakes & the like.

Imports: UAE mainly imports cereals and flour preparations from neighboring countries like Saudi Arabia (17.7%), United Kingdom (12.2%), Germany (6.9%), USA and Italy. Majority of imports include: Sweet biscuits, Crisp savory food products (pop corn, chips), Waffles & wafers, Corn chips (corn flakes), obtained by the swelling or roasting of cereals, etc.

Re-exports: UAE re-exports a major portion of preparation of cereals, flour and bakery products to Somalia (36.38%), Djibouti (5.5%), Iraq (4.7%), Rwanda and Iran. Products that are mainly re-exported are: Sweet biscuits, Macaroni, noodles, Uncooked pasta, not containing eggs, Crisp savory food products, etc.

Bakery

- **Hybrid Cookie Bars** — these products combine the appeal of traditional cookies, but are reformulated and repackaged as energy and meal-replacement bars or combined with a candy product. Healthy hybrid products blur the line between indulgence and energy, appealing to the active and health-oriented. Some hybrid cookie energy bars contain whole grains and energy-boosting ingredients like caffeine and ginseng; cookie-and-candy hybrids are more indulgent, combining cookie bits with chocolate, fudge, or caramel.
- **Specialty breads** - Artisanal, gourmet, natural, and local breads that are often made by small manufacturers, artisans and entrepreneurs



	<ul style="list-style-type: none"> • Par-Baking — Bakeries are marketing par-baked products to grocery stores and restaurants as a faster and more cost-effective alternative to baking from scratch. In par-baking, products are baked until approximately 80% cooked, then immediately flash-frozen. By buying frozen par-baked products from wholesale bakeries, grocery stores and restaurants don't have to hire highly skilled bakers or worry about products spoiling quickly. • Organic Foods — The market for organic products is growing at a rate of about 15% a year, according to the Organic Trade Association. Foods must comply with regulations to bear the organic label. • Extended Shelf Life Techniques — Bakeries are extending product shelf life by increasing levels of enzymes and emulsifiers and using new packaging techniques. New packaging equipment and materials help decrease labor costs, while maintaining quality control. For example, new films and double wrapping techniques seal in moisture, extend product shelf life, and are tamper-evident, so personnel can easily see what items to replace. <p>Pasta</p> <ul style="list-style-type: none"> • Health - Trend towards health conscious, diet pasta which has less carbohydrates and more fiber (whole-grain and corn pasta)
Opportunities for SMEs	<ul style="list-style-type: none"> • JV opportunities to bring international bakeries may exist to cater to niche premium bakery segments (healthy bread options, dry fruit biscuits) or supply exclusively for the hospitality sector. Small opportunities also exist in Cake decoration and customization and premium products • Opportunity to look at noodles manufacturing given growing market for such products, low competition from local brands and the ability to earn high margins. This also includes read-to-eat noodle packs as per local tastes and preferences. • Diet Pasta and Corn Pasta are emerging trends catering to the more health conscious segment. • Instant Hot Cereal - marketing cereals as "ANYTIME" snacks/meals. Cereals reformulated and repackaged as energy and meal-replacement bars or combined with candy • Ready-to-cook and eat Pasta meals – This includes stuffed and cooked pasta targeted at the youth and working population • Extension of bakery items – into artisanal, organic, multi-grain bread <p><i>The opportunities highlight a distinct trend towards 'Health' and 'Convenience' oriented foods.</i></p>
Key Issues	<ul style="list-style-type: none"> • Volatile Ingredient Prices — the price of critical commodity inputs such as wheat flour, cereals, shortening, soybean oil, corn sweetener, and chocolate can increase significantly due to poor farm yields, unpredictable weather patterns, high import tariffs, and government farm subsidies in producing countries. Ingredient prices typically represent 50% of total cost of goods sold. • Cost competition from neighboring countries like KSA (which has subsidies on flour). Saudi Arabia is a big market for bakery products; they have advanced machines (achieving economies of scale) and make it hard for Dubai to compete. Moreover KSA exports to UAE and is more profitable than its GCC counterparts. KSA also has a strong local population and pilgrims take care of the drop in local demand, if any. KSA bakeries sell at half of the prices than local bakeries because of flour subsidies (UAE 500 dhs, Turkey 340 dhs, KSA 90 dhs, Abu Dhabi 250 dhs per ton of flour) • Growth in supermarket brands - Most large supermarkets have their own bakeries and pasta brands adding to the overall competition in the market • High risk associated with wastage –low shelf-life of the product makes it highly susceptible to wastage since consumers do not buy bakery items which have a day or two left for expiry. Hence, there is need for innovation and constant replacement in the category.

SPICES PROCESSING

Spices Processing - Profile, Challenges and Opportunities

Description	<p>Major products include spices, pourable and spoon-type salad dressings, non-tomato-based prepared sauces and powdered seasoning mixes. Other products include mayonnaise, mustard, vinegar, cider, powdered gravy and sauce mixes, salt, and pepper.</p> <p>Spice processing in Dubai – Dubai is the hub for spices trade. UAE does not grow any spices; however it does value-added processing like sorting, grading, grinding and packaging. For the purpose of the study the product category is divided into two types: Spices and Seasonings (sauces, salts dressings, condiments, herbs and stocks)</p>
Current Situation Analysis - Dubai Context	<p>Market Characteristics and Key demand drivers</p> <p>Spices - Spice market can be segmented into branded market and unbranded market. Raw and processed spice imports stood at AED 650mn in 2008. Average growth in the category has been around 15% in UAE in 2009.</p> <p>The demand is mainly driven by a booming population, which comprises large and diverse expatriate communities (mainly Indians and Pakistanis) keen to buy familiar spices from their countries of origin. The large imports are dominated by Indian, Pakistani and Iranian brands.</p> <p>Seasonings are not manufactured locally and are mostly imported. The total value of imports of seasonings (as defined above) in UAE is approximately AED 297 mn.</p> <p><i>The wide nationality base accounts for a large number of different cuisines and hence a number of different spices and seasonings. The HRI sector is the largest user segment for this product category.</i></p> <p>Competitive Landscape</p> <p>Spices</p> <p><u>Branded market:</u> 15-20 players in UAE. Gyma and Shama (both Dubai based) are leading brands in spices in UAE</p> <p><u>Unbranded spice segment:</u> Polybags- fragmented market – 20-25 players; Jars – concentrated market – 15 players – jars as a segment is not growing since it's costlier than polybags; Mixes – concentrated market – 20 player. Further, all B class supermarkets have their own spices (around 200 in UAE and 75 in Dubai) and large retailers have their own brands.</p> <p>Bahraini bands are making inroads in the market through pre-packaged Arabic spices for specific Arabic dishes like mandi, machboos, tawook, etc.</p> <p>Further, large imports from India (MDH, Priya, Agri Gold, NATCO, etc) and Pakistan (Shan, Mehraan) add to the cluttered spice market in Dubai. UK and India are known for their ready-to-cook curry mixes, while Philippines and Thailand provide for South East Asian style curry mixes. Recently, Maggi has introduces ready-to-cook spice mixes for Arabic dishes.</p> <p>Seasonings</p> <p>Are dominated by MNC brands like Knorr, Maggi, etc and a large number of seasoning and sauces from Thailand, Vietnam and Philippines'. Al Mazola from KSA is a popular brand of mayonnaise customised with Arabic flavours like garlic and Zaatar.</p>



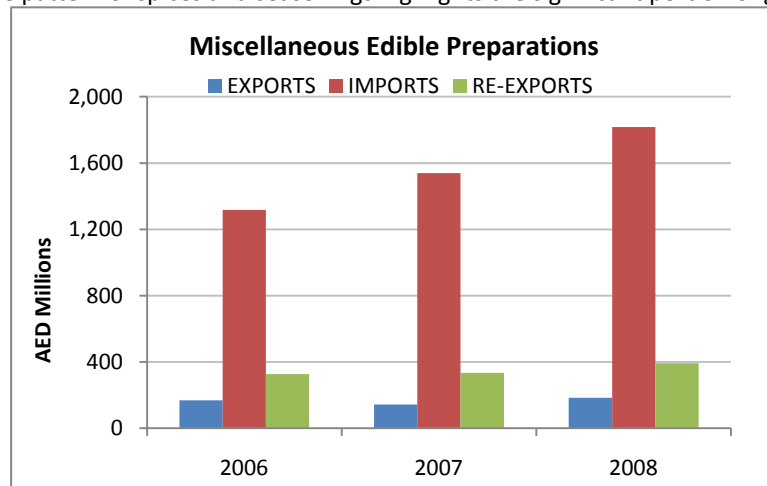
The competitive landscape of Dubai is saturated with local and foreign players. However, limited opportunities exist for niche players to manufacture spices based on regional preferences and tastes (regional branding using Zaatar, Sumac, Rosemary and Tahina).

Typical Capital Requirements

A grinding mill for an SME set-up may cost upto AED 500,000. Processing includes pulverizing & repacking in pouches/jars. Major machines used are seal-fill machines. The packing of spices may include high investment machines. A lot of small players in the market who are running small spice grinding operations (4-5 employees)

Key success factors for the industry are: reliable suppliers from India, financial strength to crack the distribution and range of products – as a company needs to present various spice mixes to be able to generate brand recognition

The trade pattern of spices and seasonings highlights the significant portion of growing imports.



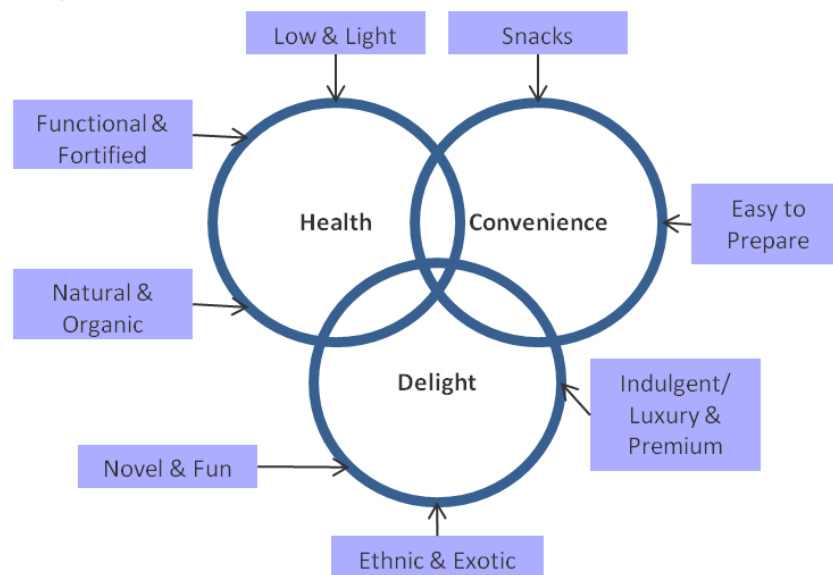
Exports: UAE exports a major proportion of miscellaneous edible preparations to GCC countries like Oman (14.8%), Saudi Arabia (12.8%), and Iraq (12.2%) and to developing nations like Pakistan and also to Iran. Products that form a majority of exports include: Food preparations (ready-to-eat food products), Mayonnaise, Sauces (excluding soya, tomato ketchup, tomato sauces, mayonnaise, chili sauce & celery salt), mixed condiments & mixed seasonings and Chili sauce. These are mainly categories which are re-exported with some value added processing done in Dubai (in the form of repackaging).

Imports: UAE imports miscellaneous edible preparations from USA (36.3%), UK (7.7%), France (6.6%), Turkey and Philippines. Majority of imports under this category includes: Sauces (excluding soya, tomato ketchup, tomato sauces, mayonnaise, chili sauce & celery salt), mixed condiments & mixed seasonings, Soups & broths & preparations thereof, Mayonnaise, etc. It is observed from the graph that import of miscellaneous edible preparations has increased significantly from 2006 to 2008. The CAGR for the period is 17.4%.

	Re-exports: UAE re-exports miscellaneous edible preparations such as sauces, spices and soups mainly to Iran (20.3%), Iraq (10%), Afghanistan (9.8%), Tanzania and Somalia.
Key Global Trends	<ul style="list-style-type: none"> • Packaging of spices for their re-usability (easy to pour small pouches and bottles) • Combinations of ready-spices • Spice mix (dry and wet for gravies) ready-to-eat ; Conversion of popular home-made curries to ready to use curry mixes • Preference for low sodium, low fat dressings and seasonings for salads • Going Green — Manufacturers are increasingly seeking sustainable ways to produce and sell spices, extracts, dressings, and sauces. New "green" manufacturing initiatives include biodegradable packaging, sustainable herb farming, and organic seasonings and dressings.
Opportunities for SMEs	<i>Opportunity lies in packing “Fresh Arabic spice mix” for the domestic and regional markets. Moreover, Arabic cuisine is traveling across the world, offering opportunity for local manufacturers to brand Arabic spices specially made for Arabic dishes and salads---regional branding using Zaatar, Sumac, Rosemary and Tahina.</i>
Key Issues	<ul style="list-style-type: none"> • Highly competitive market - players compete for shelf space and customer mindshare. Large players have distinct advantage of large advertising and marketing budget (Unilever’s Knorr spends more than USD 20 mn in advertising in the Middle East). Players are also resorting to innovative shelves and packaging to gain greater visibility in supermarkets. • Infrequent Buying — Consumers often buy seasonings only because of a recipe. Aside from sales to the food service sector and amateur chefs, sales of spices and herbs are often passive purchases, with products that can sit in cupboards for years. Grocery store shelves and home kitchens are stocked with secondary spices that many consumers buy once. Infrequent buying of seasonings makes building brand loyalty among customers difficult for manufacturers. • High standards of quality control and consistent quality check are two of the important factors, to prevent adulteration and these can involve heavy investments in R&D and testing. High rejection possibility due to stringent quality norms – chances of infestation are high in spices • Bad crop in producing countries can create major problems

Opportunity Assessment highlights opportunity for new SMEs to develop product categories based on the following key themes: “Innovation: adoption of global trends” and “Customization: to cater to the Arab tastes and preferences”.

The outcome of the analysis is organised into key themes based on global and local demand conditions as follows;



The 3 main themes give rise to numerous combinations which have been explored in the report.



A summary of Opportunities has been compiled in the table below;

			Potential New Product development (Local and Export Potential)		
Categories	Potential Value-add to Re-exports	Potential Import Substitution	HEALTH	CONVINIENCE	DELIGHT
Sea Food Processing	Frozen Fish processed into fish fingers and fish cakes for the catering industry and fast food restaurants			Local: value added products for the fast food industry (freezer and fryer products), blanched, cooked, marinated, consumer-pack, etc., ready-to-eat fish meals Export: Fish fingers, fish cakes, fish coatings	Local and Export: flavored batter fish <i>Potential for Regional branding for processed food made of fish varieties indigenous to the region (Hammour)</i>
Fruit and Vegetables Processing	Tomato Paste: pizza and pasta sauce, tomato concentrates Innovative food products can be developed around date imports from KSA Cooking, Blending and Flavoring	Finished tomato Sauces	Local and Export: Baked and roasted varieties of chips, Soups and broths		Local and Export: Arabic flavors - pita chips, European flavors, gourmet snacks (based on cuisines) Local: Dates ice-cream <i>Potential for Regional branding through indigenous dates and nut products</i>
Grain Mill Products Processing	Cereal flakes coated with flavorings, frosting, vitamins, or minerals	Noodles	Local and Export: Organic breakfast cereal combinations, Corn pasta Cereals reformulated and repackaged as energy and meal-replacement bars Bread - multigrain healthy bread	Local and Export: Flavored Pasta (spicy, spinach flavored) Local: Instant Hot Cereal - couscous variety, Marketing cereals as "ANYTIME" snacks/meals	Local: Specialty bread (artisanal and natural breads), flavored pita bread
Sweets, Chocolate and Confectionery Products	Chocolate with different filings		Local and Export: new products focused on health, medical benefits of dark chocolate, sugar free and diabetic chocolates Confectionery - sugar-free, calcium and vitamin-enriched products		Local and Export: Premium products (exotic flavorings citrus / spice). Flavor infusions that combine chocolate and spices, salts, herbs and floral flavors Confectionery - surprising flavors (spices, exotic fruits) <i>Premium sweet meat branded as Dubai product (like camel milk chocolates) mainly for Duty free sales</i>
Spices Processing			Local and Exports: Mixes, Low salt dressing and seasonings	Local and Export: Spice mix (Pre-mix) for barbecue, branding "Arabic" spices for export to the Arab region and Africa (Zaatar, Sumac, Rosemary and Tahina)	Local and Export: Flavored mayonnaise (Zaatar)

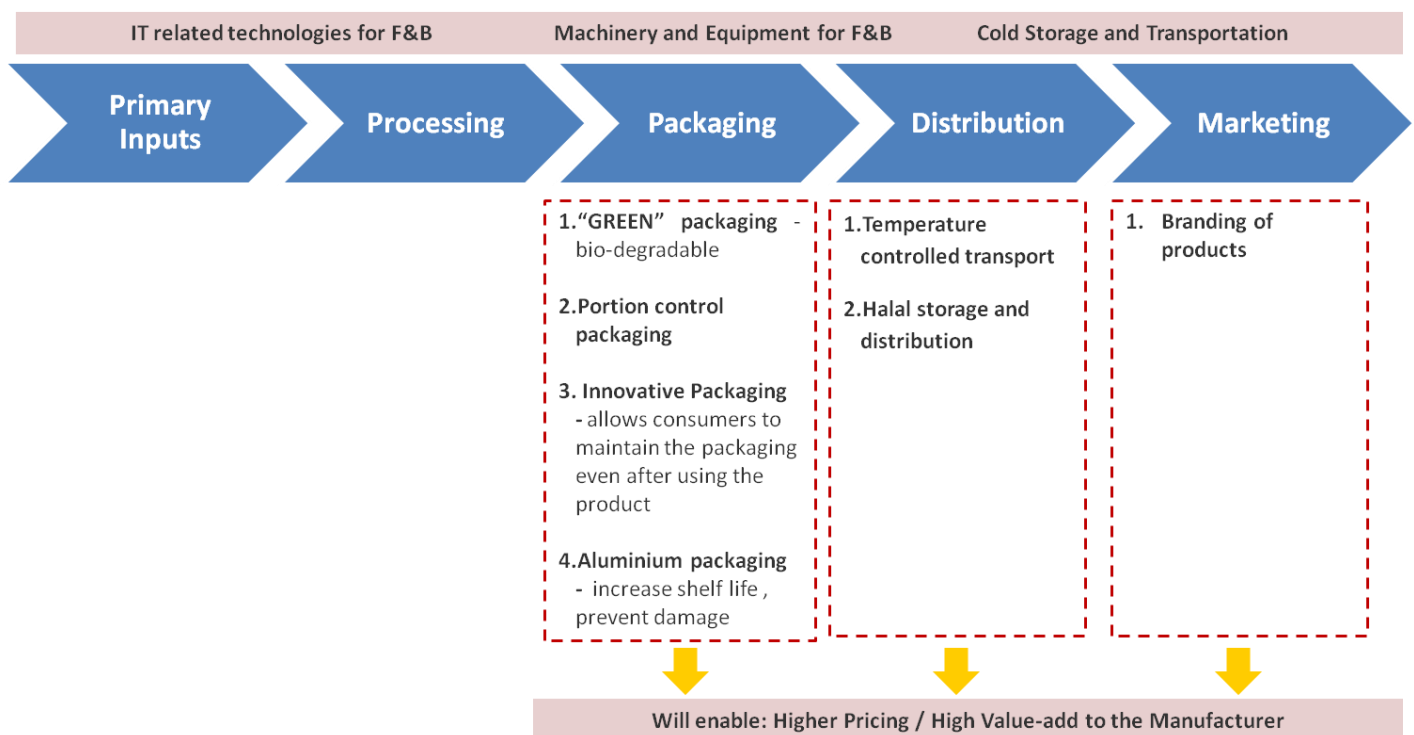
Source: EDC, DCCI Manufacturing Guide and Primary Research

Note: A detailed Feasibility Study needs to be conducted for each of the categories listed above. Statements in italics reflect Regional branding opportunities

Key areas of opportunity/themes for development across the F&B value chain

The industry structure described earlier in the report highlights presence of SMEs in related sectors of manufacturing like trade, packaging, transportation and storage. Based on the study areas of opportunity identified across the F&B value chain are highlighted below;

Food Processing Value chain - key themes/opportunities for development across the value chain



Source: Primary research

Opportunities in Packaging - Opportunities for SMEs in packaging are based on key focus areas;

- **Ensuring goods reach their final destination in perfect condition** – especially in extreme temperature conditions of Dubai which necessitate superior packaging and transport (aluminium lining and cans that increase shelf-life & prevent damage)
- **Optimizing functionality requirements of packaging to deliver superior customer satisfaction** - like reusability of packaging (using canisters for packaging which enables re-use, spill-proof packaging, resalable packaging), portion-controlled packaging (for ready-to-eat foods)
- **Providing distinct merchandising visibility and on-shelf differentiation** – example of GREEN Packaging which is bio-degradable (organic foods are usually packaged in bio-degradable boxes)

Opportunities in Distribution

- **Temperature controlled transport** – refers to cold chain transport specifically for F&B.
- **Halal Storage and Distribution** – the concept involves ensuring halal food gets transported and stored separately right from its stage of production to the final delivery. At the transport level, this may require separate containers and storing shelves.



Inspite of the highlighted opportunities National Industries have not yet undertaken their production mainly because of the following reasons;

- Perceived competition from KSA brands
- Inability to expand present premises due to lack of space
- Lack of R&D facilities at premises and hence greater reliance on hunch and trials rather than an orderly approach to R&D
- Lack of skilled F&B professionals
- Lack of appropriate advertising and marketing budget for promotion (especially in times of recession)
- Lack of foresight on exports and branding

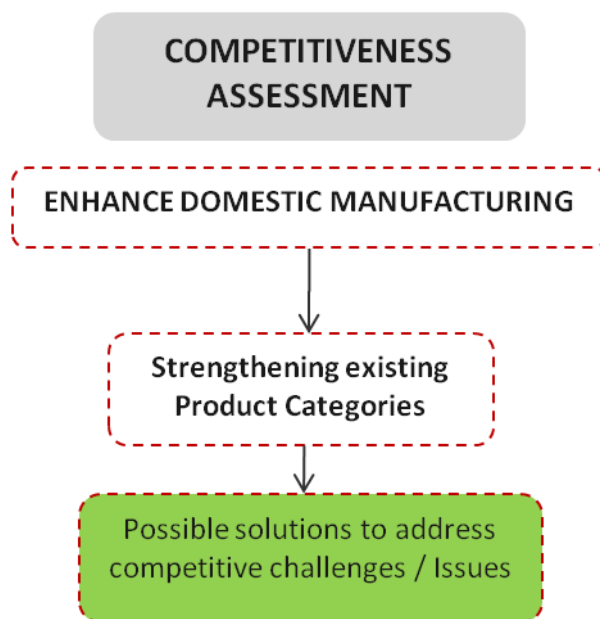
All these issues have been detailed in the following section of the report which identifies and addresses Key Competitive Issues and Challenges.



5. (D) Competitiveness Assessment

This section discusses the various issues (competitive and growth issues / challenges) that deter development of the local manufacturing industry in Dubai. Primary research was conducted among Dubai F&B manufacturers to understand the issues and their root causes. Various stakeholders at the Government level were interviewed to obtain their insights and understand the current initiatives in place to address industry concerns.

Note: the competitiveness issues are primarily associated with the key product categories identified for the study (SME orientation)



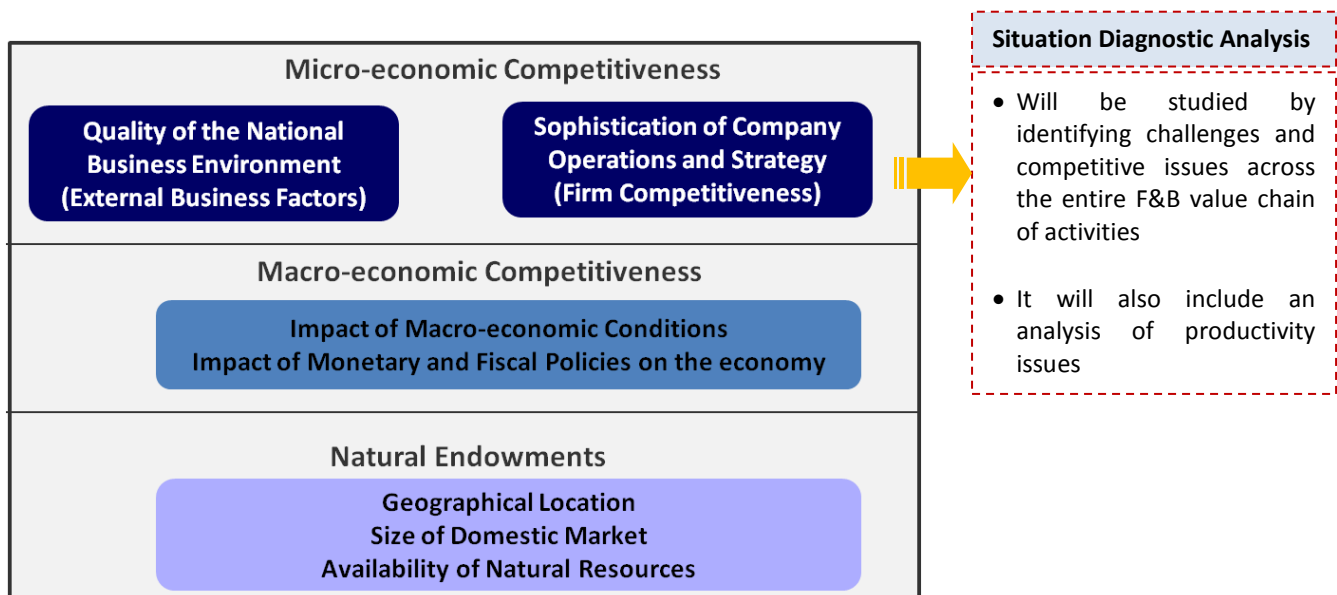
The main objectives of competitive assessment are;

- ✓ **Identify challenges of the existing firms** – to enable the firms to grow and be export ready. Both external and internal challenges have been identified.
- ✓ **Identify competitive issues to be addressed** – mass production from low cost centres like KSA, Egypt and India pose a significant challenge to the operations of firms in Dubai. Such issues have been highlighted to enable Dubai to compete if not then complement the large manufacturing bases. The focus is to address issues which can help Dubai enhance its exports (by developing food products which can be competitive)

Competitiveness is a relative term and is studied in reference to competing Nations. For Dubai, competitiveness (as studied in the report) refers to: Addressing Key Competitive issues of the Industry as compared to neighboring countries like Saudi Arabia.

Based on Michael Porters Competitiveness model, competitiveness of an industry is the strategic advantage it possesses as compared to the same industry in other nations.

Determinants of Industry Competitiveness in a Nation – based on Michael Porter’s Model



The report discusses each of the components: Natural endowments, Macro-economic competitiveness and Micro-economic competitiveness.

Natural Endowments

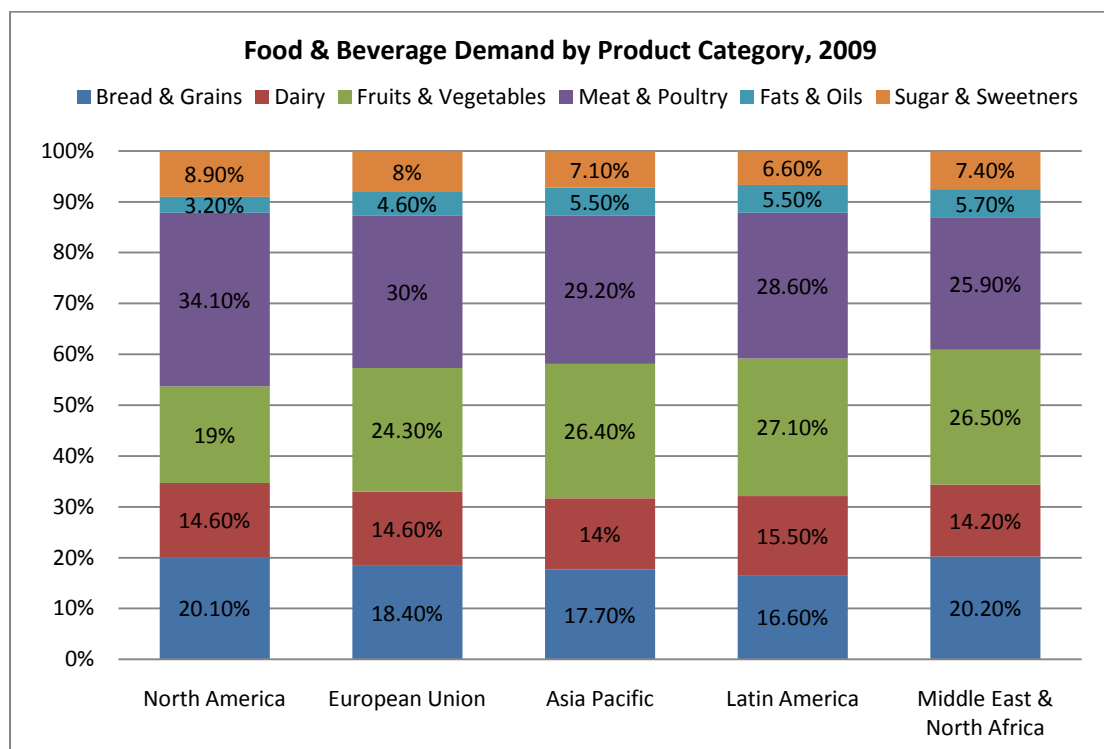
- **Geographical Location**
Located strategically between Europe and Far East, UAE ports (particularly Dubai ports) have been the preferred choice of location for a wide range of companies. Further, investments in infrastructure have led to the set-up of large free-zones attracting numerous foreign companies into Dubai. For domestic manufacturers, free zones allow easy exports and availability of warehouses for storage. *Consequently, UAE and Dubai in particular has transformed itself into a major international logistics hub, not only for GCC, but for the entire MENA region.*
- **Size of Domestic Market**
UAE is the second largest economy in the GCC with respect to GDP and third largest in terms of geography and population (the largest being Saudi Arabia). With a population of 4.7 million (20% locals and 80% expatriates), UAE is a relatively small market (as compared to Saudi Arabia with a population of 29.2 million). Nevertheless, the multi-cultural population mix and the evolved retail and tourism industry have resulted in Dubai being seen as a sophisticated demand centre.
- **Availability of Natural Resources**
UAE lacks vegetation cover due to harsh temperature conditions, scarce water resources and sandy soil conditions. Consequently, the country is heavily dependent on imports of raw and processed food-stuffs for all its domestic requirements.

Lack of natural resources and relatively small market size are key areas of competitive disadvantage for the Emirate. However, the Emirate has been successful in developing a strong transport and storage industry which caters to the large import requirements of the manufacturer in UAE as well as the entire GCC.

Impact of Macro-economic Conditions

The global economic slowdown had an adverse impact on F&B sales in Dubai. Weak consumer confidence and high unemployment led to a decrease in consumer spending.

In spite of the recent economic weakness, the Emirates macro-economic outlook is expected to be healthy in the medium-long term. With a high GDP per capita and projected growth in GDP, consumer confidence is likely to regain. Moreover, the region is experiencing a demographic boom, with an expected population growth of 3.6% in 2010 far outstripping the growth in any other region.



Source: 2020 Vision: Global Food & Beverage Industry Outlook by Frost & Sullivan

The Middle East is one of the world's fastest growing food and beverage markets, and between them the GCC countries import over US\$12 billion worth of Agri-food annually. Middle East & Africa has witnessed high growth in the food and drinks market, having grown an average of 23.2% between 2003 and 2007. In the same period, the region experienced an average of 15.8% growth in the per capita spends on food and drinks. The Middle East is home to over 200 million Muslims, and the demand for imported Halal products is increasing due to population growth, rising incomes and increased awareness.



Micro-Economic Competitiveness

Micro-economic competitiveness represents sophistication and productivity of firms, the vitality of clusters, and the quality of the business environment in which competition takes place. It reflects the overall ability of firms to conduct business efficiently. Consequently, the study aims to identify the challenges and competitive issues which need to be overcome for Dubai based firms to grow (export and expand) and compete with regional and global brands.

For the purpose of the study, the challenges/issues are clustered as per their relevance in the F&B value-chain.

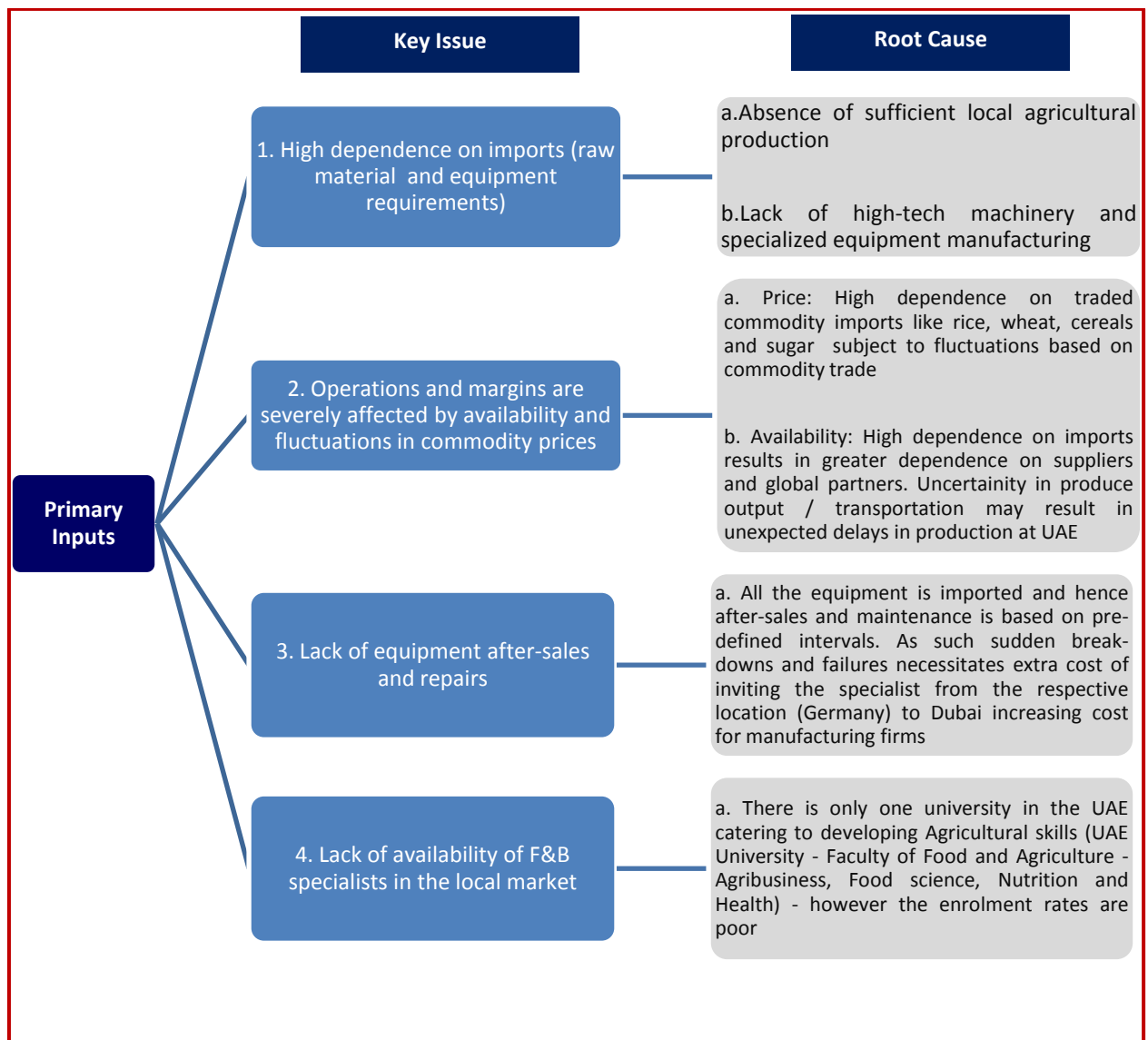
Clustering of Key Issues / Challenges

Clustering of Key Issues				
Primary Inputs	Processing	Packaging	Distribution	Others
1. High dependence on imports for all raw material and equipment requirements.	1. Low level of automation and greater reliance on manual labour impacting productivity	1. Locally manufactured products lack appropriate branding and packaging	1. Low level of outsourcing of non-critical functions (manufacture of packaging, warehousing & transportation) affecting overall efficiency	1. Lack of R&D
2. Operations and margins are severely affected by availability and fluctuations in commodity prices	2. High cost of utilities as compared to Other Emirates, KSA and Oman		2. Lack of transparency and high cost structure for listing products in retail outlets / supermarkets	2. National producers lack productization and branding capabilities
3. Lack of equipment after-sales and repairs				3. Lack of industry-level interactions especially for Local Quality standards and certifications
4. Lack of F&B specialists in the local market				4. Firms compete on cost rather than on differentiation and innovation

Note: Cells highlighted in yellow are 'Issues related to Productivity'

Each of the above statements (Issues / challenges) has been discussed in details in the report.

Primary Inputs – Key Issues/Challenges



1. **High dependence on imports** – F&B firms are completely reliant on imports for all raw, semi processed and processed material and equipment requirements mainly because of;
 - a) **Absence of sufficient local agricultural production** - The hot and arid climate, sandy soil and deficient water conditions prevent the growth of vegetation in the region. The key to success in F&B manufacturing is to have quality raw material. In the absence of foundational factors, local manufacturers depend on imports for all their requirements (raw materials, additives, flavors, etc). Consequently supply, availability, pricing of imported F&B products, storage and maintaining its shelf-life are a cause of concern.

Typically, F&B manufacturing is located at the source of raw material, to ensure uninterrupted production at lower cost. Countries like India, China, Europe and Egypt have a large agricultural expanse which enables low cost continuous production.

In the neighboring GCC country, KSA has advantage of indigenous production in certain commodities like wheat and potatoes. Basic consumer products like sugar, rice, tea, unroasted coffee, cardamom, barley and corn, livestock are duty free. Others attract a 20% duty fee to protect infant National industries.

The government of UAE has been responsive and allows duty-free imports of raw materials to ease the burden of imports As compared to neighboring GCC countries Dubai has a distinct advantage of favorable logistics infrastructure.

- b) **Lack of high-tech machinery and specialized equipment manufacturing** – The Emirate does not manufacture high-tech machinery or specialized equipment (packing machines, filling machines, etc) locally. Such machines are imported from countries like Germany (bakery machines and extrusion machines for pasta), China and US. Packaging machines are usually imported from Japan and Australia.

Importing machinery from foreign countries is a lengthy process and may take upto 8-10 months over dispatch, delivery, assembly, installation and pilot testing. *Moreover, every new F&B product requires a new line (equipment) adding to the overall difficulty of obtaining new machines. This requirement limits ability of firms to migrate to newer / better processes, introduce new product lines or to scale-up processing.*

Local Bakery - The machines are different for making bread, sweets, cookies; it is very hard for one machine to manufacture all products.

Local Sweet & Confectionery firm - Machinery is costly since it is completely customised based on the plant size and layout (need and scope) and output requirements. Every product has a different production line. It takes time for a machine to reach Dubai (minimum fabrication time is 6 months + 2 months transit + 2 months to install and test before final production)

Local Chocolate firm - chocolate packaging machines itself cost around USD 100,000 and these can pack only in one style.

Annual exhibitions like Gulfood in Dubai enable firms to select and buy machinery as per their requirement. The exhibition plays an important role in providing a platform for foreign equipment manufacturers to exhibit their equipment, providing Dubai based manufacturer's easy access to latest equipment.

2. Operations and margins are severely affected by availability and fluctuations in commodity prices

a) **Price:** Raw ingredient and commodity prices are expected to rise in the near term given global uncertainties on production. Producer's margins are constantly under pressure due to an expected increase in the prices of key inputs in 2010. BMI estimates that prices of commodities such as cocoa, sugar, corn, soybean, rice, etc are expected to rise in the future. The price of sugar is forecasted to rise by 90% and the price of cocoa is expected to increase by 84%. The change in price of barley (2%) is expected to be the least.

BMI'S Forecast of price of various commodities¹⁵

Commodity	2007	2008	2009	2010 (f)	2011 (f)	Percentage change in price (2007-2011)
Cocoa, GBP/tonne	978	1426	1869	1950	1800	84%
Coffee(Arabica), Usc/lb	117	132	132	150	145	23%
Sugar, USc/lb	10	12	19	23	19	90%
Barley, CAD/tonne	185	210	146	180	190	2%
Corn, USc/bushel	373	527	403	450	470	26%
Rice, US\$/cwt	14	15	14	16	16	14%
Soybean USc/bushel	863	1233	968	1100	1150	33%

For Dubai which is heavily dependent on imports, a continued rise in prices of commodities poses a big challenge to manufacturers in maintaining quality and price of the final output.

The most effective means to control costs are operations oriented: using lean manufacturing practices, eliminating unprofitable product lines and implementing long-term waste reduction projects. Manufacturers need to review and revise their formulas, their ingredients and their packaging to reduce costs.

KSA subsidies to promote local manufacturing

KSA promotes local manufacturing industry by providing subsidies for certain commodities like wheat, flour, rice and milk as well as for packaging material. The subsidies enable firms to control their import / raw materials cost and achieve competitive cost advantage over similar food products manufactured by other GCC countries.

Saudi Arabia will spend more than SR12 billion (USD 3.204 million) in subsidizing food prices, on top of an estimated SR7.9 billion in indirect subsidies, such as water, electricity etc., according to Saudi Press Agency (2009).

¹⁵ BMI: Business Monitor International
USc: US cents



- b) Availability:** High dependence on imports results in greater dependence on suppliers and global partners. Uncertainty in produce output / transportation may result in unexpected delays in production at UAE.

Uncertain environmental conditions pose a serious threat to agricultural produce globally, further concerns over excessive use of fertilizers, degrading soil quality and natural calamities hitting agricultural countries like Indonesia, Pakistan and India disrupts supply. Consequently, import dependant countries suffer production losses. Further, *forecasting all the import requirements so that they reach on time and do not affect production schedules is a major challenge (ships schedule, clearance requirements, municipality requirements ---- if imported from GCC, fees and checks are liberal----if imported from Europe and India, strict clearance and fee requirements)*

Local Pasta firm - Typically if a shipment lands in Khorfakkan due to congestion at Dubai port it requires additional checks at Khorfakkan port as well as its re-entry into Dubai Port causing unexpected delays in production.

Majority of the commodities are traded and this provides importing countries opportunities to trade and hedge their positions in view of unexpected fluctuations in prices. While trade can occur across global exchange houses, the DMCC (Dubai Multi-Commodity Exchange) currently allows trading in tea and cotton.

Dubai Tea Trading Centre - The Middle East and adjacent regions account for approximately 25% of global tea imports and Dubai is already an important regional centre for tea packaging and trans-shipment.

DTTC is a dedicated facility in Dubai at which international tea producers and merchants can hold stocks of tea that will be readily available to meet the immediate requirements of importers in the Middle East and adjacent regions. Enabling availability of a variety of teas from multiple origins, DTTC offers convenience to tea purchasers, whilst promoting the interests of exporters.

3. Lack of equipment after-sales and repairs - All the equipment is imported and hence after-sales and maintenance is based on pre-defined intervals (especially for chocolate lines and wrapping machines). As such sudden break-downs and failures necessitate extra cost of inviting the specialist from the respective location (Germany) to Dubai increasing cost for manufacturing firms.



4. Lack of F&B specialists (chemists, brand managers, sales managers, administrative staff, quality control and HACCP certified professionals) in the local market - There is only one university in the UAE catering to developing F&B skills: UAE University - Faculty of Food and Agriculture - Agribusiness, Food science, Nutrition and Health in Al Ain). However the enrolment rates are poor and there is greater focus on Food Safety initiatives rather than on forward-looking research.

Skilled Professionals - The industry is highly dependent on expatriates for its operational requirements. Approximately 30% of the entire workforce in a typical F&B manufacturing firm is skilled – Chemists, Brand Managers, Quality Control Specialists and F&B Certified professionals.

Plant visits in some of the firms observed skilled professionals managing variety of roles (Quality Control Specialist as the Brand Manager and Production Manager), highlighting the shortage of skilled professionals in the field as well as increased cost of hiring expatriates (visa and accommodation). The skilled roles are dominated by expatriates (Indians and Pakistanis) who bring in their home country experience to Dubai. Role of Emiratis is restricted to Sales, Export Managers and HR managers.

The Faculty of Food and Agriculture at the UAE University, Al Ain offers graduate programs (short term, long-term as well as Distance learning) across subjects like: Food Science, Nutrition & Health, Agribusiness and Aridland Agriculture. However, the student uptake is relatively low as compared to other courses offered by UAE University mainly because of the perceived limited career offerings and low awareness of the University among youth in the country.

In countries like India and KSA, large Universities provide grants for Agriculture oriented research. Further, local F&B firms invest in R&D to constantly keep abreast of changes in consumer tastes and develop F&B products accordingly. Al Rabie Food Company in KSA conducts student visits in its manufacturing facility to encourage youth to take up positions in the industry. The large pool of indigenous skill provides a distinct advantage to these countries in terms of R&D and research.

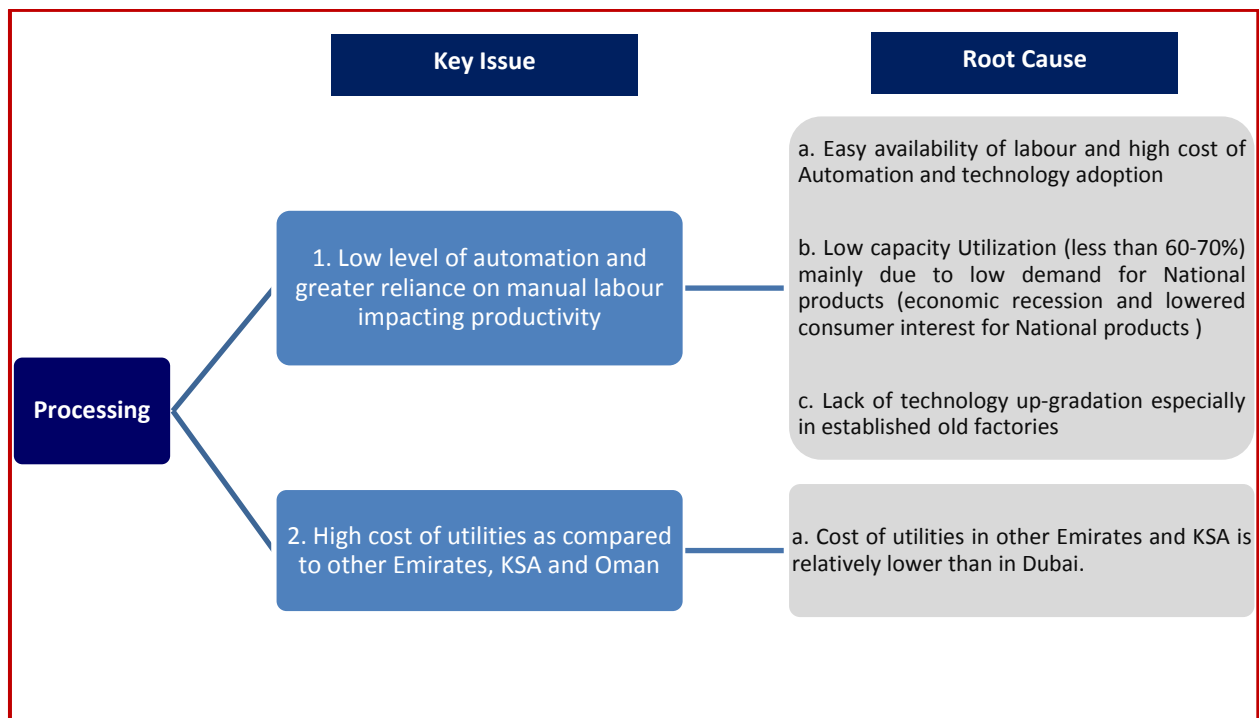
Unskilled Professionals – These constitute more than 70% of the workforce and are primarily expatriates. Increased cost of hiring expatriates has affected overall margins of the firms. However, these workers are relatively easy to hire, but difficult to retain (easy switching of jobs).

Large Vegetable Oil firm - Labor cost has increased from the past, the onetime fee to bring in labor to the country has increased from Dhs 500 to Dhs 8000 in the last 5 years signifying increased cost of hiring expatriates.

High cost of hiring expatriates coupled with unavailability of indigenous skills specialized in F&B creates an acute shortage of qualified professionals to lead R&D efforts in the industry.

Countries like India and Saudi Arabia have dedicated Universities and research centres for Agricultural and F&B skills. The indigenous skills help promote innovation and product development.

Processing – Key Issues/Challenges



1. Low level of automation and greater reliance on manual labour impacting productivity – The root cause of the issue can be related to the following;

a) Easy availability of labour and high cost of Automation

The average cost of hiring a laborer (low skilled) is AED 1200 per month as compared to a one-time cost of a minimum AED 100,000 to AED 20 mn for automation. Further, automation entails additional cost of training. High number of transient labour force discourages manufactures to invest in training of workforce.

Large Vegetable Oil firm - It is still more cost effective to use labor rather than pay for a more advanced machine.

Local Chocolate firm – Each packing line for chocolates is different and performs only a singly kind of packaging. Further, these machines are expensive upward of AED 100,000 each. Packaging is the key differentiator for chocolate products and innovative packing involves more packaging lines. Hence, firms resort to hiring large number of workers to enable manual and artistic packaging of chocolates.



b) Low capacity Utilization (less than 60-70%)

The economic recession has resulted in lower demand for F&B products. The issue is accentuated for National products which face stiff competition from foreign products which have attractive packaging and varied flavors. As a result most of the domestic plants are not running at full capacity.

Consequently, the priority for National firms is to achieve higher capacity utilization prior to automation.

Exports for National firms are limited to less than 40%, as they mainly serve UAE market and to some extent the neighboring GCC countries like Oman and KSA. The National firms focus on domestic market and inability to compete in export markets has increased the idle capacity at their facilities.

Local Chocolate firm – is operating at lower capacity mainly because of cost competition and losing market to unbranded chocolate

c) Lack of technology up-gradation especially in established old factories

Majority of the established firms (more than 15 years old) in Dubai have based their manufacturing facilities in the city (sheikh Zayed road, Deira, Al Quoz, etc.) as a result, accommodating new machines in the limited space available is a challenge for existing firms. Major developments around the facilities have restricted expansion in the immediate vicinity and hence limited scope for new machines to enter into the old facilities.

Old factories are running with old machines resulting in lower output and greater maintenance and repair. Further, innovation is restricted in the old machines. Such machines have a life-span of 15-20 years and need to be utilized efficiently for production before its replacement.

Consequently, firm owners are reluctant to invest in new machines and are willing to hire labour to fill the gap in automation.

Local Vegetables & Fruits Processing firm – The factory has 6-8 frying lines for potato chips, however only 2 are in use owing to slowdown in output and outdated machines. Their plan is to use the current machines (make them run for longer time) then invest in new ones. Moreover, the filling and packing machine has 8- 10 men working on it.

2. High cost of utilities as compared to other Emirates, KSA and Oman

Cost of utilities in other Emirates and KSA is relatively lower than in Dubai. The table highlights the cost of utilities in key manufacturing areas of the GCC.

	Industrial Area	Rental Rates (AED per year)	Industrial rates	
			Electricity	Water
Dubai	Dubai Industrial Park	25-30 sq.ft	Slab rate: 0 - 10,000 units: 20 fils per kWh > 10,000 units: 33 fils per kWh	Slab rate: 0 - 10,000 units: 3 fils per gallon 10,001 - 20,000: 3.5 fils per gallon 20,001 and above: 4 fils per gallon
	Jebel Ali Industrial Area	25-30 sq.ft		
	Al Quoz Industrial Area	30-35 sq.ft		
Abu Dhabi	Mussafah Industrial Area	0.10 sq. ft 0.04 sq. ft in Al Ain	15 fils per kWh	Not Available
Northern Emirates	Sharjah	25 sq. ft	Slab rate: 0 - 10,000 units: 20 fils per kWh > 10,000 units: 33 fils per kWh	4 fils per gallon
	Umm Al Quwain	25 sq. ft	40 fils per kWh	Slab rate: 0 - 10,000 units: 3 fils per gallon 10,001 - 20,000: 3.5 fils per gallon 20,001 and above: 4 fils per gallon
Saudi Arabia	Jazan Economic city	0.6 sq.ft	2-8 fils per kWh	Not Available
Oman	Public Establishment for Industrial Estates	0.7 to 0.8 sq. ft	12 - 24 fils per kWh	3 fils per gallon

Source: Electricity and Water Authority in the respective countries

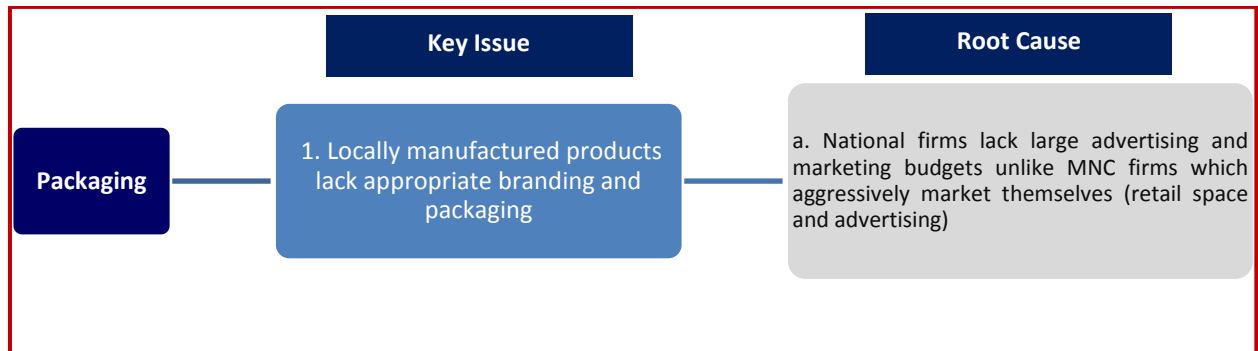
As compared to Dubai, the cost of utilities mainly land, water and electricity are much lower in Abu Dhabi, KSA and Oman.

The low rentals are attracting National industries to expand in these areas mainly in Oman. Oman is a liberal country and allows a majority foreign ownership (70%¹⁶), tax rate in the range of 12%-30% and supply of skilled and unskilled workforce.

Local Vegetables & Fruits Processing firm – “We had a space problem. There was no space in Al Quoz remaining. We have bought a 100,000sqft land in New Industrial Zone in Umm Al Quwain. But due to the power problem there, we haven’t started any operations. We want to move to DIP or industrial city but there the rent was AED3 million for 80,000 sq ft. It was too expensive. So at the moment we are waiting for prices to come down at DIP and industrial city and then see a plot.”

¹⁶ Some exceptional cases more than 70% is also allowed

Packaging – Key Issues/Challenges



1. Locally manufactured products lack appropriate branding and packaging

National firms lack large advertising and marketing budgets unlike MNC firms which aggressively market themselves (retail space and advertising)

The open market economy of Dubai has led to the entry of large MNC corporations and a variety of brands with attractive packaging. Further, large advertising budgets of MNC brands have pushed most national products lower in the display racks.

To remain competitive National industries need to adopt better packaging and branding options. Presently, all their marketing activities are handled by the production manger (or in some instances decisions are made by procurement manger or quality controller / chemist) in the organisation. Moreover, National industries do not have large budgets to (e.g. Knorr spends over USD 20 mn in advertising alone in the region) to compete with MNC brands. Recent efforts in branding and packaging among the local players have been limited to packaging for bulk quantities and changing designs. Moreover, the industries do not have logos or trademarks which can be recollected.

The following illustration compares National brands and foreign brands in the most popular category – Potato chips;



While the first three are National brands, the last two are Pepsi brands.



Some National industries which have created well-known brands (top 100 brands in the Arab region) are Al Islami, Masafi Chips and Patchi. Other product categories in which UAE has created a distinct competitive advantage through differentiation are: dairy (Al Rawabi - with its unique bottle shape inspired by cows) and meat & poultry (Al Kabeer and Al Islami – product offerings) and Al Nassma (Camel milk chocolate brand). Other SMEs primarily compete on cost (especially in the bakery, savory snacks and confectionery categories).

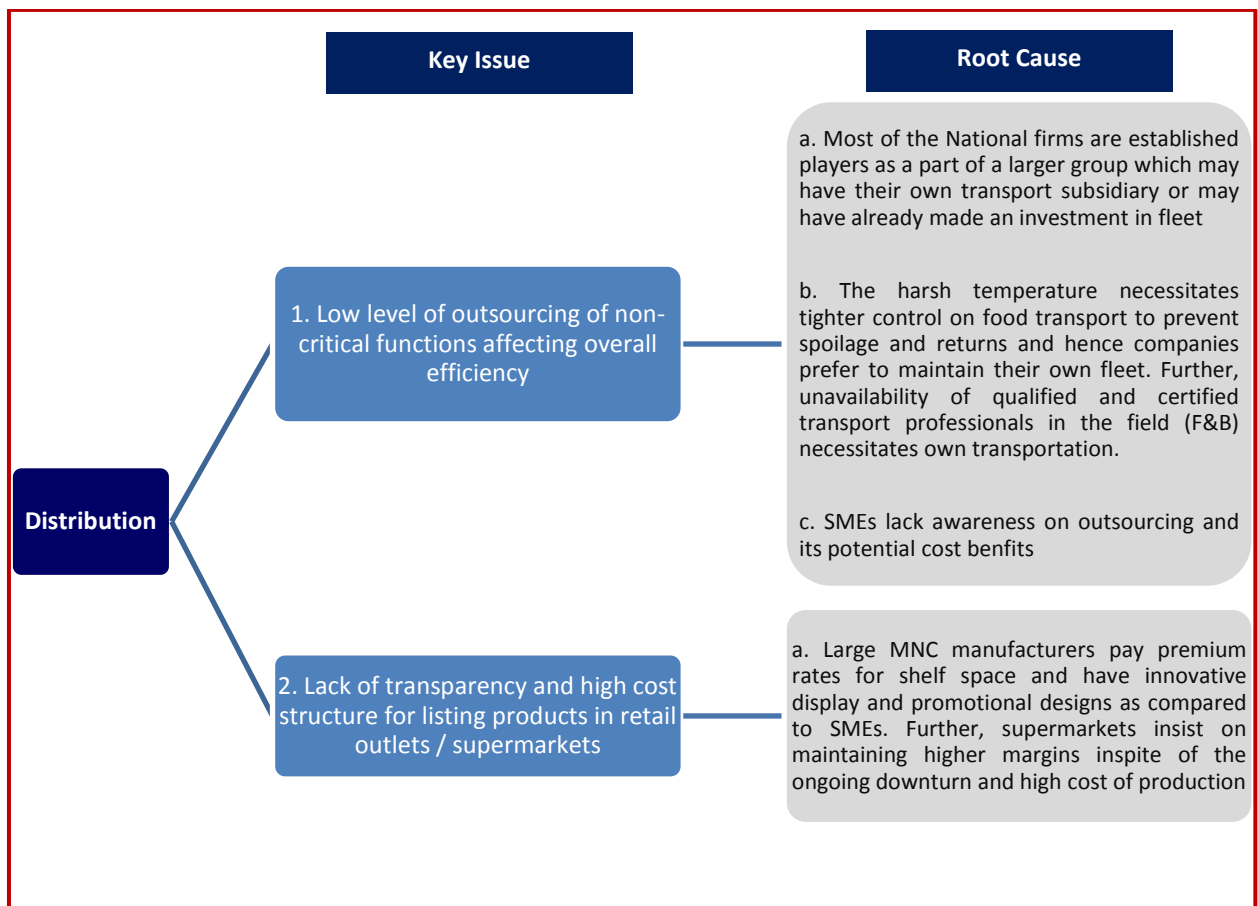
Al Islami – The Company promoted its products by strongly advertising them as ‘*Al Muta2akid----yes I’m sure it’s halal*’. The campaign not only got the company accolades for its efforts but also helped create a strong brand re-enforcement among the regional population.

The brand has become product of choice in the frozen food, ready-to-eat meat category.

Masafi Gourmet - The launch of Masafi Gourmet was a pivotal step towards the group's objective to provide a premium comprehensive food and beverage portfolio. The company aims to become a "complete" fast-moving consumer goods company by 2011. The branding, advertising as well as the portion-control size of its packaging has enabled it to earn a significant market share in the first two years of its operation. However, the company is a large enterprise.

In the GCC, KSA has been successful in developing National brands in the F&B category, these are mainly large manufacturing set-ups like dairy (Al Rabie and Al Marai through their innovative offerings), meat & poultry (Sadia – frozen pizzas and other meat and poultry items) and chocolates (Bateel). To improve packaging and branding, the Government of KSA also provides manufacturers subsidies on certain packaging material.

Distribution – Key Issues/Challenges



1. **Low level of outsourcing of non-critical functions affecting overall efficiency**

Globally manufacturing firms resort to increased outsourcing of functions like manufacture of packaging, warehousing & transportation to specialized firms based on cost-benefit analysis. The trend is more of lean manufacturing and focus on core competencies. As a result, firms are able to achieve greater productivity without having to bother about distribution, warehousing or packaging material. In Dubai, most of the established National industries prefer to maintain all the functions in-house, thereby increasing burden of packaging, warehousing and transportation. The main reasons for low level of outsourcing are;

a) Most of the National firms are established players as a part of a larger group which may have their own transport subsidiary or may have already made an investment in fleet

Consequently, SMEs do not want to explore outsourcing options, to utilize the existing investment. Further, in some field visits it was observed that non-critical functions like printing on packaging material and manufacture of carton boxes was also done within the firm's premises.



- b) *The harsh temperature necessitates tighter control on food transport to prevent spoilage and returns and hence companies prefer to maintain their own fleet. Further, unavailability of qualified and certified transport professionals in the field (F&B) necessitate own transportation.***

To prevent food spoilage it is very critical to maintain strict vigil on warehousing and storage. This necessitates maintaining own fleet of temperature-controlled delivery vans, especially in highly perishable product categories like chocolates and sea-food.

SMEs which have benefitted from outsourcing are Patchi. The company has outsourced its entire transportation and distribution function to a local logistics player who maintains strict control and vigilance on the food-stuff.

Further, firms are apprehensive of quality being provided by logistics players. High quality refers to companies with good system integration practices, high safety and environment concern, high quality equipments, sound labour practices, etc. Moreover, there are only a few firms offering such specialised services. Difficulty in tracking final food supplies to retail outlets hampers outsourcing of such functions to third-party logistics players.

Outsourcing will not only enable manufacturing firms to focus on their core activities, reduce inventories of manufacturing but also provide opportunity for transport players to specialize and diversify their offerings in light of the economic downturn.

- c) *SMEs lack awareness on outsourcing and its potential cost benefits.*** Some SMEs have not explored possibilities of cost-benefits through outsourcing due to lack of awareness.

All the three reasons mentioned above result in overall drop in productivity. Not only does it involve a large labour force, but it also creates additional burden of storing, tracking and ensuring delivery.

2. *Lack of transparency and high cost structure for listing products in retail outlets / supermarkets*

Large MNC manufacturers pay premium rates for shelf space and have innovative display and promotional designs as compared to SMEs. Further, supermarkets insist on maintaining higher margins inspite of the ongoing downturn and high cost of production

Cost of listing products in supermarkets includes fees for registration of company and each brand displayed, in addition to shelf rentals per month (based on placement in the supermarket ---i.e. Promotion Area or Category Area as well placement on shelf --- i.e. below / above eye-level).

Fee structure for a leading local supermarket in Dubai: AED 6000 per month for a shelf-space (approximately 4 X 4 feet) + AED 300 for each brand to be listed. In spite of the high prices shelf-space is not guaranteed and SMEs may need to pay additional to ensure the same. As a result SMEs in Dubai pay a high price for listing in supermarkets approximately AED 150,000 per year (this excludes the shelf rentals which amount to much higher costs).

In Dubai the listing price is approximately AED 13,000 to 15,000 per SKU, while the same price in Sharjah is approximately AED 3000-5000 per SKU. KSA listing price is much lower (approximately 20% cheaper), with guaranteed shelf-space.

The high marketing and listing costs make SMEs less competitive as compared to MNC brands which have deeper pockets and higher marketing budgets. Consequently, SMEs resort to listing in smaller supermarkets and convenience stores or are placed in the lower racks of most supermarkets, hampering their overall sales.

In addition, supermarkets are rigid on maintaining their margins; hence manufacturers have to take a hit on margins to meet the supermarkets requirements. The high cost of operations has to be borne entirely by the manufacturer himself, further eroding his profitability.

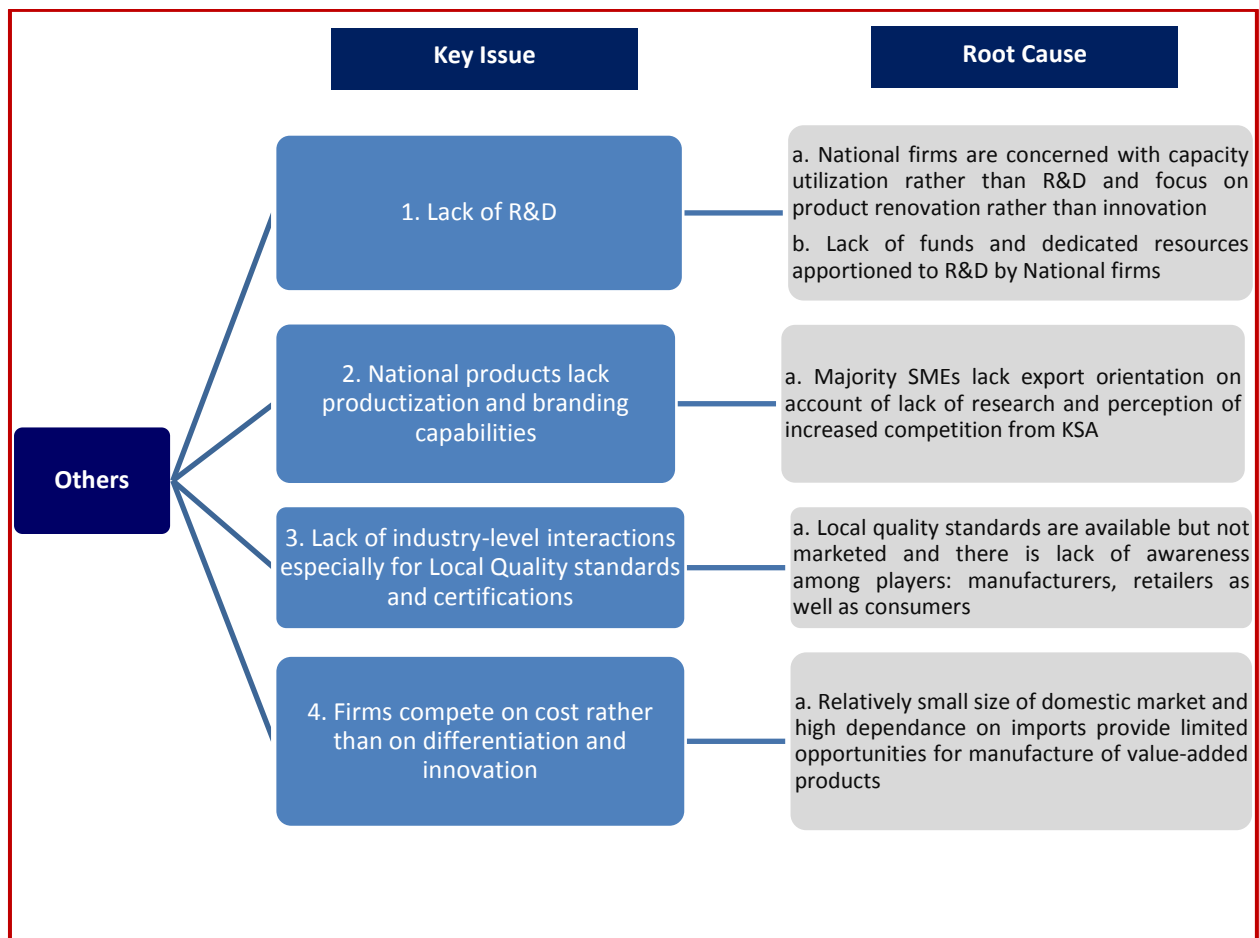
In countries like UK and Canada, supermarkets are transparent in their listing and manufacturers bid for shelf position and space openly through an online system. As a result, bidders are aware of the ongoing rentals and fair-play exists in listing. Moreover, various business-models are followed for listing of products. Other than charging manufactures listing fees as well as profit share in sales, supermarkets charge a fixed percentage in sales of a fixed amount of product. Consequently, the system has enabled greater trust between manufactures and retail outlets.

KSA also promotes locally manufactured products through a set of supermarkets “National Products Market”. The supermarket allows National industries to have wholesale and retail presence in the supermarket. The supermarket is meant only for locally manufactured food and beverages.

In Dubai, although initiatives like Union-Cooperative are promoting local and regional products, their costs of listing and rentals are greater than those of other supermarkets.

The high marketing and distribution expenses are a key challenge for most of the SMEs. As a result, they hesitate to innovate (with respect to innovative display units and racks) and continue to operate in traditional ways. Lack of transparency in listing and shelf-space allocation adds additional pressure on sales and constrains development of products.

Others – Key Issues/Challenges



1. Lack of R&D

a) National firms are concerned with capacity utilization rather than R&D and focus on product renovation rather than innovation

The economic recession has resulted in SMEs operating at lower capacities. The priority hence is to achieve greater utilization by either identifying new markets for sales, or renovation; opportunities that can enable utilization of present set of machines (each machine can manufacture only a singly type of product).

SMEs are hesitant to invest in the current times and are resorting to renovation techniques rather than innovation. Most of the renovation is in the form of change/modification in product based on customer feedback.

b) Lack of funds and dedicated resources apportioned to R&D by National firms

Majority of the SMEs do not allocate separate R&D budgets mainly due to the overall lack of funds (the monies are mainly put into distribution and marketing). Moreover, lack of indigenously trained F&B specialists creates a large gap in R&D for firms. Most of the food scientists, chemists and related specialists/technologists are expatriates with limited understanding of local temperature conditions and requirements. The food safety specialist, chemist or the production manager is responsible for R&D which is limited to taking feedback from the sales team. Testing of the product is limited to within the staff in the organisation and the final product is based on their preferences rather than on actual market research.

UAE has only one F&B University in Al Ain offering Bachelors in Food Technology. Their primary areas of research have been alternative farming methods and Food security. Limited research has been done in the field of processed food. However, there is limited uptake of such courses and the students typically join large dairy or MNC corporations after graduating from the university.

Inspite of Dubai being a large testing ground for R&D (with more than 200 Nationalities); little has been achieved in food processing and R&D. This is mainly due to lack of action in the form of a co-ordinated association or body. The availability of expat food technologists and specialists has not been converted into marketable F&B products. There are food technologists in Dubai, they share their technology and lot of knowledge transfer takes place informally (networking and connections).

On the other hand, Saudi Arabia is developing its R&D capabilities through the set-up of dedicated Universities, associations and organisations. The Saudi Society for Food and Nutrition (SSFN), Saudi Food and Drug Authority (SFDA) and King Saud University are steps in this direction. The main aim of SSFN is in introducing policies focusing on protecting the consumer; organizing markets and improving competitiveness in terms of food preparation and production. At the same time, the SFDA aims to enhance food safety and introduce more policies and procedures to improve the food industry as a whole. Further, the SFDA has created a Specialists and consultants registration facility to make available a ready database for use and distribution for local industries. The University provides specialized studies in F&B - Department of Food Science and Nutrition - College of Food and Agricultural Sciences - King Saud University in Riyadh. All these efforts have been supported by the large National industries and MNCs alike towards progressing KSAs efforts into food production.

Agriculture oriented countries like Canada, UK and India have developed F&B clusters to support the cause of R&D. The clusters provide an enabling environment for interaction of public and private sector along with relevant education and scientific institutions to promote R&D in the country.

Local Processed Fruits & Vegetables manufacturer – the SME does not have an R&D team, neither have they invested in branding. The director himself is responsible for both.

Local Processed Fruits & Vegetables manufacturer – the SME is known for its potato chips. In line with the new health theme and feedback from its sales team, the company is planning to launch a new line for manufacture of chips made from baked pita bread, to cater to both Health and Arabic theme. However, the company has kept the project on hold until they find a suitable bakery to supply long-shelf life pita bread on a continuous basis.

2. **National products lack export-orientation, productization and branding capabilities**

Both “Export Orientation” and “Productization/Branding” are key enablers for growth. However, growth strategies for National Industries in Dubai are mainly focused on “sustaining ongoing operations” and enlarging “domestic market share”.

The firms are facing intense competitive pressures to increase their domestic market share and recent economic downturn as well as large scale production from neighboring countries has resulted in increase in idle capacity in most of the plants, affecting firms operations. Consequently, firms need to look outward to newer markets and manufacture new products to develop newer markets. Many studies have been done to assess the Export readiness of Dubai firms and the challenges highlighted are: inherent ignorance, lack of understanding of new markets and demand requirements, lack of research orientation, lack of dedicated resources catering to exports and research and increased competition from foreign brands discouraging firms to innovate. The main reasons for the same have been discussed below;

a) **Export Orientation**

Majority of the National industries have low export percentages in the range of 30-40%. Their main focus is the domestic market. The lack of export orientation is mainly attributed to;

- i. **Lack of research** – firms make limited investment in research on new products, new markets and overall demand conditions outside the UAE.
- ii. **Competition from low-cost centres** – large scale operations in KSA, India and China enable production at lower costs which cannot be met by National industries.

Further, the key to export is to become productive (utilization of available capacity to efficiently produce goods that are capable of earning increased revenue). The issues related to productivity have been detailed throughout the report. A snapshot of these issues has been highlighted in the table below.

Processing	Distribution	Others
Low level of automation and greater reliance on manual labour impacting productivity	Low level of outsourcing of non-critical functions (manufacture of packaging, warehousing & transportation) affecting overall efficiency	Lack of R&D
		Lack of industry-level interactions especially for Local Quality standards and certifications

Concept of Productivity in Dubai: 1-2-3 concept. The firms pay salary of one person, who does 2 people tasks and is responsible for 3 roles.

All these highlight the need for assessing the Export readiness of the firms and developing appropriate policies and programs to address the issues.

The Export Development Corporation of Dubai is the pivotal agency for promoting exports of Dubai manufacturers. Various programs, publications, advisory and financial assistance is provided by the EDC towards promoting National exports. However, the measures are nascent and have to be constantly reviewed to track progress and success.

Countries like Singapore, India and UK have been able to enhance their National exports though potential FTA's with key trade partners, expediting export processes, developing national certifications and accreditations to comply with international standards (to ensure smooth trade) and setting-up Export promotion councils in specific regional product categories to encourage regional brands internationalization.

2. Productization and Branding Capabilities

Productization refers to make suitable as a commercial product – in this case export worthy. Local firms lack essential R&D required for new product development. New product development is restricted to a few minor changes in packaging or flavors. Further, local firms have not been successful in developing brands that can be marketed in the regional / global market.

The overall lack of export orientation, productization and brand diversification highlights the need to develop policies and programs to encourage national industries to be responsive to change and innovate to survive and grow in a competitive market scenario. Both the strategies will enable firms to become productive and compete regionally as well as in the international markets.

3. Lack of industry-level interactions especially for Local Quality standards and certifications

a) Local quality standards are available but not marketed and there is lack of awareness among players: manufacturers, retailers as well as consumers

Food Safety is a priority objective for the Dubai Government as well as the firms in the Emirate. Mandatory requirements by Dubai Govt. are HACCP (others like CMI, BRC, ISO, Global GAAP not primarily required by Govt.). Dubai Municipality is the authority responsible for implementation and enforcement in the Emirate, while ESMA is the pivotal authority for making the standards and certifications. ESMA has developed comprehensive UAE based quality marks. The mark enables exporters to export throughout the GCC (especially into KSA – it acts as a conformity certificate for KSA's SASO standards) and requires less paperwork. However, majority of the industry stakeholders; manufacturers, retailers and consumers are unaware of the mark. The low awareness is mainly due to lack of marketing and promotion of the mark among the final users.

The quality mark is not specifically aimed at SMEs in the country (no incentives for SMEs to obtain the mark). Further, all the standards are subject to download for a fee from the authority's website. The quality mark entails onetime cost of approximately AED 30,000 and a renewal charge of AED 2000 per year.

Consequently, the mark remains to be elusive to the stakeholders instead of being a strong imprint of quality and conformance assurance from the country, thereby affecting overall competitiveness of firms.

4. Firms compete on cost rather than on differentiation and innovation

Relatively small size of domestic market and high dependence on imports provide limited opportunities for manufacture of value-added products

UAE is a small market and hence firms in UAE tend to serve the entire Arab region from their facilities in Dubai. The small market makes it relatively less feasible to achieve economies of scale, unless firms capitalize on exports or development of premium products. High dependence on imports deters manufacturers from developing newer products, which can compete effectively with competition.

Intense competition from international players and KSA companies resulting in cost competitiveness and overall drop in margins.

As discussed earlier in the report, majority of the product categories face intense competition from foreign players especially from large-scale low cost producers like KSA, India and China. Further, premium and niche product categories are imported from Europe, US, Germany and Netherlands. A large variety of products are competing on cost as well as differentiation strategies. Hence, Dubai based National industries need to develop niche, value-added product categories to stay competitive and grow.

Local supermarkets are further adding to the competition by increasingly developing their own brands in fast-moving categories like bakery items, spices, pulses, poultry and other consumer durables. Supermarkets have a relatively higher advantage mainly due to; demand for faster, more frequent delivery of smaller stock units, reduce time to market for many foodstuffs and aggressive central buying. Consequently, SMEs face intense competition from the low priced brands and have to continuously match the prices and offerings of the supermarket labels.

Local Bakery items manufacturer - "it's hard for bakeries to survive here in Dubai"

Transportation is one of the key expenses in the category. Hence, supermarkets can produce the same quality product at much lower price by manufacturing in the premises and doing away with transportation costs. As a result, the supermarkets are willing to keep only those products which offer competitive pricing.

Competition in the product categories has resulted in evolution of the market structure with growth in supermarket brands and private labels¹⁷. Local manufacturers continue to focus on cost competition rather than developing niche products to cater to the market gaps.

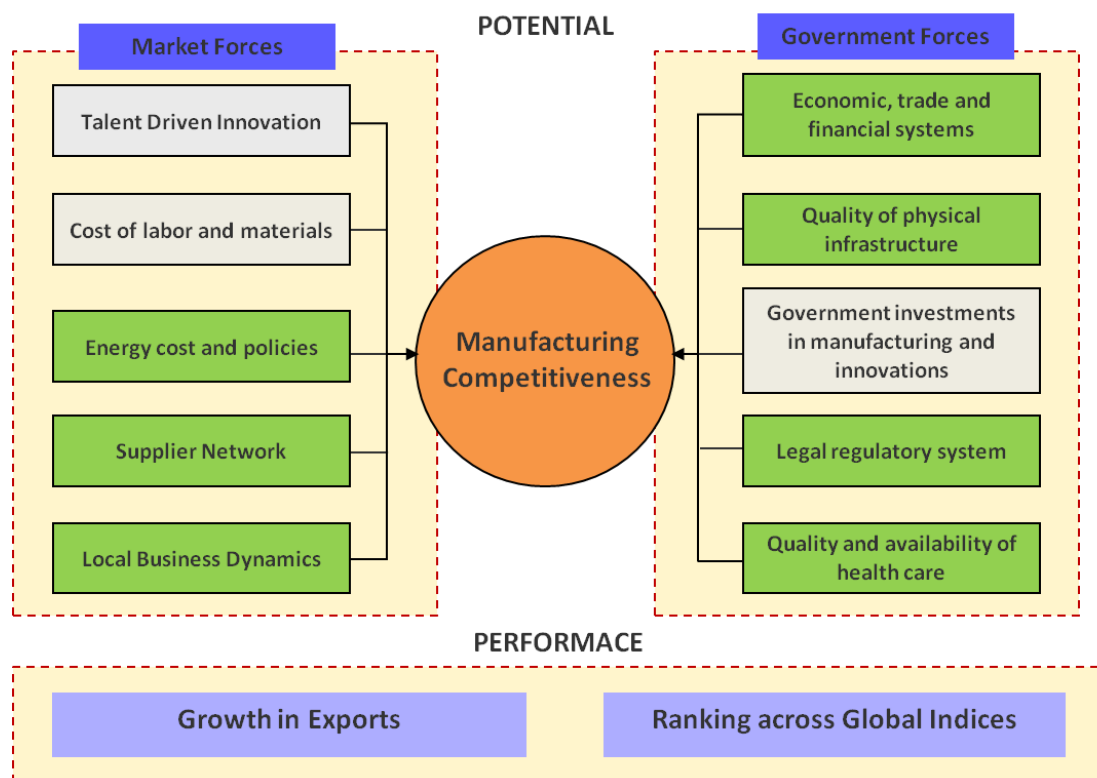
Private labels provide an opportunity for National firms to effectively manufacture customized products for niche markets.

Local Fruits & Vegetables manufacturer – the company has partnered with the Hotels, Restaurants and Institutional segment to manufacture private labels (Armani Café, EPPCO, Cozy café)

¹⁷ Private label products are manufactured or provided by one company to offer under another company's brand. They are often positioned as lower cost alternatives to regional, national or international brands, although recently some private label brands have been positioned as "premium" brands to compete with existing "name" brands.

The overall challenges and competitive issues across the F&B manufacturing value chain highlight the need for greater government intervention and programs in exports, branding, marketing & distribution and overall improvement in productivity of firms. The overall competitiveness of the F&B manufacturing industry and its outcomes have been illustrated in the diagram below.

F&B Manufacturing Competitiveness - Outcome



Source: US Council on Competitiveness, 2010. The green highlights areas of competitive advantage for Dubai.

As per the US Council on Competitiveness, manufacturing competencies of a nation are determined through 2 forces namely: market forces and government forces relative to competing nations. The Government forces contribute to the overall manufacturing environment of a Nation. While the emirate has relative competitive advantage in most of the factors, the areas of low competitiveness are namely resources – people and raw materials which drive innovation and productization in an economy.

However, Competitive advantage can be built and market forces (factors of production) can be greatly influenced by government forces through favorable import policies, subsidized cost of operations and innovation incentive (to hire skilled workforce).

Overall manufacturing competitiveness is judged by performance of the industry which is reflected in; export growth and ranking across Global Indices.

Performance of UAE's F&B Manufacturing Industry in Exports – Processed food exports have increased in certain product categories like fruit & vegetable oriented juices. The percentage of F&B exports (2% in 2009) to the total exports of the Emirate is low but steadily increasing. The overall performance of F&B in the Emirate highlights performance of large enterprise and as such SMEs play a limited role in the trade structure. However, the recently announced government initiatives directed towards SMEs for promoting exports are likely to benefit the segment at large in the near term.

Performance of UAE's F&B Manufacturing Industry on Published Indices

Globally, there is only one index that captures manufacturing competitiveness in general (not specific to F&B), "Global Manufacturing Index". Other indices related to manufacturing are: "Global Competitiveness Index" and "Doing Business Report".

1. **Global Manufacturing Index** – The index compiled by the US Council on Competitiveness for 2010 (first year of launch). The index is a measure based on perspectives among global manufacturing executives across key manufacturing drivers which have been ranked in terms of importance. The index ranks 26 countries (top exporting countries based on discussions with global executives) currently, and in five years. The report indicates that access to talented workers capable of supporting innovation is the key factor driving global competitiveness at manufacturing companies – well ahead of 'classic' factors typically associated with competitive manufacturing, such as labor, materials, and energy.
2. **UAE does not feature in the top 26 list of countries ranked in the Global Manufacturing Index.** KSA is the only Middle Eastern country represented in the index highlighting the relatively low industrialization and manufacturing capabilities of the region.
3. **Global Competitiveness Index** – The Index is a yearly report (started in 1979). The rankings are calculated from both publicly available data and Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum together with its network of Partner Institutes (UAE list of partners are: Economic & Policy Research Unit (EPRU), Zayed University and Dubai Competitiveness Council) across 133 countries.
4. **Doing Business Report** - The report is a study elaborated by the World Bank since 2004 every year and is aimed to measure the costs to firms of business regulations in 183 countries in 2010. High ranking on the ease of doing business index means the regulatory environment is more conducive to the starting and operation of a local firm.

UAE ranking across select indices is illustrated in the tables below.

Country	Rank 2010	Country	Rank 2015
1	China	1	China
2	India	2	India
3	Korea	3	Korea
4	USA	4	Brazil
5	Brazil	5	USA
6	Japan	6	Mexico
7	Mexico	7	Japan
8	Germany	8	Germany
9	Singapore	9	Poland
10	Poland	10	Thailand
11	Czech Republic	11	Singapore
12	Thailand	12	Czech Republic
13	Canada	13	Canada
14	Switzerland	14	Russia
15	Australia	15	Australia
16	Netherlands	16	Spain
17	UK	17	Netherlands
18	Ireland	18	Switzerland
19	Spain	19	South Africa
20	Russia	20	UK
21	Italy	21	Ireland
22	South Africa	22	Italy
23	France	23	France
24	Belgium	24	Argentina
25	Argentina	25	Saudi Arabia
26	Saudi Arabia	26	Belgium

Source: Global Manufacturing Index 2010 by US Council on Competitiveness

The global manufacturing index ranks top 26 countries based on their overall manufacturing capability. UAE does not feature on the list, however its close neighbor KSA ranks 26th in the 2010 index and is expected to improve its ranking in the coming 5 years to the 25th position. *The inclusion of KSA in the index is a key indicator of the success of the country in developing its manufacturing base and hence UAE has been constantly benchmarked with KSA in the study.*

Consequently, UAEs performance across other manufacturing related indices has been given by the Doing Business Report and the Global Competitiveness Report.

Doing Business Report, 2010

Economy	Ease of Doing Business Rank	Starting a Business	Employing Workers	Getting Credit	Trading Across Borders
KSA	13	13	73	61	23
Bahrain	20	63	13	87	32
UAE	33	44	50	71	5
Qatar	39	68	68	135	41
Kuwait	61	137	24	87	109
Oman	65	62	21	127	123

As per Ease of Doing Business Ranking 2010, KSA ranks higher in 2 out of 3 important parameters relevant for manufacturing among the GCC.

UAE ranks 33rd in the overall Doing Business Report mainly due to lower competitiveness in starting a business and difficulty in obtaining credit as seen in the table above. However, UAE has made significant reforms; by abolishing the minimum capital requirement and simplifying registration for start-ups and trading across borders also became faster, thanks to greater capacity at the container terminal in Dubai. Further, DED's new initiative to have the entire Government facilitation centre under one roof has taken shape in the Business Village in Dubai which is likely to reflect in the next year's index rankings.

Global Competitiveness Index 2009-2010

	OVERALL	Basic requirements	Efficiency enhancers	Innovation factors
	Rank	Rank	Rank	Rank
Qatar	22	17	28	36
UAE	23	9	21	25
KSA	28	30	38	33
Bahrain	38	22	44	60
Kuwait	39	40	63	64
Oman	41	25	53	52

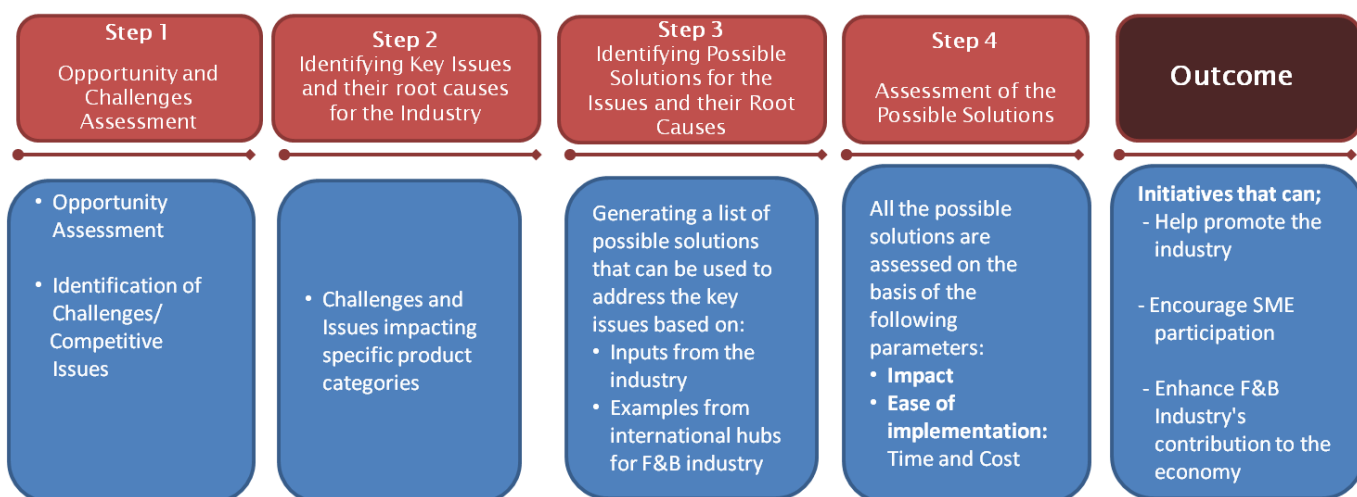
UAE ranking among Indices related to F&B Mfg. - as judged by Doing Business and Global Manufacturing Index 2010 Dubai has a relatively small advantage in F&B Manufacturing as compared to KSA. However, UAE ranks high in overall competitiveness among GCC peers as per the Global Competitiveness Report 2010, just below Qatar (Qatar ranks high mainly because of the overall improvement in physical infrastructure). UAE ranks high in overall categories, highlighting potential to innovate and improve efficiency.



6. Possible Solutions to address Opportunities and Challenges

The report identifies possible solutions that can cater to the challenges/ competitive issues and promote industry growth. The possible solutions are based on primary research, stakeholder views and benchmarking analysis.

The steps involved in determining possible solutions are detailed in the following illustration.



The following table provides assessment of these solutions based on:

- **Impact on competitiveness:** Assessed based on impact in handling the issue and number of companies that will benefit from the proposed solution
- **Ease of Implementation:** Assessed based on favorability with respect to cost and time required for implementation
 - **Cost of implementation:** *High: Does not require any investments/funding; Medium: Requires investments to conduct workshops, discussions, devising programmes, etc. ; Low: Requires high investments*
 - **Time of implementation:** *High: <1year; Medium: 1-3 years; Low: >5years*

Based on the study, the possible solutions are aimed at the following objectives;

- Export orientation
- Measures to differentiate Dubai F&B products
- Raise indigenous workforce expertise in selective industry sectors to international standards
- Encourage firms to focus on efficiency gains and productivity increases
- Maximize entrepreneurial opportunities through innovation
- Create an enabling business environment

The following table provides a list of possible solutions to address the competitive issues and challenges and a high-level assessment of their impact.

PRIMARY INPUTS							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
High dependence on imports	1. The hot and arid climate, sandy soil and deficient water conditions prevent the growth of vegetation in the region	a. Identify areas of import substitution for semi-finished / finished products and promote National industries in their place	Market research by EDC and relevant authorities such as Ministry of Environment & Water (MOEW) to create a database of opportunities for the Emirate which can be published on the DCCI and DED website <i>(Refer to Opportunity Assessment)</i>	MEDIUM	MEDIUM	MEDIUM	EDC, MOEW
		b. Import - substitution Policies	Grants for import substitution (these may include utilities and land at lower prices, incentives for manufacturers based on their vintage and product category manufactured)	HIGH	LOW	LOW	EDC, Ministry of Economy
		c. Promote conversion of re-exports into value-added exports	Grants for value addition (these may include utilities and land at lower prices)	HIGH	LOW	LOW	EDC, Ministry of Economy



PRIMARY INPUTS							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
	2.The country/region does not manufacture any high-tech machinery and specialized equipment for F&B processing	a. Technology Transfer agreements with key equipment supplying countries like Germany and Italy	<p>Technology transfer is a process through which technical information and equipment developed by a country are provided to potential users in a manner that encourages and accelerates their use.</p> <p>Government can facilitate and subsidize licenses to companies interested in manufacturing or using technology.</p> <p>The Dubai Government has already taken steps in this direction and set-up Gulf Food - a F&B trade exhibition which promotes technology from across the world in Dubai</p>	HIGH	MEDIUM	LOW	EDC, Ministry of Economy
		b. Technology Information Data Bank	Government in collaboration with the private sector should undertake an audit of the technology available in the market and publish a databank on the website (Gulf Food, EDC website). This would include information on the available technology for different lines of manufacturing production, the costs, purchasing arrangements and the scope for hands-on training from the developers.	MEDIUM	HIGH	HIGH	EDC



PRIMARY INPUTS							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
Operations and margins are severely affected by availability and fluctuations in commodity prices	1. Price: High dependence on traded commodity imports like rice, wheat, cereals and sugar subject to fluctuations based on commodity trade	a. Provide training to F&B Finance staff on inventory management, trading on world exchanges and other financial methods for controlling the impact of commodity price fluctuation	<p>Certification for commodity trading and hedging for accountants and other finance staff in the firm.</p> <p>Provide assistance for feasibility studies.</p>	MEDIUM	MEDIUM	HIGH	MBRE, EDC
	2. Availability: Uncertainty in produce availability/ transportation may result in unexpected delays in production at UAE	a. All the ports in UAE to be unified with customs procedures and food control checkpoints	<p>All the entry points in the country to be connected to prevent supply disruptions.</p> <p>Further, programs to pool supply function among SMEs to be encouraged.</p>	MEDIUM	HIGH	LOW	Dubai Ports, Ministry of Economy, Dubai Municipality



PRIMARY INPUTS							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
		b. Government to develop large storage and warehousing capabilities (with temperature control) to enable foodstuff availability at uncertain times (currently under consideration)	Such storage facilities should be located near the manufacturing base to enable speedy transport and overcome unnecessary Free Zone barriers and paper work Further, such capacities should be clustered so as to maintain food safety conditions	HIGH	HIGH	HIGH	Ministry of Economy, Dubai Industrial City
Lack of F&B specialists in the local market	1. Only one university in the UAE - however the enrolment rates are poor	a. Certification for HACCP professionals and their presence in F&B manufacturing firms.	SMEs are HACCP certified (as per mandatory requirement) but may not have a HACCP professional in their firm. SMEs find HACCP consultation expensive (upwards of AED 30,000 for one time) mainly due to availability constraints and hence may hire HACCP consultants for a short period	HIGH	HIGH	HIGH	Ministry of Economy, Dubai Municipality
		b. Tie-up with Food Safety & Hygiene and HACCP training centres (international centres with presence in Dubai) to provide training programs	Recognized certification providers like - ETA Consultancy, SGS Gulf, RWTUV Nord, etc	HIGH	HIGH	HIGH	MBRE, Dubai Municipality, ESMA



PRIMARY INPUTS							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
		c. Skill Action Plan - Promote educational programs and uptake of courses in F&B Specialties - Food Chemists, Quality Control managers, Nutritionists	<p>Establish tertiary education schools in specialized fields and create awareness about the programs</p> <p>Develop a detailed Skill Shortage identification program. The sector is characterized by 30% skilled employees who key in driving innovation and automation within the firm.</p>	MEDIUM	MEDIUM	MEDIUM	KHRDA, MOE, MBRE
		d. Provide "Food Safety Program Certification" (as mandatory requirement) by the municipality	The Essential Food Safety Training and Certification programme should be aimed at staff of all food businesses. It should provide for a list of approved training centres and certification	HIGH	HIGH	HIGH	MBRE, EDC, Dubai Municipality



PROCESSING							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
Low level of automation and greater reliance on manual labour impacting productivity	1. Easy availability of labour and high cost of automation / technology adoption	a. Enable Technology transfers and Government grants to obtain advanced technology	---	MEDIUM	MEDIUM	LOW	Ministry of Economy, DED
	2. Low capacity Utilization mainly due to low demand for National products (economic recession and lowered consumer interest for National products)	a. Promote Export orientation (currently under consideration - Export Assistance Program)	Promote Capacity utilization by helping identify export markets and means to upgrade locally developed products (Refer to Opportunity Assessment)	HIGH	MEDIUM	MEDIUM	EDC



PROCESSING							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
	3 Lack of technology up-gradation especially in established old factories	a. Technology support to SMEs - in areas of quality management, productivity improvement, and internet access	Measures might include grants for SMEs to obtain ISO 22000 certification, support for computer purchase and internet diffusion	MEDIUM	LOW	MEDIUM	EDC, Ministry of Economy
High cost of utilities as compared to Other Emirates, KSA and Oman	1. Cost of utilities in other Emirates and KSA is relatively lower than in Dubai	a. Provide grants and lowered utility rates for National Industries	Grants could be based on certain parameters like vintage of the industry and product category	HIGH	MEDIUM	LOW	Ministry of Economy, DEWA



PACKAGING and BRANDING							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
Locally manufactured products lack appropriate branding and packaging	1. National firms lack large advertising and marketing budgets unlike MNC firms which aggressively market themselves	a. Branding and Packaging Kit - provide subsidized packaging material to SMEs, provide support through branding consultants and provide grants for the same	The package can provide a consultant, a website and appropriate packaging / promotional designs as a package for National firms at subsidized rates through tie-ups with brand consultants	HIGH	LOW	MEDIUM	EDC, MBRE
		b. Develop a Regional branding concept, for National firms to adopt by providing grants	Since SMEs are finding it difficult to develop their own brands, Government can embark on promoting the regional brand "Dubai" – promote product categories which portray regional image – dates, Arab spices, Hammour fish products, etc Help promote brands under the regional brand (both products manufactured or served in Dubai) Regional branding should have entry requirements: HACCP, ISO 22000, grade A or B , must be incorporated in Dubai	HIGH	LOW	MEDIUM	MBRE, EDC
		c. Marketing & Advertising Kit - create a bouquet of advertising platforms for local firms to advertise their products	Tie-ups with Media players (TV, newspapers, outdoor) to promote National firms. Link products to national brand ambassadors like Freej characters.	HIGH	HIGH	HIGH	EDC, private advertising players



DISTRIBUTION							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
Low level of outsourcing of non-critical functions affecting overall efficiency	1. Most of the National firms are established players as a part of a larger group which may have their own transport subsidiary or may have already made an investment in fleet	a. Opportunity for certified temperature control quality foodstuff carriers	<p><i>Is an opportunity and not a solution.</i></p> <p><i>Stakeholders like RTA and Dubai Municipality to provide relevant certifications for transport players in food supply and transport</i></p>				
		b. Awareness Programs on Outsourcing and its cost benefits	To encourage adoption among large firms through awareness programs and seminars on outsourcing benefits and opportunities as well as its impact on overall productivity of firms.	HIGH	MEDIUM	MEDIUM	MBRE, Ministry of Economy



DISTRIBUTION							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
Lack of transparency and high cost structure for listing products in retail outlets/supermarkets	1. Large MNC manufacturers pay premium rates for shelf space and have innovative display designs as compared to SMEs.	a. Tie-ups with supermarkets	<p>The tie-ups should provide for National product quotas and preferential shelf space. The Government could set-up quotas for shelf-space in supermarkets for National products. The quotas could be distributed by MBRE.</p> <p>Presently, Union co-operative provides preferential listing of National products in its outlets.</p>	HIGH	HIGH	HIGH	Ministry of Economy, EDC, MBRE



OTHERS							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
Lack of R&D	1. National firms are concerned with capacity utilization rather than R&D and focus on product renovation rather than innovation	a. Incentivize R&D and innovation in National firms by providing Innovation grants	Grants for Import substitution and Value-added manufacturing. Dubai can set-up an R&D centre for the entire Middle East region through partnerships with public, private (leading National industries and MNCs on a membership fee basis) and educational institutes. R&D to focus on differentiated innovation.	MEDIUM	LOW	LOW	EDC, Ministry of Economy
	2.Lack of funds and dedicated resources for R&D by National firms						
		b. Promote food culture / food week / specialty food festival	Food Product Concept Competition - across various food categories and healthy choices. The festival should serve both the tourist and locals and can be clubbed with Gulf Food	MEDIUM	MEDIUM	MEDIUM	DTCM, Gulf Food
		c. Manufacturing awards	The awards can be based on key themes like innovation, export, etc to set industry-wide benchmarks	MEDIUM	MEDIUM	LOW	MBRE, DED

OTHERS							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
Low focus on productivity and optimization	1. National firms are concerned with capacity utilization rather than productivity	a. Develop a Productivity centre in line with (Asian Productivity Organisation) to monitor and consult SMEs on improving productivity	<p>To conduct a study to assess where the firms stand, to devise appropriate strategies based on findings (basic metrics like Labour productivity, capital productivity and profitability ratios)</p> <p>Medium term audit and mentoring programme - would include qualifying SMEs undergoing a diagnostic review by a group of experienced professionals with the objective of identifying strengths and weaknesses, strategic direction and advice to facilitate export performance</p> <p>The centre should also help promote laws on employee health and wellbeing.</p>	HIGH	LOW	LOW	Ministry of Economy, MBRE
National products lack export-orientation and productization / branding capabilities	1. Most SMEs lack export orientation on account of unavailability of information and lack of motivation to export	a. Assess Export Readiness of SMEs	<p>Identify new markets, work closely with trade associations and Chambers overseas</p> <p>Conduct detailed: Exporters' Readiness and Capacity Assessment (ERCA), which evaluates export capacity in attitude, readiness, capability and marketing of products and services.</p>	HIGH	LOW	LOW	EDC



OTHERS							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
	2. Lack of R&D and current downturn has restricted SMEs to undertake innovation and new product development	b .Website to promote SME products to foreign buyers	<p>Website to provide comprehensive services to enable display and visibility of National products on a global platform.</p> <p>Shipping collaboration program - a transport management system to combine products of different companies (consolidation of small consignments for exports) to enable export at preferred rates (for less than truck-load)</p> <p>Website to contain information on Food import regulations and standards across the world to facilitate exports as well as e-business guide for setting-up business online</p> <p>Such SME products need to maintain a certain quality standard, A or B certification of warehouse and ISO, HACCP certification</p> <p>The website will also promote the regional branding concept of Dubai product and can complement the DTCM website.</p>	HIGH	MEDIUM	MEDIUM	EDC, DTCM , MBRE
		c. Export Subsidies	Subsidies to help lower cost of exports: exhibiting, travelling to meet exporters and sending samples	HIGH	LOW	LOW	EDC, DED
		d. Export Club to promote regional branding and set benchmarks for the industry	<p>The club will consist of members who have been tagged Export ready (with respect to attitude, readiness and capability) and exporting F&B products globally. Such a club will provide encouragement to National firms.</p> <p>Members of the club will pay a registration fee in return for preferred listing and benefits (exhibition abroad)</p>	MEDIUM	MEDIUM	LOW	EDC, MBRE



OTHERS							
Key Issue	Root Cause	Possible Solutions	Description	Impact	Cost	Time	Stakeholders involved in implementation
Lack of industry-level interactions especially for Local Quality standards and certifications	1. Local quality standards are available but not marketed and there is lack of awareness among players	a. ESMA to create awareness of its quality mark	Through seminars with DCCI, DED and Supermarkets. It should also generate awareness on registering trademarks. Can also plan to create marks Quality marks related to Health and Nutrition	HIGH	MEDIUM	HIGH	ESMA, DCCI, MBRE, DED, EDC and private players
		b. F&B Task force	F&B Working group of DCCI) to create a continuous dialogue between industry and government	HIGH	HIGH	HIGH	DCCI task force
Firms compete on cost rather than on differentiation and innovation	1. Increase in competition from low-cost production bases like KSA, India and China	a. Promote locally developed Innovative and Healthy options	By providing grants and incentives to National firms. ESMA could also create and develop Health and nutrition Quality marks for conformance. <i>Refer Opportunity Assessment</i>	<i>Refer Opportunity Assessment</i>			
	2. Competitive advantage and economies of scale of Saudi Arabia	a. Program to foster horizontal collaboration in industrial clusters	Linkages among firms for joint purchase of plant and equipment, joint financing arrangements and for contracting managerial, insurance and marketing services. These joint arrangements could permit economies of scale which are not otherwise gained by individual SMEs	HIGH	MEDIUM	LOW	EDC, DIC

The possible solutions are high-level recommendations to enhance domestic production and address opportunities.

7. Conclusion

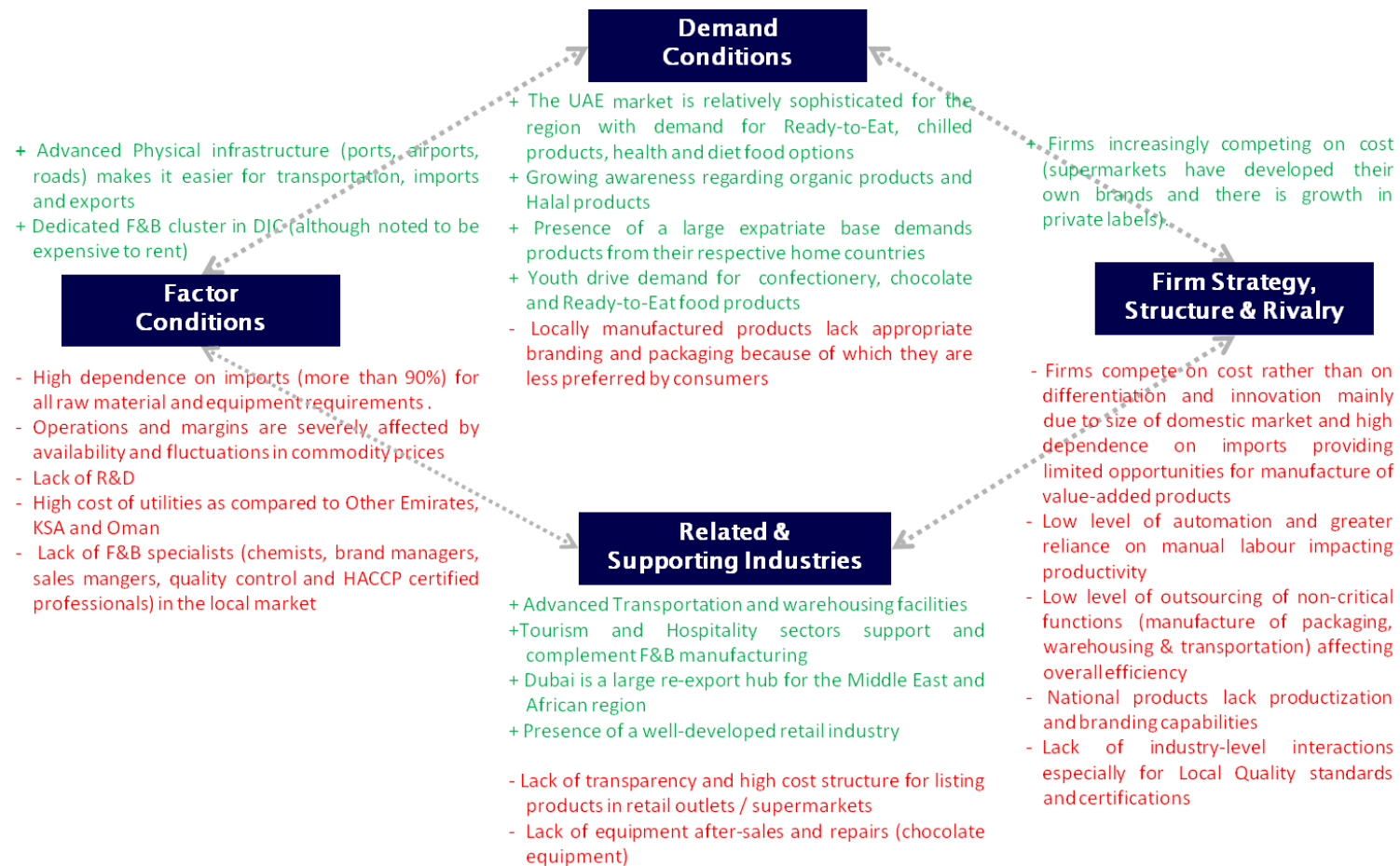
Traditional industrial policy instruments include macro-economic and tax policies, subsidies, government procurement programmes, support to research and development (R&D), technical standards, education and infrastructure improvement programmes, favorable anti-trust regimes, export assistance, and foreign trade and investment policies. However, majority of these solutions do not hold good in the Dubai context mainly because;

- Dubai is a tax-free business environment.
- Dubai lacks sufficient natural resources (agricultural output) that it needs to protect and promote through subsidies
- Government incentives and funding are naturally directed towards UAE Nationals, with one of the aims being to enhance their involvement in private sector. However, UAE National involvement in sectors like F&B manufacturing has been limited and hence incentives can have limited reach.

Consequently, the role of the Government is that of creating an enabling business environment for SMEs to set-up in the Emirate. The overall business environment is illustrated in terms of Michael Porter's Diamond Model on Competitiveness.

Michael Porters Competitiveness Model

Based on the study the key competitive advantages and issues of the F&B Manufacturing industry in Dubai have been illustrated in the diagram below;



Note: Statements highlighted in green are competitive advantages while those in red are competitive disadvantages.

D&B analysis (based on Michael Porters Competitiveness Model) identifies Dubai's sophisticated and dynamic customer pool (forming a strong demand structure) as favorable to the development of a strong F&B industry.

Each of the above statements presents the relative advantage and disadvantage for F&B Manufacturing firms (SMEs) in the Emirate. *The higher proportion of red statements highlights the overall challenges/issues which are dominant.*

Based on favorability of solutions discussed in the previous section, the following table highlights 'Most Appropriate Solutions'. However, detailed feasibility needs to be conducted for the solutions to ascertain their implementation. The **'Most Appropriate Solutions'** are relatively short-term objectives (less than 2 years time-frame for implementation), assigned High or Medium favorability with respect to Impact, Cost and Time and are accordingly highlighted grey in the tables below. Additionally, likely participation of MBRE in implementation of solutions is also marked with in green.

Possible Solutions – “Most Appropriate Solutions & Solutions that can be considered by MBRE”

Value chain Activity	Key Issue Impacting Local F&B Manufacturing	Possible solutions	IMPACT	COST	TIME
Primary Inputs	High dependence on imports of material and equipment requirements	1. Identify areas of import substitution for semi-finished / finished products and promote National industries in their place	MEDIUM	MEDIUM	MEDIUM
		2. Import -substitution Policies	HIGH	LOW	LOW
		3. Promote conversion of re-exports into value-added exports	HIGH	LOW	LOW
		4. Technology Transfer agreements with key equipment supplying countries like Germany and Italy	HIGH	MEDIUM	LOW
		5. Technology Information Data Bank	MEDIUM	HIGH	HIGH
	Operations and margins are severely affected by availability and fluctuations in commodity prices	3. Provide training to F&B Finance staff on inventory management, trading on world exchanges and other financial methods for controlling the impact of commodity price fluctuation	MEDIUM	MEDIUM	HIGH
		2. All the ports in UAE to be unified with customs procedures and food control checkpoints	MEDIUM	HIGH	LOW
		3. Government to develop large storage and warehousing capabilities (with temperature control) to enable foodstuff availability at uncertain times (currently under consideration)	HIGH	HIGH	HIGH
	Lack of F&B specialists in the local market	1. Certification for HACCP professionals and their presence in F&B manufacturing firms.	HIGH	HIGH	HIGH
		2. Tie-ups with Food Safety & Hygiene and HACCP training centres (international centres with presence in Dubai) to provide mandatory training programs	HIGH	HIGH	HIGH
		3. Skill Action Plan - Promote educational programs and uptake of courses in F&B Specialties - Food Chemists, Quality Control managers, Nutritionists	MEDIUM	MEDIUM	MEDIUM



Value chain Activity	Key Issue Impacting Local F&B Manufacturing	Possible solutions	IMPACT	COST	TIME
		4. Provide "Food Safety Program Certification" (as mandatory requirement) by the municipality	HIGH	HIGH	HIGH
Processing	Low level of automation and greater reliance on manual labour impacting productivity	1. Enable Technology transfers and Government grants to obtain advanced technology	MEDIUM	MEDIUM	LOW
		2. Promote Export readiness of the firm (currently under consideration - Export Assistance)	HIGH	MEDIUM	MEDIUM
		3. Technology support to SMEs - in areas of quality management, productivity improvement, and internet access. Measures might include grants for SMEs to obtain ISO 22000 certification, support for computer purchase and internet diffusion	MEDIUM	LOW	MEDIUM
	High cost of utilities as compared to other Emirates, KSA and Oman	1. Provide grants and lowered utility rates for National Industries	HIGH	MEDIUM	LOW
Packaging	Locally manufactured products lack appropriate branding and packaging	1. Branding and Packaging Kit - provide subsidized packaging material to SMEs, provide support through branding consultants and provide grants for the same	HIGH	LOW	MEDIUM
		2. Develop a Regional branding concept, for National firms to adopt by providing grants	HIGH	LOW	MEDIUM
		3. Marketing & Advertising Kit - create a bouquet of advertising platforms for local firms to advertise their products	HIGH	HIGH	HIGH
Distribution	Lack of transparency and high cost structure for listing products in retail outlets / supermarkets	1. Tie-ups with super-markets for National product quotas and preferential shelf space	HIGH	HIGH	HIGH
	Awareness Programs on Outsourcing and its cost benefits	1. Awareness programs and seminars on outsourcing benefits and opportunities as well as its impact on overall productivity of firms.	HIGH	MEDIUM	MEDIUM
	Lack of R&D	1. Incentivize R&D and innovation in National firms by providing Innovation grants	MEDIUM	LOW	LOW




Value chain Activity	Key Issue Impacting Local F&B Manufacturing	Possible solutions	IMPACT	COST	TIME
Others		2. Promote food culture / food week / specialty food festival	MEDIUM	MEDIUM	MEDIUM
		3. Manufacturing awards - innovation, best practices - as a benchmark and to set concrete examples	MEDIUM	MEDIUM	LOW
	Low focus on productivity and optimization	1. Develop a Productivity centre in line with (Asian Productivity Organisation) to monitor and consult SMEs on improving productivity	HIGH	LOW	LOW
	National products lack export-orientation and brand diversification capabilities	1. Assess Export Readiness of SMEs	HIGH	LOW	LOW
		2. Website to promote SME products to foreign buyers	HIGH	MEDIUM	MEDIUM
		3. Export Subsidies	HIGH	LOW	LOW
		4. Export Club to promote regional branding and set benchmarks for the industry	MEDIUM	MEDIUM	LOW
	Lack of industry-level interactions especially for Local Quality standards and certification	1. ESMA to create awareness of its quality mark through seminars with DCCI, DED, Supermarkets	HIGH	MEDIUM	HIGH
		2. F&B Task force (working group of DCCI) to create a continuous dialogue between industry and government	HIGH	HIGH	HIGH
	Firms compete on cost rather than on differentiation and innovation	1. Promote locally developed Innovative and Healthy options	--	--	--
		2. Program to foster horizontal collaboration in industrial clusters	HIGH	MEDIUM	LOW


Note: Cells highlighted in green are 'Solutions that can be considered by MBRE'

The opportunities in the industry are highlighted in the table below. These represent key product categories and themes for new SMEs to set-up manufacturing facilities in the Emirate;

Categories	Value-add to Re-exports	Import Substitution	Exports		
			HEALTH	CONVINIENCE	DELIGHT
Sea Food Processing	✓			✓	✓
Fruit and Vegetables Processing	✓	✓	✓		✓
Grain Mill Products Processing	✓	✓	✓	✓	✓
Sweets, Chocolate and Confectionery Products	✓		✓		✓
Spices Processing			✓	✓	✓



Focus on converting Re-exports to value-added Exports



Focus on Premiumisation and Innovation

Annexure I – ISIC Classification

Detailed ISIC Revision 4 Components of the Food & Beverages Manufacturing Industry

Sector	Food & Beverages Manufacturing
Sector Definition (ISIC Revision 4 References)	<p>This division includes the processing of the products of agriculture, forestry and fishing into food for humans or animals, and includes the production of various intermediate products that are not directly food products. This division is organized by activities dealing with different kinds of products: meat, fish, fruit and vegetables, fats and oils, milk products, grain mill products, animal feeds and other food products.</p> <p>Some activities are considered manufacturing (for example, those performed in bakeries, pastry shops, and prepared meat shops etc. which sell their own production) even though there is retail sale of the products in the producers' own shop. However, where the processing is minimal and does not lead to a real transformation, the unit is classified to Wholesale and retail trade (section G).</p> <p>Note: For the purpose of this report, manufacturing of animal feed, alcoholic beverages and spirits are not considered in the study and as such the report concentrates on Food & beverages meant for human consumption.</p> <p>The report also excludes activities related to catering, food services and retail.</p>
Subsectors	<p>Section: C - Manufacturing</p> <p>Division: 10 - Manufacture of food products</p> <p><u>101</u> - Processing and preserving of meat This class includes;</p> <ul style="list-style-type: none"> • production of fresh, chilled or frozen meat, in carcasses • production of fresh, chilled or frozen meat, in cuts • production of fresh, chilled or frozen meat, in individual portions • production of dried, salted or smoked meat • production of meat products: sausages, salami, puddings, "andouillettes", saveloys, bolognas, pâtés, rillettes, boiled ham <p><u>102</u> - Processing and preserving of fish, crustaceans and molluscs This class includes;</p> <ul style="list-style-type: none"> • preparation and preservation of fish, crustaceans and molluscs: freezing, deep-freezing, drying, smoking, salting, immersing in brine, canning etc. • production of fish, crustacean and mollusc products: cooked fish, fish fillets, roes, caviar, caviar substitutes etc. • production of fishmeal for human consumption or animal feed • production of meals and solubles from fish and other aquatic animals unfit for human consumption <p><u>103</u> - Processing and preserving of fruit and vegetables This class includes:</p> <ul style="list-style-type: none"> • manufacture of food consisting chiefly of fruit or vegetables, except ready-made dishes in



frozen or canned form

- preserving of fruit, nuts or vegetables: freezing, drying, immersing in oil or in vinegar, canning etc.
- manufacture of fruit or vegetable food products
- manufacture of fruit or vegetable juices
- manufacture of jams, marmalades and table jellies
- processing and preserving of potatoes: manufacture of prepared frozen potatoes, manufacture of dehydrated mashed potatoes, manufacture of potato snacks manufacture of potato crisps, manufacture of potato flour and meal
- roasting of nuts
- manufacture of nut foods and pastes

This class also includes:

- industrial peeling of potatoes
- production of concentrates from fresh fruits and vegetables
- manufacture of perishable prepared foods of fruit and vegetables, such as: salads peeled or cut vegetables, tofu (bean curd)

104 - Manufacture of vegetable and animal oils and fats

This class includes:

- manufacture of crude vegetable oils: olive oil, soya-bean oil, palm oil, sunflower-seed oil, cotton-seed oil, rape, colza or mustard oil, linseed oil etc.
- manufacture of non-defatted flour or meal of oilseeds, oil nuts or oil kernels
- manufacture of refined vegetable oils: olive oil, soya-bean oil etc.
- processing of vegetable oils: blowing, boiling, dehydration, hydrogenation etc.
- manufacture of margarine
- manufacture of mélanges and similar spreads
- manufacture of compound cooking fats

105 - Manufacture of dairy products

This class includes:

- manufacture of fresh liquid milk, pasteurized, sterilized, homogenized and/or ultra heat treated
- manufacture of milk-based drinks
- manufacture of cream from fresh liquid milk, pasteurized, sterilized, homogenized
- manufacture of dried or concentrated milk whether or not sweetened
- manufacture of milk or cream in solid form
- manufacture of butter
- manufacture of yoghurt
- manufacture of cheese and curd
- manufacture of whey
- manufacture of casein or lactose
- manufacture of ice cream and other edible ice such as sorbet

106 - Manufacture of grain mill products, starches and starch products

This group includes the milling of flour or meal from grains or vegetables, the milling, cleaning and polishing of rice, as well as the manufacture of flour mixes or dough's from these products. Also included in this group are the wet milling of corn and vegetables and the manufacture of starch and starch products.

This Group is divided into the following **Classes**:



- **1061 - Manufacture of grain mill products**

This class includes:

- grain milling: production of flour, groats, meal or pellets of wheat, rye, oats, maize (corn) or other cereal grains
- rice milling: production of husked, milled, polished, glazed, parboiled or converted rice; production of rice flour
- vegetable milling: production of flour or meal of dried leguminous vegetables, of roots or tubers, or of edible nuts
- manufacture of cereal breakfast foods
- manufacture of flour mixes and prepared blended flour and dough for bread, cakes, biscuits or pancakes

- **1062 - Manufacture of starches and starch products**

This class includes:

- manufacture of starches from rice, potatoes, maize etc.
- wet corn milling
- manufacture of glucose, glucose syrup, maltose, insulin etc.
- manufacture of gluten
- manufacture of tapioca and tapioca substitutes prepared from starch
- manufacture of corn oil

107 - Manufacture of other food products

- **1071 - Manufacture of bakery products**

- **1072 - Manufacture of sugar**

- **1073 - Manufacture of cocoa, chocolate and sugar confectionery**

- **1074 - Manufacture of macaroni, noodles, couscous and similar farinaceous products**

- **1075 - Manufacture of prepared meals and dishes**

- **1079 - Manufacture of other food products n.e.c.** - This class includes the manufacture of ready-made (i.e. prepared, seasoned and cooked) meals and dishes. These dishes are processed to preserve them, such as in frozen or canned form, and are usually packaged and labeled for re-sale, i.e. this class does not include the preparation of meals for immediate consumption, such as in restaurants. To be considered a dish, these foods have to contain at least two distinct main ingredients (except seasonings etc.).

Division: 11 - Manufacture of beverages

This class includes:

- manufacture of non-alcoholic beverages, except non-alcoholic beer and wine
- production of natural mineral waters and other bottled waters
- manufacture of soft drinks:
- non-alcoholic flavored and/or sweetened waters: lemonade, orangeade, cola, fruit drinks, tonic waters etc.



Annexure II – Industrial Estates and Free zones in Dubai

Industrial Estates and Free Zones¹⁸ - Dubai has many industrial areas and free zones where an investor can choose to set up a manufacturing firm.

1. **Al Quoz Industrial Area** – capable of accommodating all size of industries. Area: 1838 hectares
2. **Al Qusais Industrial Area** - is allocated to accommodate small and medium sized industrial projects that have no negative effects on environment. The area is divided into block companies, contracting companies and gas storage. Area: 545 hectares
3. **Al Safa Industrial Area** - allocated to accommodate industries in the production of foodstuff industry. Area: 20 hectares
4. **Dubai Investment Park** - allocated for investors for business such as manufacturing, logistics, distribution and service like housing, academic and research. Area: 3,180 hectares
5. **Jebel Ali industrial area (Free Zone)** - is allocated for industries like import, export, manufacturing, logistics, and processing operations. Area: 1,350 hectares
6. **Ras Al Khor Industrial Area** - is allocated to accommodate small and medium sized industrial activities. Area: 661 hectares.
7. **Um Ramool Industrial Area** - allocated to accommodate warehouses, workshops and different industries. Area: 391 hectares.
8. **Dubai Industrial City (DI)**, is an industrial area (not a Free Zone) of upto 560 million sq ft of land, for growth and expansion of the industrial sector in Dubai – especially in high value added manufacturing and production in the light and medium industry sector. DI features six dedicated manufacturing sectors for: Machinery & Mechanical equipment, Transport Equipment and parts, Base Metal, Chemicals, Food and Beverage and Mineral Products

¹⁸ Dubai Manufacturing Industry Guide 2009

Annexure III – Publicly listed F&B companies in GCC

UAE	Dubai Refreshments Co.
	Emirates refreshments Co.
	United Foods Co.
	Agthia Group
	Gulfa Mineral Water and Processing Industries (JEEMA MINERAL WATER)
	United Kaipara Dairies
	Foodco Holding
	Ras Al Khaimah Poultry and Feeding Co.
	International Fish Farming Holding Company
SAUDI ARABIA	Herfy Food Services Company
	Halwani Brothers Co.
	Savola Group Co.
	Al Marai Co.
	Saudia Dairy & Foodstuff Co.
	National Agricultural Development Company
	Food Products Co.
KUWAIT	Kuwait Food Co.
	Kout Food Group.
	Kuwait Slaughterhouse Company
	Al Safwa Group Holding Company
	Al Eid Food Co.
	United Foodstuff Industries Group Company
	National Slaughterhouse Co.
OMAN	Oman Foods Co.
	Oman Euro Food Industries Co.
	Oman Refreshment Co.
	Oman Flour Mills Co.
	Oman Agricultural Development Co.
	Oman National Dairy Products Co.
	Oman Fisheries Co.
	Sweets of Oman
	Dhofar Beverages and Foodstuff Company
	National Beverages Company
	National Biscuit Industries



	Dhofar Cattle Feed Co.
	National Mineral Water Co.
	Sohar Poultry Co.
	Areej Vegetable Oils
	Gulf Mushroom Products Co.
	Dhofar Fisheries Co.
	Dhofar Poultry Co.
	Salalah Mills Co.
BAHRAIN	Bahrain Maritime and Mercantile International
	Bahrain Flour Mills Co.
	General Trading & Food Processing Co.
	Delmon Poultry Co.

Annexure IV – Industry standards for importing into UAE

Trade Policy for Imports

The UAE is a member of the World Trade Organisation (WTO), and maintains a rather liberal trade regime. Imports are subject to few controls except for the import of arms and ammunition, alcoholic beverages, agricultural pesticides, narcotics and pork products. Israeli goods are also prohibited. There are no exchange controls in the UAE. However, all importers have to apply for a license, and an importer can import only those goods specified in the license.

The GC Customs Union establishes a single tariff of 5% on 1,500 imported items from non-member countries. It also provides a list of other essential items that can be imported duty-free. Under the accord, goods imported into the GCC area can be freely transported subsequently throughout the region without paying additional tariffs. A product entering any GCC member market would pay the appropriate duty at point of entry into the GCC, and then be permitted duty free transit among GCC member countries, but non-tariff barriers exist.

Labeling to include production and expiry dates, this needs to be printed on the original package or label. Arabic labeling is mandatory and can be printed on sticker. It is mandatory that food pre-packages be labeled with the following: Specific name of the food, Ingredients in descending order of proportion, Additives using their 'E' numbers (group names are also accepted), The origin of all animal fats, Net contents in metric units, Production and expiry date embossed on the package, Country of origin, Manufacturers' name and address, Lot identification and Special storage and preparation instructions, if any.

The expiry date must be printed in the following order depending on the shelf life: day, month and year for products having a shelf life of six months or less; or month and year for products with a shelf life more than six months. Production and expiration dates must be clearly printed, embossed or engraved; and shall be difficult to erase. It is also prohibited to write such dates manually or indicate them on a sticker (even on the sticker used for Arabic translation). Double dates are not allowed (such as indicating more than one production or expiration dates).

With few exceptions, all food items are required to have at least half of their shelf life remaining at the time of import. Frozen meat and poultry products must be imported within four months of their date of production irrespective of their shelf life.

A halal certificate issued by a UAE approved Islamic centre is mandatory for exporting any meat, poultry products or products containing gelatin.

Annexure V – Trade Pattern for Select Product Categories

Source: UAE Ministry of Trade, Trade pattern in AED for 2008 for the entire UAE
n.e.s. refers to not elsewhere classified

SEAFOOD FOOD PREPARATIONS

HS Codes	Product Categories	Exports	Imports	Re-export	Grand Total
16041400	Tunas, skipjack & bonito (sarda spp.), prepared or preserved, whole or in pieces but not minced.		136,484,390	19,392,988	155,877,378
16043000	Caviar & caviar substitutes prepared from fish eggs, or preserved.		14,367,183	21,178,394	35,545,577
16052000	Shrimps & prawns prepared or preserved.	22,809,480	9,463,751	1,027,156	33,300,387
16041300	Sardines, sardInella & brisling or sprats, prepared or preserved, whole or in pieces but not minced.		15,755,142	1,582,096	17,337,238
16042000	Prepared or preserved fish, n.e.s.	650,653	6,198,463	4,812,198	11,661,314
16041500	Mackerel, prepared or preserved, whole or in pieces but not minced.		2,418,979	77,801	2,496,780
16041900	Fish, prepared or preserved, whole or in pieces but not minced, n.e.s.	4,864	2,185,321	62,976	2,253,161
16041100	Salmon, prepared or preserved, whole or in pieces but not minced.		1,562,786	155,098	1,717,884
16051000	Crab, prepared or preserved.		1,267,032	43,500	1,310,532
16059000	Molluscs & other aquatic invertebrates prepared or preserved.		533,039	136,704	669,744
16054000	Crustaceans (other than crab, shrimps, prawns, lobster) n.e.s. prepared or preserved.	52,757	122,420	67,861	243,038
16053000	Lobster, prepared or preserved.		38,668	173,050	211,718
	Seafood Food Preparations	23,517,754	190,397,175	48,709,821	262,624,751



MISCELLANEOUS EDIBLE PREPARATIONS (sauces, spices, soups)

HS Codes	Product Categories	Exports	Imports	Re-export	Grand Total
21039010	Food preparations, n.e.s.	84,578,957	718,909,119	258,455,604	1,061,943,681
21039030	Sauces (excluding soya, tomato ketchup, tomato sauces, mayonnaise, chili sauce & celery salt) & preparations therefore; mixed condiments & mixed seasonings, n.e.s.	15,498,872	122,043,167	9,478,263	147,020,302
21039090	Soups & broths & preparations therefore.		112,911,915	2,710,559	115,622,474
21039020	Mayonnaise.	33,438,344	37,322,624	4,677,372	75,438,340
21041000	Soya sauce.	29,195	14,784,907	1,132,251	15,946,353
21032000	Chili sauce.	672,357	10,385,596	589,377	11,647,330
21031000	Celery salt.		74,118	1,217	75,335
	Miscellaneous edible preparations (sauces, spices, soups)	134,217,726	1,016,431,446	277,044,644	1,427,693,815

SUGAR CONFECTIONERY AND CHOCOLATES

HS Codes	Product Categories	Exports	Imports	Re-export	Grand Total
18040000	Chocolate & other food preparations containing cocoa, but not containing alcohol, in blocks, slabs or bars, filled, weighing not more than 2 kg.	349,439,762	171,117,529	108,101,585	628,658,875
17049010	Chewing gum, whether or not sugar-coated.	3,405,081	144,279,287	63,160,225	210,844,594
18032000	Chocolate & other food preparations containing cocoa weighing not more than 2 kg & other than those in blocks, slabs or bars, filled or not filled.	11,967,620	156,121,111	23,464,988	191,553,719
18031000	Chocolate & other food preparations containing cocoa in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings of content exceeding 2 kg, n.e.s.	5,473,122	165,230,029	7,388,841	178,091,992
17049060	Sugar confectionery, not containing cocoa, n.e.s.	6,705,000	91,333,988	35,486,695	133,525,683
18050000	Chocolate & other food preparations containing cocoa, but not containing alcohol, in blocks, slabs or bars, not filled, weighing not more than 2 kg.	32,401,267	65,845,585	19,193,471	117,440,324



18069010	Confectionery products (sweetmeats & candy) containing cocoa, in packings of a content not more than 2 kg.	1,450,707	75,234,539	1,438,409	78,123,655
18061090	Cocoa butter, fat & oil.	191,830	76,095,236		76,287,066
18069020	Confectionery products (sweetmeats & candy) containing cocoa, weighing more than 2 kg.	1,453,914	67,541,545	5,957,058	74,952,517
17049020	Fruit jellies, fruit pastes, liquorices sugar confectionery form, not containing cocoa.	304,496	33,234,530	1,634,773	35,173,799
17049070	Sweetmeats, drops & bonbons, not containing cocoa.	1,178,245	14,452,037	12,232,859	27,863,141
17019920	Almond candy, pistachio candy & the like, not containing cocoa.	38,673	21,799,787	1,738,608	23,577,069
17049090	Toffee (caramels), Turkish delight, nougat, not containing cocoa.	4,694,603	16,034,607	1,914,176	22,643,385
17041000	Candies powder containing fruit flavor, not containing cocoa.	8,372	17,174,701	1,348,968	18,532,041
18062010	Cocoa paste not defatted.		17,487,465		17,487,465
18063190	Cocoa products of concentrated liquid or paste, containing cocoa, in packings of a content not more than 2 kg.		14,165,742	607,974	14,773,717
17049030	Halwa tahinia, not containing cocoa.	226,377	9,869,789	6,020	10,102,186
18069090	Preparations in powder form for making ice-cream, containing cocoa, weighing more than 2 kg.		8,738,338	70,502	8,808,840
18063110	Cocoa powder, not containing added sugar or other sweetening matter.		7,999,578	323,837	8,323,416
17049080	Sweets, gums & the like (for diabetics, in particular) containing synthetic sweetening agents instead of sugar.		6,633,995		6,633,995
18063210	Cocoa products of concentrated liquid or paste, containing cocoa, weighing more than 2 kg.		6,421,379		6,421,379
17049040	Rock candy (sugar candy), not containing added flavoring or coloring matter, in solid form.	310,972	3,093,543	541,168	3,945,682
18062090	Cocoa powder, containing added sugar or other sweetening matter other excluding peptone or milk.	65,871	2,533,563	818,887	3,418,321



18069030	Preparations in powder form for making ice-cream, containing cocoa, in packing of a content not more than 2 kg.	778,933	2,585,989	2,900	3,367,822
18020000	Chocolate & other food preparations containing cocoa & alcohol, in blocks, slabs or bars, not filled, weighing not more than 2 kg.		1,050,288		1,050,288
18062030	Cocoa powder, containing added peptone or milk.	158,301	659,089	24,511	841,901
21069070	White chocolate containing alcohol.		748,404	10,743	759,147
18010000	Chocolate & other food preparations containing cocoa & alcohol, in blocks, slabs or bars, filled, weighing not more than 2 kg.		67,630	426,883	494,513
17029070	Artificial honey, whether or not mixed with natural honey.			145,974	145,974
18061010	Cocoa beans, whole or broken, raw or roasted.		30,375	71,279	101,654
18062020	Cocoa paste, wholly or partly defatted.		31,483		31,483
18063290	Cocoa shells, husks, skins & other cocoa waste.		23,915		23,915
	Cocoa and cocoa preparations	403,381,328	838,980,408	167,891,127	1,410,252,862

PREPARATIONS OF CEREALS, FLOUR OR STARCH

HS Codes	Product Category	Exports	Imports	Re-export	Grand Total
19059070	Sweet biscuits.	145,047,236	206,793,291	37,690,999	389,531,527
19021190	Crisp savory food products (for example, pop corn, chips & the like), ready for direct consumption.	4,264,712	166,076,814	8,604,017	178,945,544
19023000	Macaroni, noodles & the like such as spaghetti & cannelloni, uncooked, not containing eggs, not stuffed or otherwise prepared, in shape of shells, stars, letters & the like.	168,35,840	86,477,438	26,056,143	129,369,422
19059099	Waffles & wafers	7,031,792	1,048,586	3,488,389	115,378,796
19041099	Pasta cooked but not stuffed or otherwise prepared.	42,768,355	58,362,303	427,942	101,558,601
19021120	Corn chips (corn flakes) & the like, obtained by the swelling or roasting of cereals or cereal products	285,765	95,340,201	1,108,202	96,734,169
19022090	Macaroni, noodles & the like such as spaghetti & cannelloni, uncooked, containing eggs, not stuffed or otherwise prepared, in shape of shells, stars, letters & the like.	17,751,374	49,172,705	24,215,769	91,139,848
19042021	Pastries (gateau), cakes & the like.	8,123,982	69,064,088	567,257	77,755,328
19024000	Mixes & dough's for the preparation of bakers' wares of heading 19.05 (bread, pastry, cakes, biscuits etc.).	3,433,468	50,457,406	1,932,182	55,823,057



19012010	Bread (excluding crisp bread gingerbread & the like), other bakers' wares, whether or not containing cocoa; rice paper & similar products (excluding waffles, wafers, rusks, toasted bread & similar toasted products), n.e.s.	752,681	27,383,630	1,411,413	29,547,726
19043090	Plain biscuits, whether or not salted.	5,219,497	21,069,620	1,925,095	28,214,213
19059092	Uncooked pasta, not containing eggs, not stuffed or otherwise prepared, n.e.s.	5,715,169	8,194,669	13,168,447	27,078,286
19042029	Pastry (except waffles & wafers) including pizzas.	995,847	17,793,242	369,740	19,158,831
19041010	Ordinary bread of any kind.	819,304	17,774,648	154,840	18,748,793
19021110	Chips of potatoes flour, macaroni-shaped, not ready.	267,912	14,344,037	507,023	15,118,972
19051000	Prepared foods obtained by the swelling or roasting of cereals or cereal products, excluding those containing cocoa or corn chips, n.e.s.	70,298	13,997,164	190,537	14,258,000
19049010	Preparations composed of mixtures of cereal flour with fruit flours, with added cocoa powder.		11,959,487	291,044	12,250,531
19059091	Uncooked pasta, containing eggs, not stuffed or otherwise prepared, n.e.s.	3,398,432	3,044,979	2,724,952	9,168,364
19059080	Toasted bread & similar toasted products, excluding rusks.	4,629	8,818,409	15,000	8,838,038
19019010	Cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour & meal), pre-cooked or otherwise prepared, not containing cocoa, n.e.s.		3,487,521	2,578,135	6,065,656
19042019	Pasta stuffed with meat, whether or not cooked or otherwise prepared.	728,756	2,451,382	2,483,001	5,663,139
19053100	Prepared foods obtained from roasted cereal flakes or swelled cereals, not containing cocoa.	496,300	4,844,204	60,054	5,400,558
19059020	Ready-mixed dough's, consisting essentially of cereal flour with sugar, fat, eggs or fruit.		4,958,568	188,522	5,147,090
19021930	Frozen pasta, not containing eggs.	238,457	4,286,176	138,334	4,662,968
19021920	Food preparations of flour, meal, starch or malt extract & food preparations of goods of headings 04.01 to 04.04 (milk & cream, buttermilk, whey etc.), (excluding preparations for infant use, mixed & dough's for the preparation of bakers' wares of heading			3,784,080	3,784,080
19054010	Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes, not containing cocoa.	1,500	3,649,691	15,000	3,666,191
19022010	Gingerbread & the like, whether or not containing cocoa.	600	2,969,982	10,443	2,981,025
19059050	Stuffed pasta (excluding those stuffed with meat, fish, crustaceans or molluscs), whether or not cooked or otherwise prepared, n.e.s.		2,843,580	42,250	2,885,830
19019090	Chips of potatoes flour, macaroni-shaped, not containing eggs, not ready.	26,900	2,517,318	206,419	2,750,637
19059030	Rusks.		2,664,836		2,664,836
19041091	Oriental sweetmeats (for example, kunafah, baklava & the like).	69,396	2,003,250	369,380	2,442,026



19053200	Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes, containing cocoa.		1,497,154	894,784	2,391,938
19059010	Racahout, a food preparation composed of rice flour, various starches, flour of sweet acorns, sugar & cocoa powder, flavored with vanilla.		1,855,994	439,693	2,295,687
19052000	Prepared foods obtained from roasted cereal flakes or swelled cereals, containing cocoa.	133,696	1,170,574	171,085	1,475,357
19021910	Crisp bread.	5,200	1,276,722		1,281,922
19049090	Prepared foods obtained by the swelling or roasting of cereals or cereal products, containing cocoa.	75,957		1,186,108	1,262,065
19021130	Couscous, whether or not prepared.		1,251,649	4,419	1,256,069
19012090	Cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour & meal), pre-cooked or otherwise prepared, containing cocoa, n.e.s.		853,940	10,143	864,083
19059040	sealing wafers		721,538	10,400	731,938
19021990	Frozen pasta.		705,304		705,304
19022020	Gluten bread for diabetics.		620,885		620,885
19042011	Pasta stuffed with fish, crustaceans or molluscs, whether or not cooked or otherwise prepared.	42,561	322,764	246,484	611,809
19059093	Unleavened bread or matzos.	13,545	514,549		528,094
19012020	Bulgur wheat, not containing cocoa.		460,815		460,815
19054090	Pretzels bread.	1,297			1,297
	Cereal, flour preparation & products (bakery, pasta, cereals)	264,620,467	1,078,911,161	137,687,738	1,481,219,365

PREPARATIONS OF VEGETABLES, FRUIT, NUTS ETC.

HS Codes	Product Categories	Exports	Imports	Re-export	Grand Total
20084000	Tomato paste.	39,142,971	177,579,774	28,240,531	244,963,275
20049020	Beans (Vigna spp., Phaseolus spp.), shelled, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar.	146,017,359	43,083,146	16,435,723	205,536,229
20054000	Frozen potatoes, prepared or preserved otherwise than by vinegar or acetic acid & not preserved by sugar.	12,200	127,865,188	648,022	128,525,410
21069099	Tomato ketchup & other tomato sauces.	37,843,391	64,065,382	7,752,729	109,661,502
20079990	Pineapples, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.	274,183	60,994,212	31,863,370	93,131,765
20057000	Fruit, nuts & other edible parts of plants otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.	452,002	57,087,228	3,102,613	60,641,844
20079919	Peaches, including nectarines, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.		40,935,969	2,753,790	43,689,759
20041000	Assorted pickles prepared or preserved by vinegar or acetic acid.	1,225,485	39,816,877	2,367,727	43,410,088



20081911	Roasted ground-nuts, whether or not salted.	162,217	26,531,823	5,057,377	31,751,417
20059997	Jams, fruit jellies, fruit or nut puree or pastes other than homogenized preparations of citrus fruit, obtained by cooking, whether or not containing added sugar or other sweetening matter, n.e.s.	233,570	26,851,217	1,052,537	28,137,324
20079914	Olives, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar.	126,900	25,832,153	728,358	26,687,411
20081110	Potatoes prepared or preserved otherwise than by vinegar or acetic acid, not frozen & not preserved by sugar.	7,020,819	18,517,413	943,559	26,481,791
20049010	Beans (Vigna spp., Phaseolus spp.), not shelled, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar.	424,241	11,708,164	14,317,438	26,449,843
20079911	Mushrooms of the genus Agaricus, prepared or preserved otherwise than by vinegar or acetic acid.	1,200	21,323,260	1,104,140	22,428,600
20049050	Citrus fruit, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.		22,227,378	2,300	22,229,678
20098010	Vegetables, fruit, nuts, fruit-peel & other parts of plants, preserved by sugar (drained, glaze or crystallized).	4,818,958	2,013,546	12,436,313	19,268,817
20083000	Sweet corn, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar.		13,833,365	2,269,006	16,102,371
20079930	Peas (Pisum sativum), prepared or preserved otherwise than by vinegar or acetic acid, not frozen & not preserved by sugar.	1,283,192	9,981,620	4,386,952	15,651,764
20059013	Ground-nuts butter.		9,120,846	3,389,134	12,509,981
20079915	Other vegetables not frozen prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by	1,200	10,373,037	1,594,295	11,968,531
20071020	Mixtures of fruits, nuts & other edible parts of plants (other than mixtures of nuts, ground nuts & other seeds), prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.	216,198	10,951,455	773,772	11,941,425
20081913	Roasted nuts (excluding ground-nuts, almonds, pistachios & hazelnuts), whether or not salted, n.e.s.	3,557,275	6,216,270	717,909	10,491,453
20059992	Jam & jellies & marmalade of strawberry, excluding homogenized preparations, obtained by cooking, whether or not containing added sugar or other sweetening matter.	130,895	10,203,881	93,182	10,427,958
20079913	Olives & capers prepared or preserved by vinegar or acetic acid.		9,855,630	6,750	9,862,380
20019011	--- Grape leaves		9,614,972	2,815	9,617,787
20019013	--- Cooked chick peas with tahinah (sesame oil)	265,462	5,017,877	4,058,879	9,342,218



20081912	Roasted hazelnuts, whether or not salted.	100	9,043,236	81,343	9,124,679
20071010	Mixtures of frozen vegetables, prepared or preserved, not by vinegar or acetic acid, & other than preserved by sugar.	5,293	8,458,059	525,590	8,988,942
20087000	Tomatoes, whole or in pieces, prepared or preserved otherwise than by vinegar or acetic acid.	117,199	8,459,128	78,961	8,655,287
20059913	Jam & jellies & marmalade of fruits (excluding peach, apricot, apple, watermelon, cherry, strawberry & raspberry), excluding homogenized preparations, obtained by cooking, whether or not containing added sugar or other sweetening matter.	25,708	7,907,598	363,128	8,296,434
20059919	Jam & jellies & marmalade of peach, excluding homogenized preparations, obtained by cooking, whether or not containing added sugar or other sweetening matter.	106,000	6,710,781	480,798	7,297,579
20081120	Roasted almonds, whether or not salted.	19,080	6,748,175	223,851	6,991,106
20049060	Cucumbers & gherkins prepared or preserved by vinegar or acetic acid.	1,381	5,749,138	28,529	5,779,048
20071090	Mixtures of nuts otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit.	507,437	4,397,670	400,546	5,305,653
20059999	Jams, jellies, puree & pastes of citrus fruit, obtained by cooking, whether or not containing added sugar or other sweetening matter.		3,238,940	1,937,854	5,176,795
20085000	Tomatoes, prepared or preserved (excluding tomato paste), other than tomatoes, whole or in pieces.		4,444,834	421,141	4,865,974
20079912	Mushrooms other than of the genus Agaricus, prepared or preserved otherwise than by vinegar or acetic acid.		3,521,935	1,292,238	4,814,173
20079916	Other vegetables, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar, ready for direct consumption, n.e.s.	15,222	4,664,583	30,136	4,709,940
20055900	Frozen vegetables (excluding potatoes, carrots, peas, haricot beans, kidney beans, asparagus, spinach & okra), prepared or preserved otherwise than by vinegar or acetic acid, & other than preserved by sugar.		4,381,859	198,175	4,580,034
20081919	Roasted pistachios, whether or not salted.	60,941	4,190,242	319,798	4,570,980
20060000	Marmalade, obtained by cooking, whether or not containing added sugar or other sweetening matter.		4,205,346	3,128	4,208,474
20059097	Homogenized preparations, as infant food, obtained by cooking, whether or not containing added sugar or other sweetening matter.		3,360,980	660,611	4,021,591
20089900	Vegetables & other edible parts of plants prepared or preserved by vinegar or acetic acid (excluding cucumbers & gherkins).	110	3,674,957	243,005	3,918,072
20059996	Jam, jellies, puree or pastes other than homogenized preparations of Turkish delights, obtained by cooking, whether or not containing added sugar or other		2,853,206	680,040	3,533,245



	sweetening matter.				
20059911	Jam & jellies & marmalade of apricot, excluding homogenized preparations, obtained by cooking, whether or not containing added sugar or other sweetening matter.	166,575	3,191,216	4,511	3,362,302
20021000	--- Vegetables and legumes with sauce		3,210,475	10,798	3,221,273
20059912	Jam & jellies & marmalade of cherry, excluding homogenized preparations, obtained by cooking, whether or not containing added sugar or other sweetening matter.		2,368,368	774,562	3,142,931
20011000	---- Foul medamas (Cooked beans)	1,370,353	1,750,446		3,120,799
20089100	Vegetables & legumes with sauces, not frozen, ready for direct consumption.	1,356,515	1,710,989	16,981	3,084,486
20031000	Apricots, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.		3,031,739	41,318	3,073,057
20019015	---- Mixed vegetables	4,825	2,578,652	13,336	2,596,813
20049070	Date molasses, unfermented & not containing added spirit, whether or not containing added sugar or other sweetening matter.	16,151	1,520,924	412,097	1,949,171
20082000	Strawberries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.		1,625,245	18,280	1,643,525
20056000	Fruit & nuts, prepared or preserved by vinegar or acetic acid.	45,537	898,742	661,556	1,605,835
20058000	Grape leaf, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar, ready for direct consumption.		1,575,064		1,575,064
20049040	Chick-peas dip (humus with tahina), not frozen, ready for direct consumption.	182,880	1,271,718	100,541	1,555,138
20059995	Jam, jellies, puree or pastes other than homogenized preparations of apricot sheets (Qamar ad-din), obtained by cooking, whether or not containing added sugar or other sweetening matter.		1,499,540	1,750	1,501,290
20049030	Cherries, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.		1,225,063	270,377	1,495,440
20059093	Homogenized vegetables, as infant food, not frozen & not preserved by sugar.	2,635	1,355,167	19,633	1,377,435
20019012	---- Artichokes	1,152	1,281,395		1,282,547
20059012	Green peppers prepared or preserved by vinegar or acetic acid.		1,078,239	163,225	1,241,464
20079190	Mushrooms & truffles prepared or preserved by vinegar or acetic acid.		972,146	192,082	1,164,228



20052000	Frozen peas, prepared or preserved, not by vinegar or acetic acid, & other than preserved by sugar.		1,074,274	66,790	1,141,064
20059100	Jam & jellies & marmalade of apple, excluding homogenized preparations, obtained by cooking, whether or not containing added sugar or other sweetening matter.		1,111,267		1,111,267
20079917	Palm hearts, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.		871,196	144,001	1,015,196
20059991	Jam & jellies & marmalade of raspberry, excluding homogenized preparations, obtained by cooking, whether or not containing added sugar or other sweetening matter.		977,389	302	977,691
20059019	Homogenized vegetables (excluding as infant food & for dietetic purposes), not frozen & not preserved by sugar.		454,280	503,499	957,779
20055100	Frozen spinach, prepared or preserved, not by vinegar or acetic acid, & other than preserved by sugar.		662,196	293,100	955,296
20039000	Asparagus, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar.		836,511		836,511
20079110	Mixtures of vegetables, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar, ready for direct consumption.		749,769	5,964	755,733
20051010	Frozen haricot beans, prepared or preserved, not by vinegar or acetic acid, & other than preserved by sugar.	6,378	696,577	4,065	707,020
20029090	Other vegetable prepared or preserved, ready for direct consumption		572,117	48,335	620,452
20089200	Vegetables & mixtures of vegetables, not frozen, n.e.s., prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar, ready for direct consumption.		222,794	363,058	585,852
20079920	Pears, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, n.e.s.		461,284	77,829	539,113
20032000	Artichokes, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar, ready for direct consumption.		511,277		511,277
20029010	- - Bamboo shoots		495,632	11,523	507,155
20086000	Tomatoes prepared or preserved by vinegar or acetic acid.	5,590	312,864	33,799	352,253
20019014	- - - - Horse beans		319,666		319,666
20051090	Frozen okra, prepared or preserved, not by vinegar or acetic acid, & other than preserved by sugar.		306,568		306,568
20049090	Frozen carrots, prepared or preserved, not by vinegar or acetic acid, & other than preserved by sugar.		223,939	18,956	242,894
20088000	Truffles prepared or preserved otherwise than by vinegar or acetic acid.		165,846		165,846



20059994	Jam & jellies & marmalade of watermelon, excluding homogenized preparations, obtained by cooking, whether or not containing added sugar or other sweetening matter.		142,720		142,720
20051020	Frozen kidney beans, prepared or preserved, not by vinegar or acetic acid, & other than preserved by sugar.		91,495	13,000	104,495
20019019	- - - - Okra		98,724		98,724
20059099	Homogenized preparations, for dietetic purposes, obtained by cooking, whether or not containing added sugar or other sweetening matter.		84,777		84,777
20059094	Homogenized vegetables, for dietetic purposes, not frozen & not preserved by sugar.		78,505		78,505
20019020	- - - - Sauerkraut		766	48,400	49,166
20049080	Frozen asparagus, prepared or preserved, not by vinegar or acetic acid, & other than preserved by sugar.		32,680		32,680
20081920	Spinach, not frozen, prepared or preserved otherwise than by vinegar or acetic acid, & not preserved by sugar, ready for direct consumption.		17,380		17,380
20059095	Homogenized preparations (excluding as infant food & for dietetic purposes), obtained by cooking, whether or not containing added sugar or other sweetening matter, n.e.s.		12,960		12,960
	Vegetables, fruits, nuts, etc. food preparations	247,226,778	1,001,342,932	158,401,757	1,406,971,467

Annexure VI – Potential countries for FTA

Potential Countries for FTA - based on trade pattern of Processed Food & Beverage products

As more FTAs (Free Trade Agreements) are established, industries will not only derive cost savings from lower tariffs and reduced technical barriers but stand to gain from better market accessibility, enhanced investment opportunities and more knowledge-intensive commercial activities.

Current UAE FTA Status

Markets	Import Source	Export Destination	Re-Export Destination	Investment (based on FDI)	FTA
India	1	21	9	3	Ongoing
USA	2	25	41	4	Ongoing
Saudi Arabia	3	2	16	7	Yes
UK	4	54	48	1	Ongoing
Thailand	5	114	85		Ongoing
Netherlands	6	36	78	5	Ongoing
China	7	68	77		No
Italy	8	27	74		Ongoing
Turkey	9	30	31	10	Ongoing
Germany	10	61	55		Ongoing
France	11	70	20		Ongoing
Belgium	12	92	97		Ongoing
Brazil	13	132	112		No
Malaysia	14	50	58		Ongoing
Indonesia	15	106	72		Ongoing
Oman	16	6	4	7*	Yes
Spain	17	35	107		No
Philippines	18	85	89		No
Egypt	19	18	27	8*	Ongoing
Switzerland	20	118	76	9*	Ongoing

Source: DSC and secondary research. Ongoing refers to Ongoing discussions

Note: Ranks based on % Imports and Exports, FDI - based on FDI statistics 2006

*7 – Other GCC countries

*8 – Other Arab countries

*9 – Other countries, FDI data based on 2005-2006 Dubai figures, total from top countries equals = 66%

The rows highlighted in green reflect potential countries for FTA based on trade pattern and FDI. UAE already has a FTA agreement signed with GCC countries (GCC are the main trade partners for UAE), while FTA talks with other countries are currently ongoing.

مؤسسة محمد بن راشد للتنمية
المشاريع الصغيرة والمتوسطة
DUBAI SME



An Agency of the Department of Economic Development – **Government of Dubai**