Organic Trade Association: First Step Market Tracker Service

A custom report compiled by Euromonitor International for OTA

Organic Trade Association
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GULF COASTAL COUNTRIES*

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

1. QUALITATIVE ANALYSIS

1.1 QUICK FACTS

- Organic packaged food and beverages in the Gulf coastal countries recorded a relatively subdued growth of 3.7% in 2021, registering a market size of US$179.8 million.
- Growth in organic packaged food was fuelled mainly by organic dairy in the United Arab Emirates and organic baby food in Saudi Arabia, with growth rates of 7.7% and 3.8% respectively in 2021.
- Organic beverages is a category with a low level of consumer interest, and sales remain negligible within key regional markets United Arab Emirates and Saudi Arabia.

1.2 MARKET TRENDS

- The Covid-19 pandemic has led to an increased health awareness and consciousness across the Gulf Coastal Countries over 2020-21, as consumers tried to strengthen their immune systems against the virus. Government enforced lockdowns also led to a rise in home cooking, which benefited sales of organic packaged food as consumers were more conscious of the ingredients they purchased. However, the majority of current sales stem from foreign expats, with local consumers often less aware of organic benefits and thus less willing to pay a premium for these products.
- The market for organic beverages remains nascent within the region, with cumulative sales between the six countries reaching a total value of US$43.0 mn in 2021. However, as consumers slowly increase their awareness of the benefits of organic products, some categories such as organic tea and coffee are expected to witness sales growth over the forecast period 2021-2026.

1.3 COMPETITIVE LANDSCAPE

- With the market for organic beverages still developing in the GCC region, the majority of the competition in the GCC region is within the organic packaged food segment. Organic packaged food in the United Arab Emirates is led by Rachel's Organic Co Ltd, with a value share of 17.9% in 2021. The company accounted for nearly half of the organic dairy market in 2021, owing to its dominant position in yoghurts. It also benefits from a long-standing presence in the United Arab Emirates and strong demand among expatriates familiar with the brand name.
- The organic baby food category is one of the most critical growth categories in the region. Hipp, which is a part of the Enmaeyat group in Saudi Arabia has managed to record a strong performance within organic baby food in Saudi Arabia with a value share of 20.6% in 2021. With demand for organic baby food set to increase, Hipp is expected to continue to grow over the forecast period 2021-2026.
- Considering the insignificant size of organic beverages in the United Arab Emirates, the value shares of major players and the competitive landscape is still unidentified. Höllinger, Sun Blast, and Whole Earth were among the players with presence in organic beverages in 2021, with products from these brands stocked at Carrefour.

Within the hot drinks space, Coffee Planet Roastery had presence in organic fresh coffee.

1.4 PROSPECTS AND GROWTH OPPORTUNITY

- Against the backdrop of an improving economic climate, organic packaged food is forecast to exhibit robust 7.9% CAGR over the period 2022-25 as consumers increasingly look for healthier options in general. Organic baby food remains one of the most important categories under the umbrella of organic packaged food, with parents generally very keen on ensuring optimum nutrition for their babies and young children and organic products typically viewed as a good option due to the reduced likelihood of containing harmful chemicals and residues.
- While organic products were initially sold in specialist stores and grocery shops within affluent areas, there is a growing importance on modern retail as a sales channel in countries like Saudi Arabia and the United Arab Emirates. With the category witnessing an increase in product availability and prices becoming more affordable through private labels and a potential rise of domestic players, sales through modern grocery retailers continue to drive growth and are expected to remain a key growth driver over the forecast period 2021-2026.
- Private label has gained a stronger foothold in organic packaged food over recent years and is forecast to maintain sales momentum moving forward. The growth of private label organic packaged food can be attributed mainly to the success of the Carrefour Bio range, which has appealed to consumers through a combination of high-quality and affordable prices. Other private label advantages include vast economies of scale, access to very strong logistics chains, and preferential shelf placement in stores.

1.5 GENERAL HEALTH AND WELLNESS TRENDS

- Consumers in the GCC region are turning health conscious due to the high level of obesity within some countries, such as United Arab Emirates, a country where 40% of the population is obese. Most of the countries in the region have implemented a tax on sugar-sweetened beverages and concentrates, in an attempt to push consumers towards making healthier decisions.
- Supply chain issues, inflationary pressures and geopolitical tensions will lead to health and wellness product manufacturers consolidating their offer, strengthening contingency plans and setting aside resources over the forecast period, to deal with potential new shockwaves. Manufacturers are also likely to continue to invest in new product development, especially with regards to providing healthier versions of their existing product lines. In Saudi Arabia this will be further driven by the desire to produce products that fall outside of the government’s 50% excise duty on sugary beverages, thereby offering potential savings for manufacturers and the end consumer.
- Increased consumer focus on specific aspects of health and wellness and products that respond to targeted needs will present opportunity for further segmentation and innovation. The free from category in United Arab Emirates is set for near double-digit CAGR growth 2021-26, with free from gluten and free from lactose expected to become more popular as digestive health and dietary intolerances

come into greater focus throughout society. Naturally healthy products including olive oil and honey are also expected to benefit from the clean eating trend as consumers strive to eliminate inherently harmful products from their diets, particularly those that contain high levels of sugar and/or artificial ingredients. Manufacturers will also look to tap into greater demand for products that combine a mix of health and wellness attributes, such as free from products that are also fortified/functional or naturally healthy products that are also free from and/or organic.

1.6 GENERAL ECONOMIC AND DEMOGRAPHIC LANDSCAPE

Economy:

- All GCC countries witnessed a rebound in GDP growth during 2021, with a positive economic outlook observed for 2022 and beyond. Kuwait and Saudi Arabia are set for the strongest GDP growth in 2022 at 7.4% and 5.8% respectively, before all countries across the region stabilise to a growth rate between 2.5%-3.5% over the period 2023-25.
- Inflation is set to accelerate across the region in 2022, registering 2.5% in Saudi Arabia and United Arab Emirates up to 4.7% in Kuwait.
- United Arab Emirates private final consumption witnessed an increase of 2.9% in 2021, with a growth of 4.3% expected in 2022.

Population demographics:

- The population of the GCC region totalled around 55.5 million in 2021, nearly doubling since 2000.
- There is a moderate ageing process within the GCC countries, with the proportion of the population over the age of 65 expected to increase from 2.8% in 2018 to 4.3% by 2025. The median age is on an upward trajectory across all GCC countries, with Kuwait recording the highest in 2021 (37.8 years).

Income & expenditure:

- The savings ratio within the GCC countries is highly varied, ranging from -0.4% of disposable income for Saudi Arabia to 25.8% of disposable income for Bahrain in 2021.
- Consumer expenditure per capita in the GCC countries stood at just over US$11,000 in 2021, with Qatar and United Arab Emirates leading the way for this indicator and Oman ranking lowest regionally.
- Following a sharp fall in 2020, United Arab Emirates disposable income per capita recovered somewhat to US$18,250 in 2021 – it is projected to show 1.9% CAGR 2021-26.

2. DATA

2.1 ORGANIC PACKAGED FOOD AND BEVERAGE DATA

Data type	Unit	2018	2019	2020	2021	2022	2023	2024	2025	CAGR (18-21)	CAGR (22-25)
Health & wellness products consumption[1]	USD million	9,745.6	9,815.6	10,274.9	10,526.8	10,960.0	11,410.3	11,862.9	12,374.6	2.6%	4.1%
Organic packaged food and beverages consumption	USD million	125.8	139.5	173.4	179.8	197.3	204.9	223.9	248.4	12.6%	8.0%
Organic packaged food consumption	USD million	95.9	105.0	132.9	136.8	150.1	155.6	169.8	188.4	12.6%	7.9%
Organic beverages consumption	USD million	29.9	34.5	40.5	43.0	47.2	49.3	54.1	60.0	12.9%	8.3%
Organic packaged food and beverages consumption as a % of total health & wellness products consumption	%	1.3%	1.4%	1.7%	1.7%	1.8%	1.8%	1.9%	2.0%	-	-

2.2 ECONOMIC AND DEMOGRAPHIC DATA

Data type	Unit	2018	2019	2020	2021	2022	2023	2024	2025
Total population	million	56.2	56.8	55.5	55.5	56.2	56.8	57.5	58.1
% Middle and upper class of total population	%	-	-	-	-	-	-	-	
% Population aged 65+	%	2.8%	2.9%	3.1%	3.3%	3.5%	3.7%	4.0%	4.3%

[1] Health and Wellness Definition: Health and wellness is the aggregation of organic packaged food and beverages, fortified/functional packaged food and beverages, naturally healthy packaged food and beverages, better for you packaged food and beverages and food intolerance products.
The above definition and more can be referenced from the definitions table at the end of the report.

% Population aged 0-14	%	21.5%	21.4%	21.2%	21.2%	21.1%	21.0%	20.8%	20.6%
% Population with higher education degrees	%	-	-	-	-	-	-	-	-
Average number of children per household	children	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
GDP per capita	USD per capita	29,879.1	29,297.4	26,015.5	29,970.8	32,216.3	33,608.6	34,856.0	36,537.9
Consumer expenditure per capita (US$)	USD per capita	10,509.0	10,689.1	10,119.2	11,022.1	11,698.0	12,196.8	12,654.0	13,127.0
Consumer expenditure per capita on food and non-alcoholic beverages (US$)	USD per capita	1,885.2	1,911.8	1,851.6	2,022.8	2,138.3	2,221.0	2,296.6	2,375.3

2.3 RETAILER AND CITY DATA

2.3.1 TOP 5 CITIES BY POPULATION

Data category	Rank	City/retailer	Population (millions)
Top cities by population (2021)	1	Riyadh (Sau.)	6.7
Top cities by population (2021)	2	Dubai (UAE)	5.3
Top cities by population (2021)	3	Jeddah (Sau.)	4.3
Top cities by population (2021)	4	Kuwait City (Kuw.)	2.8
Top cities by population (2021)	5	Dammam (Sau.)	2.5

2.3.2 TOP 5 GROCERY RETAILERS BY SALES

Data category	Rank	City/retailer
Top grocery retailers by sales (2021)	1	Carrefour SA
Top grocery retailers by sales (2021)	2	Lulu Group International LLC
Top grocery retailers by sales (2021)	3	Savola Group
Top grocery retailers by sales (2021)	4	Consumer Co-operative Union (CCU)
Top grocery retailers by sales (2021)	5	Abdullah Al-Othaim Markets Co

2.4 UNITED STATES DEPARTMENT OF AGRICULTURE GLOBAL AGRICULTURAL TRADE SYSTEM DATA

2.4.1 TOP 5 EXPORT COMMODITIES TO GULF COASTAL COUNTRIES

Year	Country	Rank of Product/Commodity	Product/Commodity	Export Value (US$)
2021	Gulf Coastal Countries	1	Organic Strawberries Fresh	9,761,598
2021	Gulf Coastal Countries	2	Organic Berries Fresh	5,217,561
2021	Gulf Coastal Countries	3	Organic Vinegar and Substitutes	2,042,444
2021	Gulf Coastal Countries	4	Organic Coffee Roast Not Decaf	1,293,780
2021	Gulf Coastal Countries	5	Organic Tomato Sauce Ex Ketchup	868,197
2021	**Gulf Coastal Countries**	**Total**	**Total Organics***	**22,295,707**
2020	Gulf Coastal Countries	1	Organic Strawberries Fresh	4,425,248
2020	Gulf Coastal Countries	2	Organic Vinegar and Substitutes	3,986,775
2020	Gulf Coastal Countries	3	Organic Berries Fresh	3,395,027
2020	Gulf Coastal Countries	4	Organic Coffee Roast Not Decaf	1,488,626
2020	Gulf Coastal Countries	5	Organic Lettuce Not Head Fr/Ch	686,006
2020	**Gulf Coastal Countries**	**Total**	**Total Organics***	**16,213,505**
2019	Gulf Coastal Countries	1	Organic Berries Fresh	3,861,926
2019	Gulf Coastal Countries	2	Organic Lettuce Not Head Fr/Ch	2,481,384
2019	Gulf Coastal Countries	3	Organic Strawberries Fresh	2,341,914
2019	Gulf Coastal Countries	4	Organic Coffee Roast Not Decaf	1,341,291
2019	Gulf Coastal Countries	5	Organic Vinegar and Substitutes	1,148,836
2019	**Gulf Coastal Countries**	**Total**	**Total Organics***	**14,151,018**
2018	Gulf Coastal Countries	1	Organic Berries Fresh	4,875,086
2018	Gulf Coastal Countries	2	Organic Strawberries Fresh	4,621,327
2018	Gulf Coastal Countries	3	Organic Lettuce Not Head Fr/Ch	3,866,427
2018	Gulf Coastal Countries	4	Organic Cult Blueberries Fresh	1,747,793
2018	Gulf Coastal Countries	5	Organic Carrots Fr/Ch	825,554

2018	**Gulf Coastal Countries**	**Total**	**Total Organics***	**18,602,876**

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

3. DEFINITIONS

Term	Definition
Health and Wellness	Health and wellness is the aggregation of organic packaged food and beverages, fortified/functional packaged food and beverages, naturally healthy packaged food and beverages, better for you packaged food and beverages and food intolerance products.
Organic packaged foods and beverages	This category includes packaged food & beverages that are certified organic by an approved certification body. Organic production is based on: • A system of farming that maintains and replenishes soil fertility without the use of toxic and persistent pesticides and fertilizers. • Organic food & beverages are minimally processed without artificial ingredients, preservatives or irradiation. • The use of GMOs (Genetically Modified Organism) is prohibited. “Certified Organic” means the item has been grown according to strict uniform standards that are verified by independent state or private organizations. • Depending on the country, such products are called ‘organic’, ‘biological’ or ‘ecological’: For organic products to be included under Euromonitor definitions, the organic aspect needs to form part of positioning/marketing of the product. This is an aggregation of organic baby food, bakery, confectionery, dairy, ice cream, oils and fats, ready meals, rice, sauces, dressings and condiments, snack bars, soups, spreads, sweet and savory snacks and other organic food. Note that fresh food products or individual ingredients are not included in this definition.
Compound annual growth rate (CAGR)	The compound annual growth rate (CAGR) is the average annual growth rate over a specified period of time. For instance, the CAGR consumption of from 2018 – 2021 will be the average growth rates across these three years.
USDA GATS data clarification	The data presented in table 2.4 represents the dollar values of the top 5 organic commodities as well as of the total organic exports of the trade partner for the period 2018-2021 as per the United States Department of Agriculture’s Global Agricultural Trade System, a database consisting of international agricultural, fish, forest and textile products trade statistics dating from the inception of the Harmonized coding system in 1989 to present.