



**UAE Food & Beverage
Business Group**

UAE FOOD & BEVERAGE MANUFACTURING GROUP
ANNUAL REPORT
2020



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Foreword from the Chairman of the Board

2020. A year that will forever remain etched in our collective memory. A symbolic year that we all had looked forward to, built grand plans for – individually and institutionally.

We begin the 2nd edition of the Annual UAE Food Industry Report the way we did earlier, with an overview of the UAE economy. This year, the world is very different. We have seen forests burn, pandemic spread, civil strife. By the grace of God, our beloved Nation has been managed through the turbulent times with grace and vision.

Being in the food industry, we had a new realisation of our responsibility and importance – people and governments across the world worried whether they had sufficient food. The public were made aware of a new term, “essentials”. Panic buying, stockpiling, supply chains stressed, this year has been like none before in our collective memory. The disaster in Lebanon has had far reaching effects beyond the blast site as now food security in the bereaved nation was put to question. It makes us stop and question whether we have done enough? Are we prepared for every eventuality?

Maybe not, yet we are human. When faced with crisis, we dust it off and build for a brighter future. We know only to look onward and upward. The UAE proved once again it is a great place to be – not to just come and see the sights & sounds, the glitter and the glamour; but a place where the government truly cares.

Unprecedented public private collaborative efforts ensured that we had no need for panic – there was enough for everyone. Continuous dialogue ensured that the supply chain sputtered, but started once again. The sheer determination and vision was evident mostly when the UAE Space Agency launched Al Amal, the Hope.

This is the theme of the report this year as well as the motto for the food industry, **Amal.**

Saleh Lootah
Chairman

2020 & 2021 Board Members

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About UAE Food & Beverage Manufacturers Group

A business association formed in 2012 under the auspices of the Dubai Chamber of Commerce, The Food and Beverages Manufacturing Business Group (FBMG) brings together all food and beverage manufacturing firms in the UAE. The group provides a platform for firms to cooperate and resolve some of the key challenges faced by the food and beverage industry in the region.

FBMG is committed to the development of the Food and Beverage industry and provides an opportunity for firms to network and collaborate on innovations that will benefit the industry.

Mission

FBMG aims to facilitate growth and excellence in the food and beverage manufacturing industry, encouraging innovation and contributes to the development of the industry and the individuals.

Objectives

- Enabling excellence in the food and beverage industry by building and improving local capabilities
- Bridging the gap between the industry and the government, across all policy, strategy and regulatory aspects
- Facilitating synergy among member companies by providing opportunities for networking and sharing of knowledge and industry expertise
- Offering current information and communication on all industry related matters



The UAE Economy

With EXPO 2020, this year was expected to deliver an impetus to several industries in UAE. Plans were laid out, expenses incurred in the previous years to prepare for an unprecedented surge in visitors and business.

The UAE has a strong track record of being visionary and planning for the future. This has been evident in the resilience of the economy and industry in the past. Deftly navigating the Global Financial Crisis and fluctuating global oil prices in the past, how does the Nation of 200+ nationalities navigate this one?

It is therefore important to take a quick look at the lessons from the past, the current issue at hand and the prospects going ahead. How have we navigated the COVID crisis? How do we compare to the rest of the world and the region?



Overview of Economic Performance

UAE had a great response to the Global Financial Crisis of 2008-09; outperforming the larger regional and global growth rates for a sustained period of five years. In fact, from 2011-2016, UAE's growth rate over-indexed the global growth rates by

~70%, i.e., **the period between the two major crises of the 21st century (GFC & COVID) saw UAE outperform the regional and global growth rates** (see figure 1.1).

Performance, however, has been declining since then, as UAE growth rates have stagnated. An uptick in 2019 indicated the expected uplift of EXPO 2020 – an event of magnificent proportions for which the government had spared no expense.

GDP Annual Growth Rates (%)

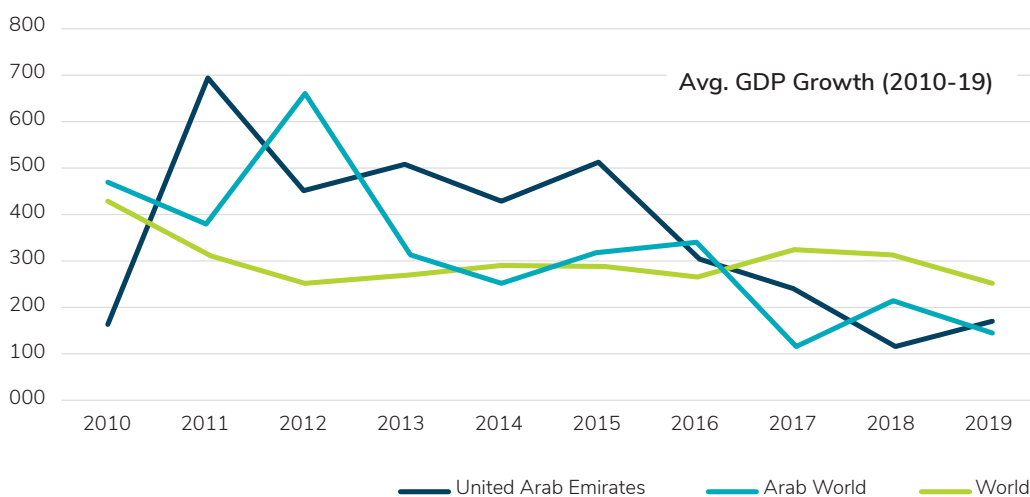


Figure 1.1: GDP Annual Growth Rates (%), UAE v Arab World v World, 2010 to 2019; Source: World Bank



COVID-19

and its immediate impact on the economy

The first COVID-19 case in MENA was detected in the UAE in late January. By October, the virus had spread to more than 100,000 individuals and 450 unfortunate deaths. The virus has taken a significant human toll the world over, with nearly 40 million cases recorded and a 2.8% fatality rate.

Thankfully, owing to the robust systems put into place by the government, **the situation in UAE is significantly better:**

Region/ Country	COVID-19 Fatality Rate	Tests per million population
UAE	0.4%	1,153,351
GCC	0.9%	380,088
Global	2.8%	93,768

Table 1.1: COVID-19 Fatality Rate & Tests per million, 17th October 2020 data; Source: worldometers.info

In late February, while the total number of cases were still below 50, the government enacted widespread and stringent mitigation measures to help limit the spread of the virus.

These included: **curtailing size of public gatherings, air travel restrictions, cancellation of large events, school closures, remote working (WFH)**

across sectors, reduced operating hours for retailers, closure of commercial centres, restaurant closures (delivery only), disinfection & sterilisation programs, mandating masks & gloves, suspension of public transport.

These measures had the desired effect and empowered the economy to return:



This was far quicker than many other developed countries and allowed the population and economy to revert and define a “new normal” – shape the recovery.

Unfortunately, UAE's ability to absorb the economic shock of COVID-19 is amongst the lowest (rank 102) – a big reason for the World Bank's low optimism.

Digging deeper, we are able to identify the various factors that pull UAE's ranking down.

Factor	Rank
	(out of 122 countries)
Economic Absorptive Capacity	102
Debt levels	17
Labour market strength	15
Social resilience	57
Industrial strength & diversity	120
Reliance on international markets	110
Food dependence on international markets	120

Table 1.3: UAE's global rank on Economic Absorptive Capacity and constituent attributes; Source: Horizon Group, COVID Economic Recovery Index (CERI). The definitions of these factors are based on CERI and not as per standard definitions used by World Bank.

The results of these indicators are concerning, but understandable. As UAE is an import dependent economy, especially for food & beverage products. Despite continuing efforts, the UAE economy is still highly dependent on the vagaries of global supply and demand dynamics.

“Made in UAE” looking at the Future

COVID-19 has had a far-reaching impact on humanity. Apart from the obvious impact on lives, it has also had a major impact on livelihoods. Businesses have closed, jobs lost, dues unpaid. An economic recovery is currently underway, with this crisis providing a unique opportunity for all of us. To reimagine

the future and implement a change in our thinking and focus to build not just a brighter, but also a more robust future. This means taking advantage of our historical strengths while building our ability to ensure the economy can absorb unprecedented events like COVID-19 better.

Reimagine the future and implement a change in our thinking and focus to build not just a brighter, but also a more robust future.

Pillars of UAE's economy over the years



Each of these sectors have been severely impacted by the disruption of COVID-19.

OIL

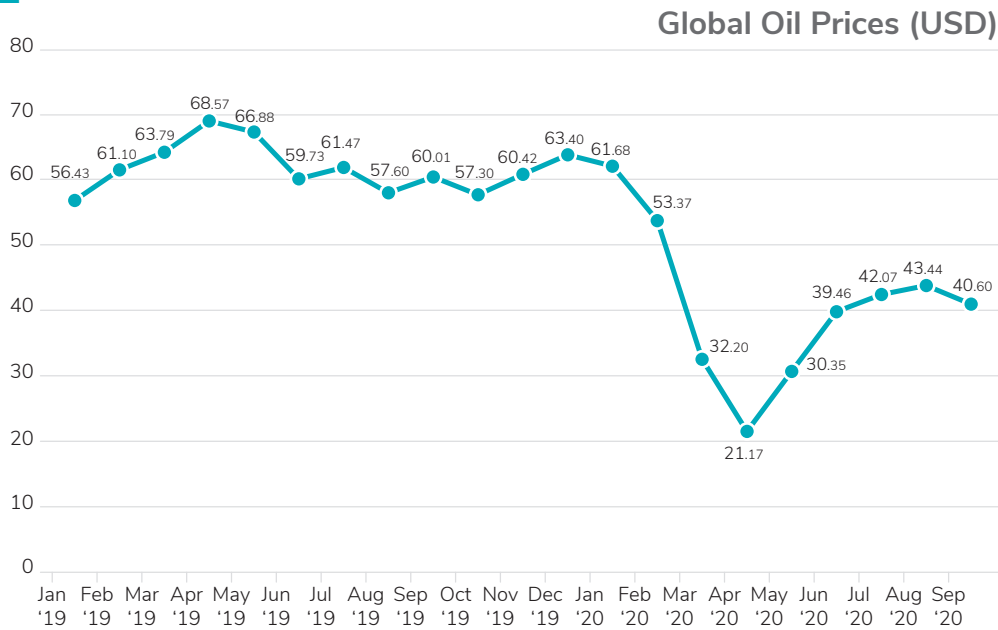


Figure 1.2: Global Oil Prices, USD, Jan 2019 – Sep 2020; Source: IMF

Despite having the most diversified economy in the region, hydrocarbons still constitute a significant proportion of UAE's GDP. Hence, with commodity prices expected to remain at low levels, this will have a prolonged impact on the economy for the foreseeable short-term.

The silver lining here is that oil prices play a significant role not just in commodities trade, but has a cascading effect across the value chain, potentially bringing down inflation, manufacturing, logistics and trade costs.

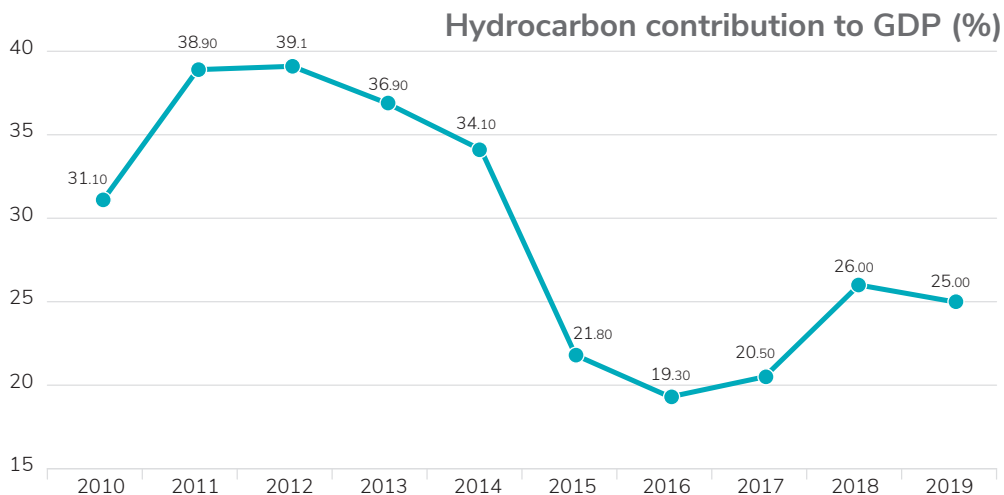


Figure 1.3: Hydrocarbons % contribution of GDP, 2010-2019; Source: UAE Federal Competitiveness and Statistics Authority

The silver lining here is that oil prices play a significant role not just in commodities trade, but has a cascading effect across the value chain, potentially bringing down inflation, manufacturing, logistics and trade costs.

TRADE

The UAE is a major trade hub and a significant link in the region due to its strategic location, well known standards and practices, as well as its well-established transportation routes through air, land, and sea. In 2019, total foreign trade in UAE accounted for more than 1.6 trillion AED. This is a significant economic activity of the country with positive trade balance (FOB) of 274 billion AED in 2019.

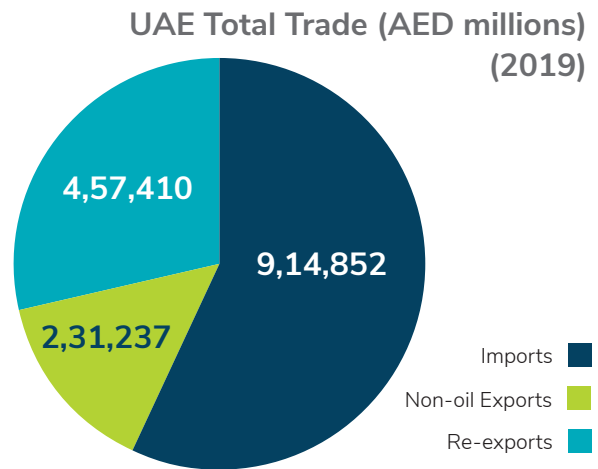


Figure 1.4: Total Trade in UAE, AED millions, 2019; Source: UAE Federal Competitiveness and Statistics Authority

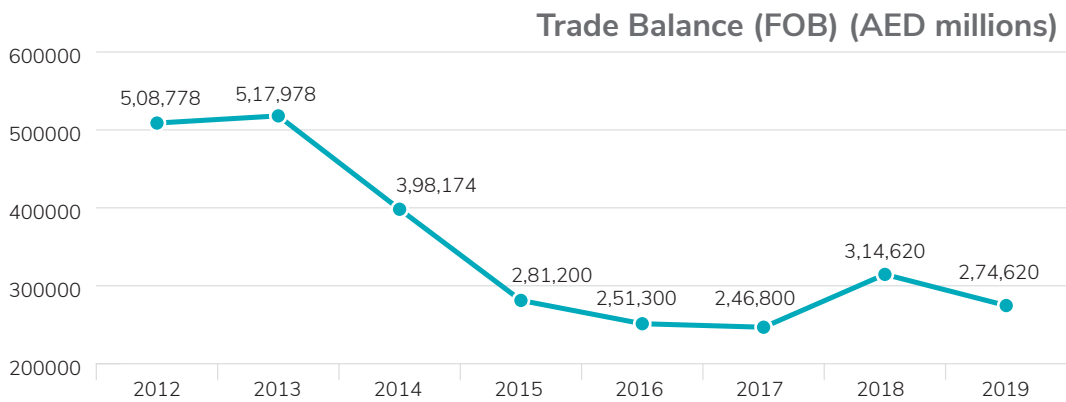


Figure 1.5: UAE Trade Balance, AED millions, 2012-2019; Source: UAE Federal Competitiveness and Statistics Authority

With COVID-19 though, the economic disruption is acutely felt in its impact on global value chains. This has had an impact in trade with certain countries, as well as certain products. UAE is an import dependent country for food products, considering the low

agricultural activity prevalent in the country owing to harsh climate conditions. This poses challenges to not just trade, but also in ensuring essential products to the local population.

Thankfully, the government and industry acted swiftly and decisively during the height of the pandemic and ensured that the residents of UAE were not wanting for anything. However, declining economic activity is a reality that needs to be addressed with increased responsibility of producers of goods & services within UAE.

TOURISM

One of the major pillars of UAE's diversified economy is tourism. A sector of the economy which has a positive impact across sectors as UAE has become a significant destination for tourists. Given the reach and high level of service provided by UAE's airlines, it is also a major transit hub for long distance flights connecting the

Eastern and Western hemispheres. It may be said that Dubai is the centre of the world, and this is evidenced by the increasing number of travellers every year. As per official figures, Dubai is ranked 4th amongst the top global destination cities (MasterCard Global Destination Cities Index)

International Arrivals

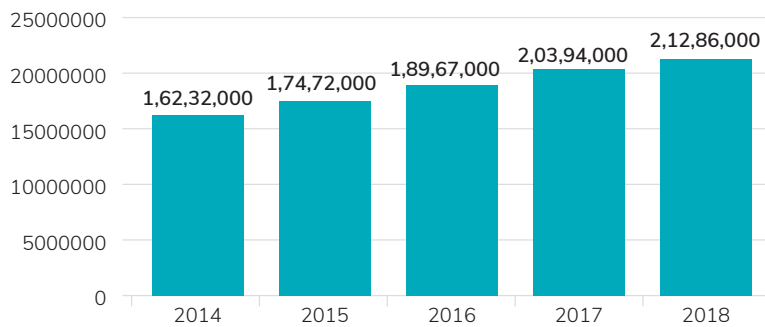


Figure 1.6: International tourism, number of arrivals, 2014-2018; Source: World Bank

4th
Dubai's rank
 amongst the top global
 destination cities
 (MasterCard Global
 Destination Cities Index)

159.1 **12.1%**
BILLION AED
 Total contribution of travel and
 tourism sector to UAE's GDP
2016

The contribution of travel & tourism to the economy is wide ranging as it encompasses travel, accommodation, F&B, attractions and shopping. It is estimated that the total contribution of travel & tourism sector to UAE's GDP was AED 159.1 billion (12.1%), in 2016. It also supported 617,500 jobs (10.4% of total employment) directly or indirectly, making it a key proponent of the economy.

Despite easing of travel restrictions and preparing for the necessary precautions, a quick recovery of the travel & tourism sector isn't expected any time soon. Largely owing to reduced income levels and an overall risk-averse mindset prevailing over people across the world – in terms of expenses as well as health risks.

What then can be the solution for UAE? The answer has already been provided to us.

The launch of Al Amal has proven to the populace that UAE is capable of looking to the future while being "made in UAE". This is an inspiration for local industry to be able to step up to the challenge and take greater responsibility. Our dependence on imports can be reduced with the right policies and business environment.

F&B Industry in UAE

AN OVERVIEW



This is evidently a difficult year for the entire world. Our country is battling on two fronts – **health and economic**. Our warriors on the front line have done a fantastic job in taking care of our health. It is, then, incumbent on the industry to overcome the economic challenges that we are facing now.

The F&B industry is one of the largest non-oil sector in UAE, but has not been delivering on growth in the recent past. It is also an industry handicapped on several fronts, but which is now gearing for a renaissance.

With the objective of achieving food security, the industry is much transformed today. There are advances being made in agri-tech and today there are several food sub-sectors which have enough capacity for ensuring complete self-sufficiency, i.e., **we do not need to import everything...**

UAE's food industry has a long and illustrious history. Comprising of 568 factories and thousands of food distributors (importers, exporters) who ensure that retailers, restaurants and households are well stocked and provided for.

Food and Beverage products and Commodity products



Figure 2.1: F&B production capacity in UAE;
Source: UAE Federal Competitiveness and Statistics Authority

Furthermore, the government has also been promoting agriculture in UAE with the promotion and increased usage of extensive R&D and innovation to make the harsh climate of UAE conducive to food production.



Figure 2.2: News of rice production in UAE; Source: Gulf News, MoCCA

However, despite best efforts, local production accounts for only 11.5% of the population’s food needs:

Production Deficit

While consumption levels increase, the local market is not equipped to feed the population – resulting in a high dependency on food imports to overcome the trade deficit in food

Food **↑@4.4%** CAGR (10.1mn MT)
Consumption in UAE

...but the current manufacturing output is not able to match growth prospects of the country

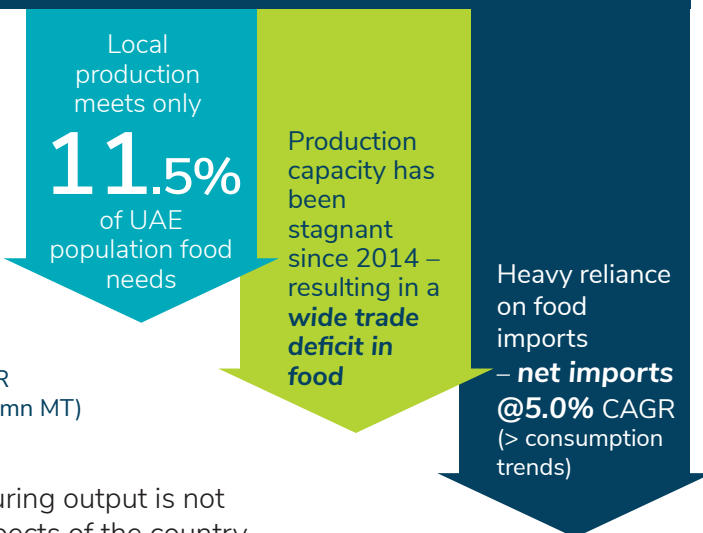


Figure 2.3: Food production deficit in UAE; Source: FBMG Research Cell

What is most striking from the statistic in Figure 2.1 is that **local production is at only 37% of maximum capacity**. And that despite the efforts of the industry, food security has not been achieved and UAE remains import dependent for its food requirements.

Even in terms of the economic value generated by exports, F&B exports are much lower than imports and are more comparable to re-exports. Suggesting that the **potential of local industry is not being realised**.

Value of F&B Trade (AED billions)

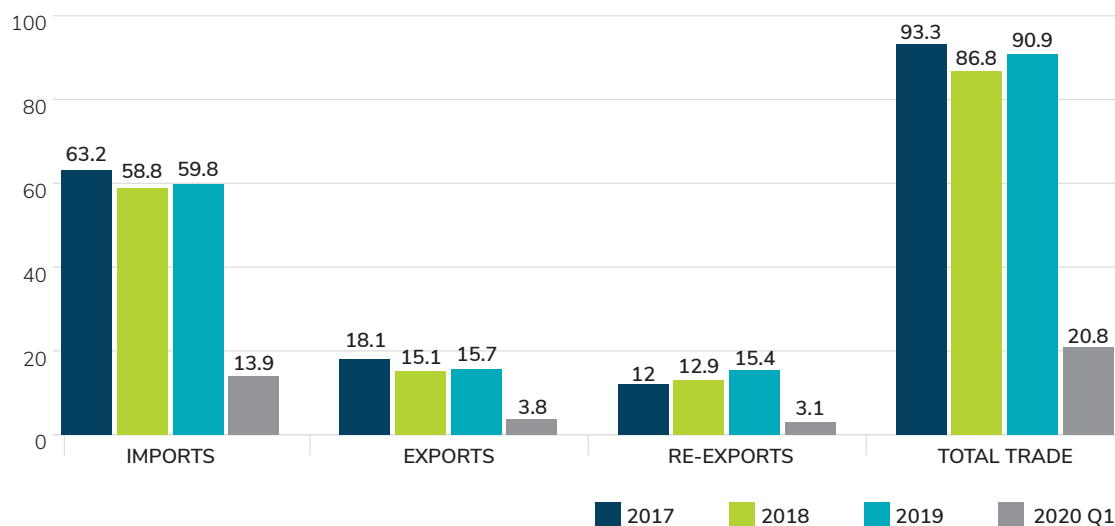


Figure 2.4: Value of F&B Trade in UAE, AED billions; Source: UAE Federal Competitiveness and Statistics Authority

This report focuses on understanding the key bottlenecks for the industry and avenues for it to be able to achieve greater heights. As representatives of the industry, we strongly believe that all the right ingredients are already in place for success – a collaborative effort is now needed to make this reality.

Considering that the F&B sector was identified as a focus sector in the Dubai Industrial Strategy 2030 and the importance of Food Security in these testing times, the time to act is now.

Food Security

– the role of industry



The pandemic has brought sharp focus on the importance of food production and supply. The reliability of global supply chains has been put to the test, and it has become evident that every nation must now be prepared for worst case scenarios.

Being an import dependent country for its food supply, the pandemic posed difficult questions regarding the available food stock in

the country. During the early stages of the pandemic, in March 2020, the UAE Food & Beverage Manufacturers Group (FBMG) supported the authorities in answering this very question.

A new classification was devised, “Priority Foods”. These comprise of 21 key food items such as staples, fruits & vegetables, meats and dairy products.

Priority Foods



Figure 2.5: Priority Foods; Source: Smart Dubai

Considering the dire situation across the globe back in March-April, the UAE FBMG considered it prudent to assess the current stock availability in market and how many months would it last.

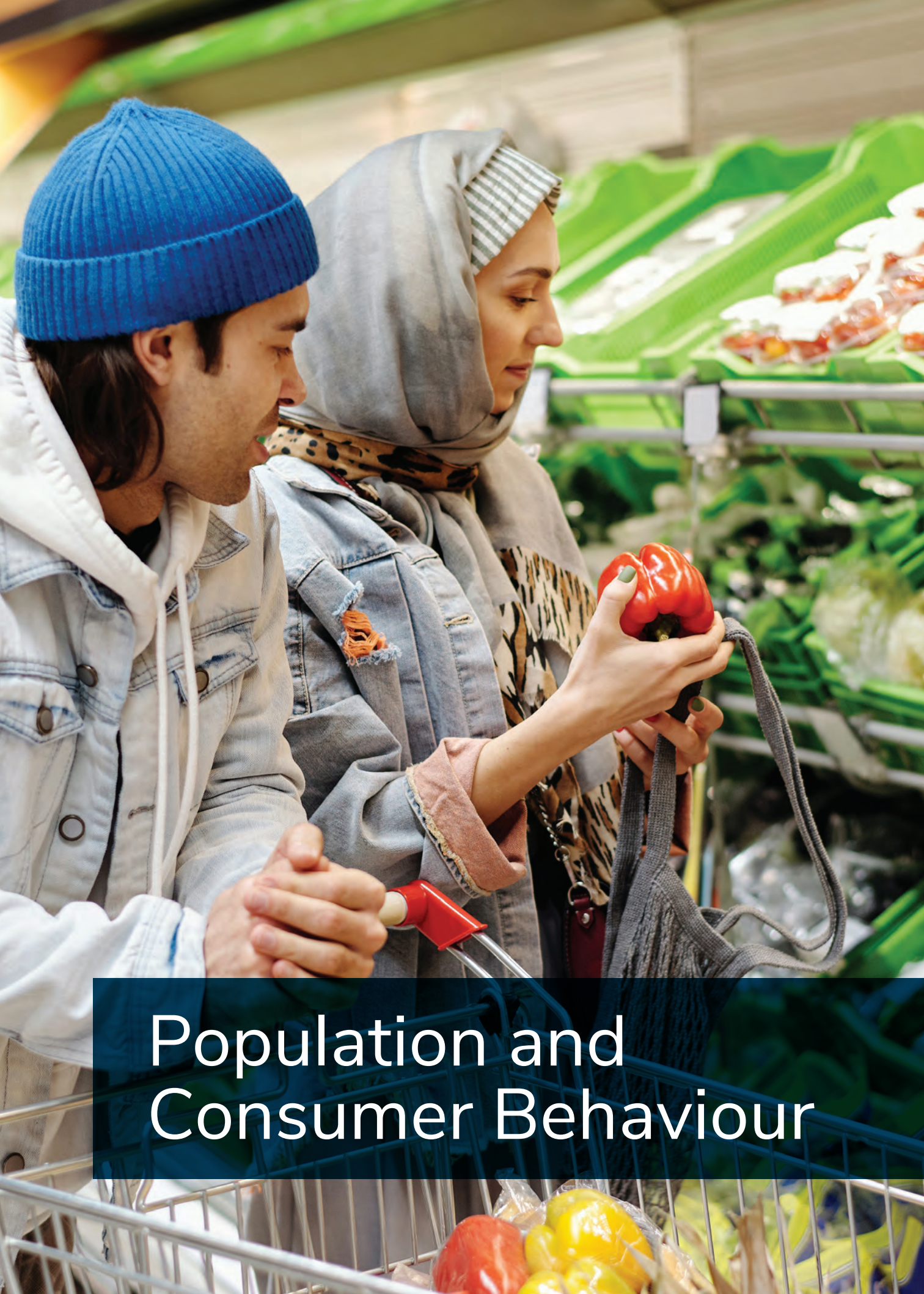
An extensive exercise was conducted to address these pressing questions, wherein information from government authorities, market measurement agencies, retailers and local manufacturers was combined to find the answers.



Figure 2.6: Reports generated by FBMG to assess market stock positions; Source: FBMG Research Cell (under the guidance of several public and private entities) (for further information, please contact info@fnbdubai.com)

The conclusion of these exercises was that there was sufficient provision for most F&B products for up to 6 months. Furthermore, industry representatives assured the authorities that there will be no food shortage in the country. Having observed that the food industry is capable of averting any potential

crisis, the focus must now shift towards shedding import dependency and having a more prominent role in the economic revival of UAE (i.e., improving on the low scores achieved as denoted in Table 1.3).



Population and Consumer Behaviour



There are two kinds of people important to the food business

- The people who work in the industry and build it, the employees
- The people who the industry works for, the consumer

The COVID-19 pandemic has had a significant impact on everyone, including the employees and the consumers of the food sector. Initially, the virus was a distant problem, then it came knocking on our doors, then it confused and scared us, and now we're learning to live with it, and hopefully see it through.

This journey with COVID has had an impact on our livelihoods and behaviour – our knowledge of running a business and consumer needs has been tested. In order to remain relevant, it is important to keep a continuous eye on all the data and information available to us and to always be prepared to be successful.

In this section, we take a look at our unique population, and the impact of COVID-19 on all of us.

In order to remain relevant, it is important to keep a continuous eye on all the data and information available to us and to always be prepared to be successful.



A Unique Population

UAE is a country with a population of nearly 10 million residents. However, what is unique about UAE is that approximately 90% are non-Emirati, a group that is represented by 200+ nationalities. Making UAE perhaps the most diverse and complex population in the world.

For food producers and suppliers the implications are complex. To cater to such a diverse consumer base, means catering to very wide taste preferences. A walk-through in any retail store in UAE will be akin to a world food tour. Specialised shops, catering to niche segments of the populace, are a common site.

UAE's diversity isn't just specified by nationality. The food marketplace has to cater to a very diverse income profile as well – from business tycoons demanding the freshest and most unique ingredients to the humble domestic help desiring a traditional pickle to keep him from feeling homesick.

Nationality X Income - Complex UAE Consumer Base

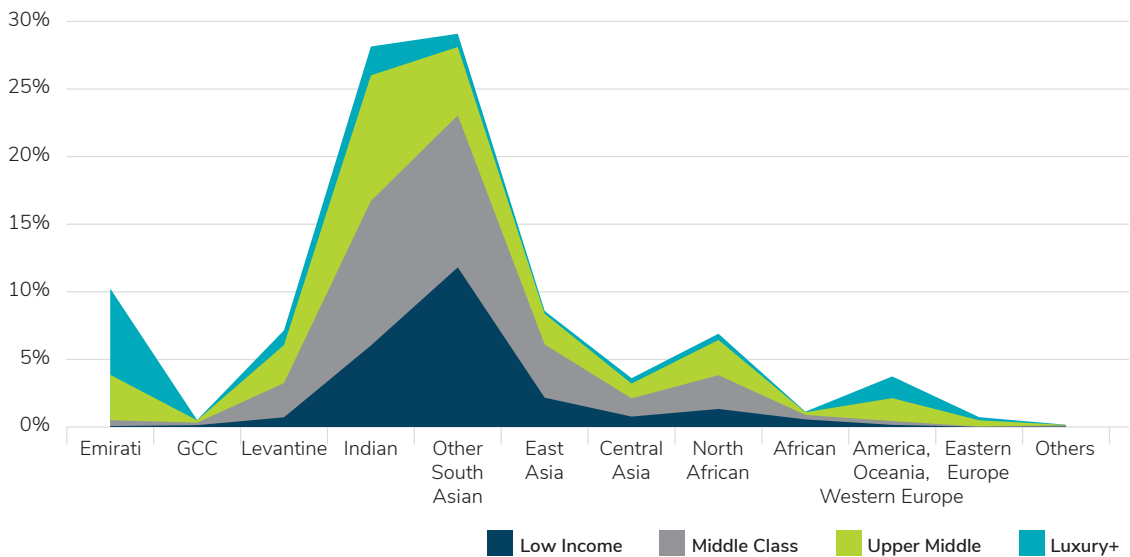


Figure 3.1: UAE Population split by nationality & income grades; Source: FMBG Research Cell



The challenge that this diversity poses for food businesses is first and foremost about gauging demand and ensuring supply. Access to quality data and information is not easy to obtain, and when available, proves to be rather expensive or inaccurate.



An unwanted consequence of this is that businesses have to support a very wide, often bloated, portfolio of products – which is extremely expensive to maintain. Furthermore, lack of visibility of constant change in consumer trends also leads to food waste and market dumping.

With the pandemic affecting lives and livelihoods across the world, it also impacted the structure of our market in UAE – or has the potential to. Job losses and reduced income has affected many people, as businesses struggle to keep up with reduced discretionary spending and low mobility among the populace.

Furthermore, UAE’s economy has previously thrived on Oil, Foreign Trade and Tourism. These are, incidentally, also the most impacted sectors because of COVID-19 across the world. Businesses have shut down or significantly reduced payroll expenses in order to survive.

By some estimates, this has the **potential to see approximately 10% of the expatriate population leaving UAE for their home country**, as visas are revoked and surmounting expenses made life difficult. While the expectation is that 2021 will observe a return to normal, the short & mid-term plans of food businesses supplying the market have been put into a state of flux.

Impact of COVID-19 on Employment

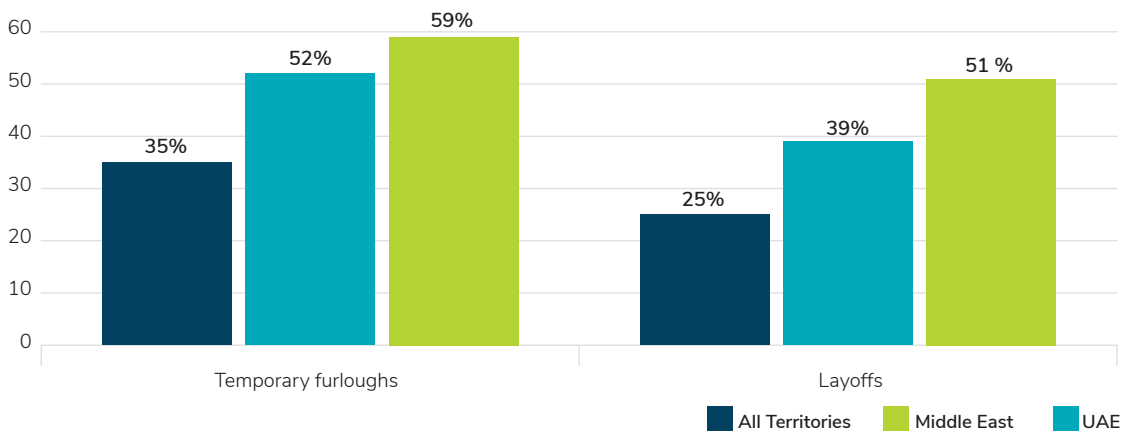


Figure 3.2: Expected staff turnover owing to COVID-19 impact on businesses; Source: PwC COVID-19 CFO Pulse, June 2020

As seen in Section 1.2, the expectation is that UAE's economic performance will suffer more in the short-term, but also recover far more quickly, and hopefully, to scale higher heights than before – as was done post the GFC 2008.

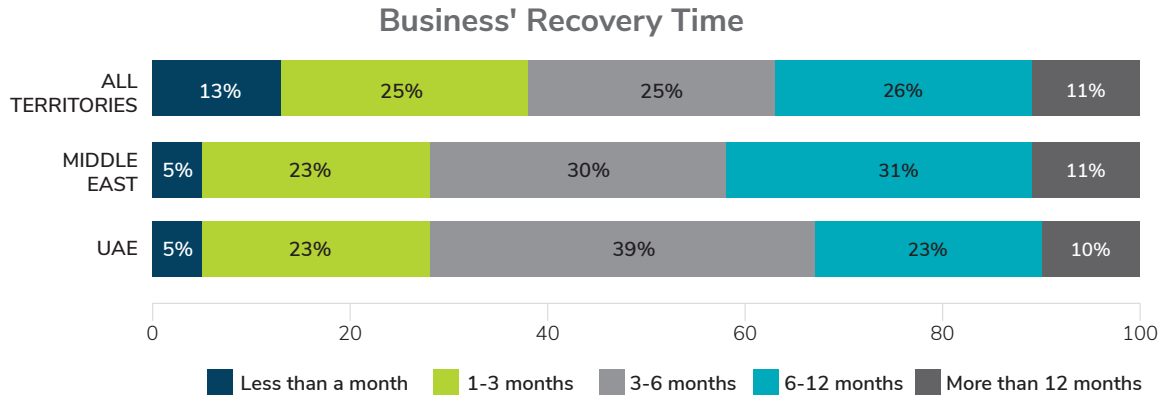


Figure 3.3: Expected recovery time for businesses, post COVID-19; Source: PwC COVID-19 CFO Pulse, June 2020

It is now expected, with the increase focus on Food Security and Sustainable Economics, we will see a revival in the economy and well-being of residents driven by the food sector. The industry

is gearing up to increase its responsibilities and not just meet food demands of the local population, but also generate employment and encourage entrepreneurship.

COVID-19 impact on Consumer Behaviour

In order to ensure a successful rebound, it is important to understand how COVID-19 has impacted consumer behaviour. Having a strong understanding of changing consumer requirements is essential for any successful business. And COVID-19 has seen consumer behaviour change dramatically and fast.

In October 2020, the UAE FBMG launched their flagship event, Future Food 2020 – the first

session in a series of events. The event was graced by leaders of the F&B industry, in manufacturing, retail and research.

Listening to these leaders in the F&B space as well as the leading opinions on consumer behaviour, we have been able to identify some of the key consumer traits that have emerged over the year, and what it means for F&B businesses in UAE.



Bulk Purchases



Long Shelf Life



Online Shopping



Loyalty Shock



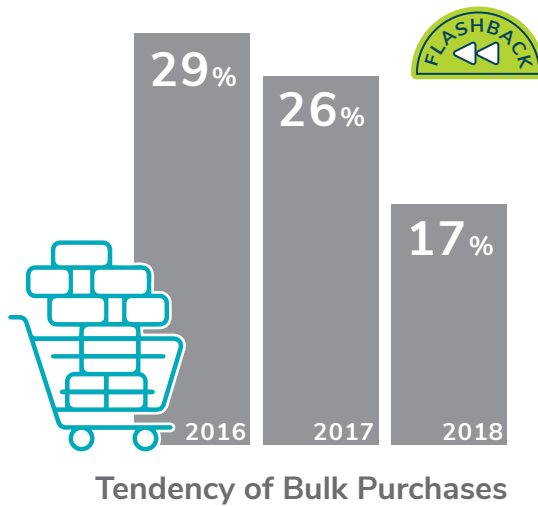
Locally Produced (traceability)



Health Consciousness

Bulk Purchases

In our Annual Report from 2019, we noted that consumers were reducing bulk purchasing in order to avoid wastage and unnecessary expenses:



“Why should I buy large packs, especially food, if I’m going to eventually waste half of it anyway? Better savings can be had by only buying what I need. Maybe I need to shop more often because of that, but that’s okay.”

– Consumer speak
Indian Expat Male
(30-44yrs), White collar job

Figure 3.4: UAE consumers' were reducing their tendency to purchase items in bulk; Source: FBMG Annual Report 2019

However, as early as February of 2020, even before the pandemic impacted UAE significantly, there were signs of dramatic changes in consumer behaviour.

As observed by leaders of the retail industry in Future Food 2020:
“February, is when we first started to see the trends. Undoubtedly panic buying was the first stage, people buying larger packs, people buying enormous quantities...”

Long Shelf Life

Bulk buying for households were focused on household needs like food products and personal/ house hygiene requirements. With respect to food products, bulk buying was primarily about long shelf-life products – be it staples like rice, wheat, oils or frozen foods like meats.

“We've then seen shifts in the types of products that people are buying, as a result of reduced frequency of going to the stores whether that was a physical requirement – because we were under the restrictions and the permits to move. We saw longer shelf-life products, ambient grocery, frozen has continued to be a very strong area.” – retail industry leader at Future Food 2020

Renewed focus on long shelf-life categories

Shopping behavior changes as frequency of shopping declines.

Consumers aim to minimise their supermarket visits, and as home delivery capacity is stretched.

There will be a boom in ambient or long life products due to anticipation of lower supply or longer periods of time quarantined.

Consumers will support demand for products with a longer shelf-life.



Figure 3.5: Renewed focus on long shelf-life categories; Source: FBMG Research Cell

Over the course of the pandemic, as more people experimented in the kitchen, DIY meal kits saw a spurt of popularity! In-home experiences have had to replace experiences like restaurants and cinema; which means that snack

foods like popcorn and sharing bags of confectionary bags saw spikes in sales in the retail environment.

Examples of this were observed by our research partners as well as our in-home research cell:

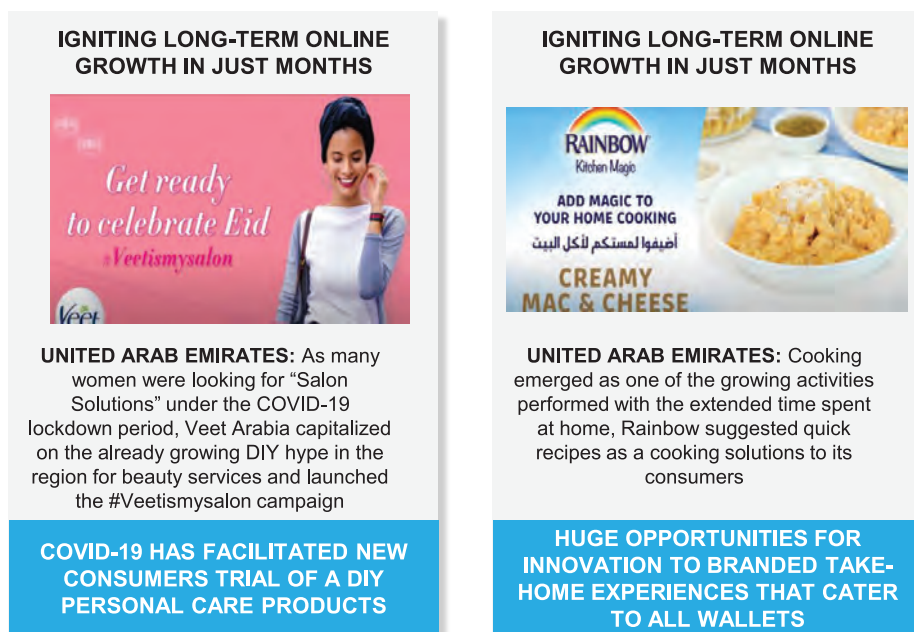


Figure 3.6: Booming DIY trends observed; Source: Nielsen

Snacking Industry - Overview

The COVID-19 pandemic brought into sharp focus the need to ensure provision and stock of essential foods like rice, wheat, potatoes, etc.

However, **consumer behaviour also drove the need for snacking options** – driven by the young, expatriate population of UAE

Juggling with the demands of WFH and keeping the house in order, **the demand for convenience snacks and DIY food prep kits rose across the spectrum**

COVID-19 also increased the demand for a growing change in the industry – the **need for healthier snacking options**

So, in essence, snack foods – salty snacks and confectionary products – may not be “essential”, but have **definitely proven important in this new normal**

2,200 Tonnes
Savoury Snacks
consumed per
month in UAE

800 million USD
Size of confectionary
market in UAE

Figure 3.7: Snacking, convenience and DIY foods increasingly important;
Source: FBMG Research Cell, F&B Connect Session – Snacking Industry

Online Shopping

With the idea of social distancing becoming a reality, online shopping turned out to be a crucial channel to carry out the flow of food and beverages to consumers who are unable or unwilling to leave their homes. An explosion in online shopping led to the sector overloading, with many customers dealing with the inability to place orders or long delays for delivery.

After the stage of panic grocery shopping, as shoppers struggled to get what they needed in shops, a growing number turned to online services, and with people looking to minimize their supermarket visits, home delivery capacity has expanded.

In fact, as per industry experts at the Future Food 2020 seminar, “the total online retail growth is expected to continue and exceed offline growth for the years to come.” For e-commerce to grow effectively as consumers are concerned about health and wanting to avoid crowds, it will only be possible if the online consumer journey can be made joyful. This is where the challenge lies, but it also makes it a definite and big opportunity.

Advent of Online Shopping



Due to shortages in stores, consumers shifted their focus to online shopping.

A larger online retail platform might be required to sustain the current increase and possibly greater demand in the future.

Retailers have had to react by rationing quantity of goods sold.

With possibility of a recurrence and extended quarantine, online sales will become a crucial channel for supplying food.

Figure 3.8: Advent of Online Shopping; Source: FBMG Research Cell

Furthermore, takeaway operators have also seen an uptick in business, as consumers still look to enjoy a night off from cooking. Partnering with popular third-party delivery apps, such as Zomato, CareemNow, Talabat, and Deliveroo enables more dine-in restaurants to get their delivery services online quicker rather than setting up their own delivery infrastructure.

COVID-19 has proven to be the catalyst for more choices within the takeaway market in the longer term. More pubs and restaurants that had never considered offering takeaway before will suddenly join the sector, with many likely to continue even once the outbreak has cleared.

Loyalty Shock

Bulk buying and hoarding, coupled with global supply-chain disruptions led to a high incidence of availability issues during the height of the pandemic. There are still instances of these happening.

While the industry was able to ensure that there was no overall shortages, consumers' preferences for brand, flavour, pack size, etc. were not always met comfortably.

“...We suddenly saw that the loyalty of a brand was no longer as important as the need to have that particular item. So tinned tomatoes, provided I could buy tinned tomatoes, I was happy as a customer. And that was the mindset and I think that has created quite some challenges and some opportunities for some of the local brands to consider; how we might position things as we go forwards.”

– retail leader, *Future Food 2020*.

Indeed, as per a McKinsey consumer sentiment survey conducted in June:



42%

consumers who have tried a “Different Brand” since COVID-19 started

Figure 3.9: Extent of brand loyalty; Source: McKinsey & Company

Reason for trying new brand

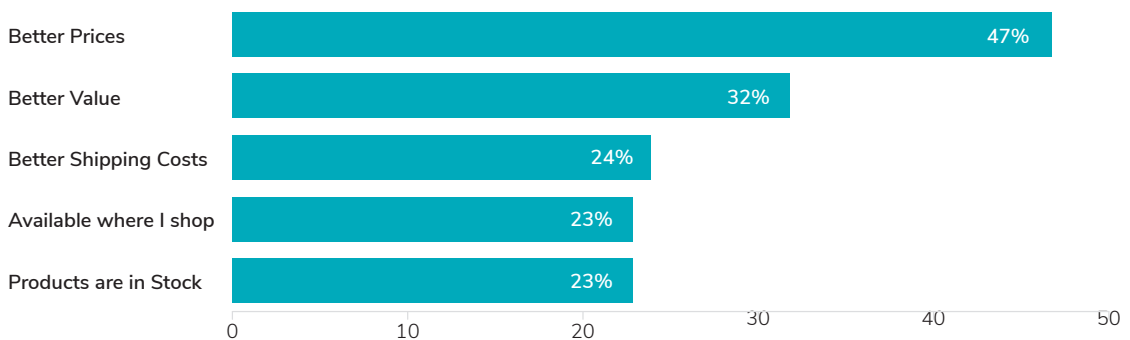


Figure 3.10: Reasons for trying new brands; Source: McKinsey & Company

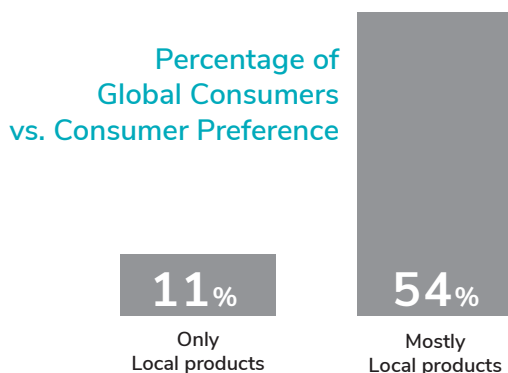
Hence, with value & availability being key drivers now, brand loyalty is being challenged. **This opens up a great opportunity for local producers and places a great emphasis on distribution at the right places.**

Local Produced

Due to consumers concerned about products coming from countries where COVID-19 has spread, locally produced products may fast become a necessity. Shoppers are drifting away

from products that travelled long distances with multiple touchpoints, especially products such as dairy, fruit, vegetables, and meats.

Consumer Shift Towards Locally Sourced



9 Countries including UAE displayed a stronger preference for local products and are likely to further increase their consumption of these products

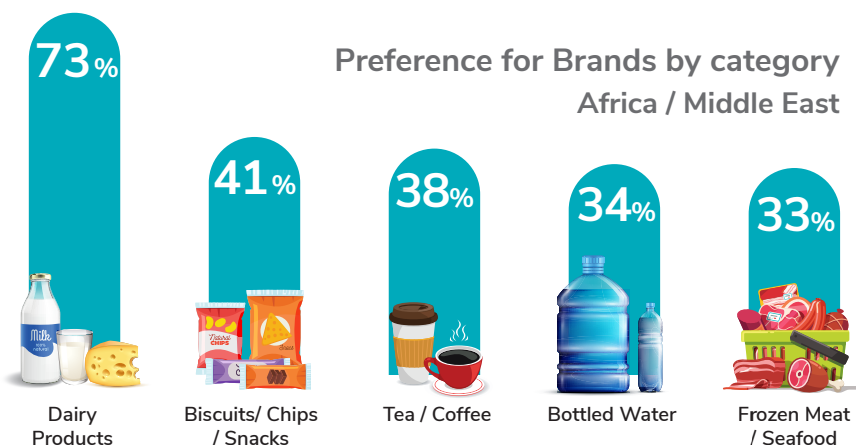


Figure 3.11: Growing preference for locally sourced products; Source: FBMG Research Cell

Furthermore, there is a perception that **purchasing local products and services is a way of supporting the economy**. This is an opportunity

for local businesses to salvage the burden of this year in a meaningful way.

COVID-19 impact on locally sourced food

Consumers typically associate products of local origin with **supporting local business**, aligning with home-grown heritage, **or seeking fresh foods grown close to home that meet local palate preferences**.

likely to fuel **increased demand for even more local sourcing**.

Amidst the ongoing COVID-19 crisis, anxieties around origins of products and ingredients are

Retailers and manufacturers that can leverage local source's appeal to mitigate consumer concerns.

Advantages for local firms

With smaller operations, they may **respond faster and in more targeted ways** than their bigger counterparts hence winning larger share of local consumers.

They are **able to take swift, focused and singular actions** that are relevant to a specific marketplace.

Local business will **benefit from sharper messaging** reinforcing supply chain visibility and focused distribution to reach consumers.

Perceptual safety benefits of local

Consumers want transparency from farm to factory to distributor to assure their safety on purchasing products, especially when it comes to food products.

Consumers may deepen their trust for **locally sourced/produced products** in all markets - affected and unaffected: if they can **see it and identify it, they can trust it**.

While this provides a much needed advantage for local businesses and producers, it is also an important time for global companies in UAE as well as retailers to prepare for this key change in consumer behaviour.

Actions for Multinationals

Global companies should **project their global advantages** amidst skepticism towards distance prone supply chains.

Multinationals can fortify by **providing visibility into their on-the-ground operations**, supported by distinct communication.

Factors that help multinationals emphasize their origin benefits

Global quality assurances | Large scale production to meet stock-up demand
Verified health claims | Industry body certification | Track records of satisfying consumer

Actions for Retailers

Opting for locally produced products can ease consumer concerns about products originating from countries where coronavirus (COVID-19) has spread.

Retailers may be forced to increasingly **depend on local products as supply** from beyond country borders is suspended and longer-term quarantines implemented.

Retailers & manufacturers may want to **consider additional protective packaging for products**, while balancing consumer concerns about environmental impact.

Retailers might need to **provide better paid-leave plans to sick employees** so as to maintain the consumer trust that products are safe.

Health Consciousness

Despite the fact that quality and price are the most important aspects considered when buying F&B products, health, a significant pillar of consumer behaviour, was already crucial before the outbreak and will remain so.

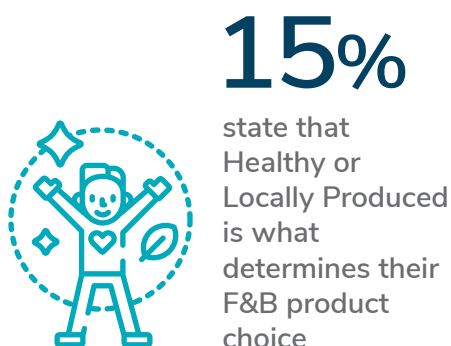


Fig 21: Drivers of choice for F&B products; Source: F&B Manufacturers Group commissioned Consumer Behavior Report 2017 conducted by Nielsen, UAE

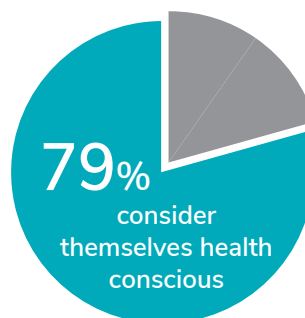


Fig 22: Do you consider yourself to be health-conscious?; Source: F&B Manufacturers Group commissioned Consumer Behavior Report 2017 conducted by Nielsen, UAE

Figure 3.12: Importance of Health – pre pandemic; Source: FBMG Research Cell, Annual Food Report 2019

The COVID-19 outbreak will only reinforce people's focus on their health. The question of boosting the immune system has come to the top of the list as people are likely to watch out what

they eat to protect themselves and their families. According to Mintel, Google searches combining the terms 'food', 'immune,' and 'system' jumped ahead in the first two weeks of March 2020.

Opportunities for Snacking Industry (EMEA)



Stay in tune with health and wellness trends

Brands shall act on consumers' health and wellness needs by innovating with ingredients that promise functional benefits.



Sugar content is an issue in snacks and confectionery

The healthiness of the naturally occurring sugars found in fruit ingredients may be questioned by consumers. Consumer education drives would be important to appreciate the benefit.



Place protein in the innovation spotlight

Protein continues to be in high demand among snack users, presenting brands with an opportunity to stand out from competitors by exploring alternative protein sources.

Figure 3.18: Industry opportunity lies in further exploring health benefits of food; Source: Mintel, FBMG Research Cell, F&B Connect Session – Snacking Industry

Important insights for staying relevant in the snacking industry emerged during our F&B Connect – Snacking Industry session. Consumers are keeping an eye out for sugar and protein content.

As consumers become smarter, is it time to relook and evaluate our labelling and marketing more closely?

HORECA

- the sector





Ho-Re-Ca, by definition is an abbreviation of the words, hotel/ restaurant/ cafeteria. It is used to describe the hospitality and catering industry which prepares and serves food and beverages for customers. The HORECA industry in UAE has been one of the most popular industries contributing to the economy as it a major draw for the many tourists who visit UAE every year.

COVID-19 has deeply impacted the HORECA sector – it was hit first and hardest among all sectors. From suppliers to restaurants to consumers, all have been trying to adjust through these testing times. Many of the restaurants have been in loss or closed due to not having customers because of the implemented lockdown and restrictions required for social distancing and sanitisation requirements.

Social behaviour has changed significantly, and the view is that it will take a long period for any return to normalcy. With social distancing, focus on individual hygiene and paranoia; the fear is that the normal will return much later than the last recorded COVID-19 positive case.

Consumer facing businesses like the HORECA industry, are therefore preparing for a long battle ahead...

Overview of the HORECA industry

The HORECA industry has been one of the rising pillars of the UAE economy as the country has been going through an economic diversification strategy. **While the population of UAE is approximately 10 million residents, it attracts more than 20 million visitors annually** (pre pandemic).

The HORECA industry's growth in UAE has been a direct result of the tourism drive seen over the recent past. And as we all know, the opportunity was expected to explode with EXPO 2020; and now this opportunity has been deferred to 2021 as the industry struggles with the severe challenges of COVID-19.

2017 estimate
25,000
Outlets serve food & beverage products either through dine-in or takeaways or delivery in UAE.

HORECA Industry - by the numbers

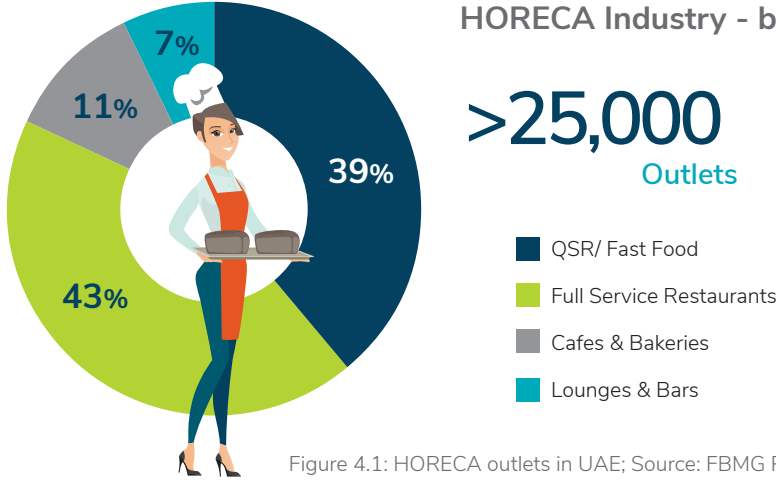


Figure 4.1: HORECA outlets in UAE; Source: FBMG Research Cell

HORECA Outlet Type	Definition
QSR/ Fast Food	Self-serve food outlets that offer a limited variety of dishes. Outlets may or may not include tables & chairs
Full-Service Restaurants	Outlets containing tables & chairs for in-store consumption with direct consumer contact via wait staff
Cafes & Bakeries	Outlets that serve coffee, tea, bakery items, confectionery, etc. May or may not have tables & chairs
Lounges & Bars	Outlets that usually serve alcoholic beverages or shisha and serve food as well. Contain tables & chairs for in-store consumption

5yr CAGR comparison - Food Service vs. Non Oil Economy

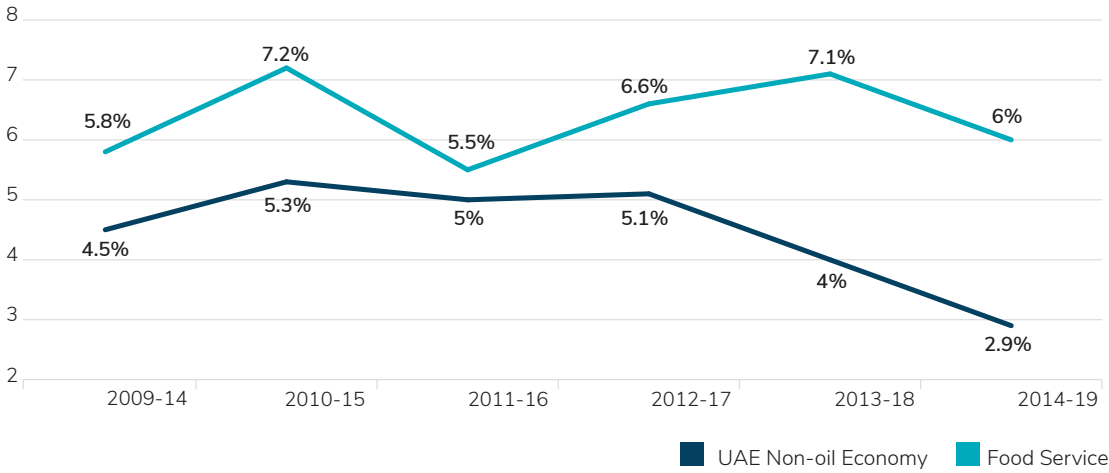


Figure 4.2: UAE HORECA Industry Growth vs. UAE Non-Oil Economy Growth
Source: UAE Federal Competitiveness and Statistics Authority

This augurs well for the post pandemic era wherein the expectation would be for the industry to once again drive the revival of the economy as people movement, tourism and a new normal sets

in place. However, the reality of the situation is that the food service industry – whether dining-in, take-aways or delivery – will need to reassure customers of safety and hygiene.

COVID-19

The Impact

The HORECA industry is big in UAE. It enables billions of dollars in cash flow, employs millions of workers, caters to millions of customers, food is sourced from across the world. One can visualise this industry to be built on a fine

and delicate balance; and an impact on any particular node within the industry will have a cascading domino effect across the rest of the industry – and thereafter the entire economy.

A general overview of the problem

Entity	Customers	Current Issue (covid-19)
FOOD SUPPLIERS (mostly exporters)	FOOD SERVICE DISTRIBUTORS/ IMPORTERS	<ul style="list-style-type: none"> • Not getting payments on time
FOOD SERVICE DISTRIBUTORS/ IMPORTERS	FOOD SERVICE OPERATORS	<ul style="list-style-type: none"> • Food not being purchased • Food expiring • Duty & Government Fees already Paid
FOOD SERVICE OPERATORS	GENERAL POPULATION	<ul style="list-style-type: none"> • Businesses Temporarily/ Permanently Closed • Customers not coming in • Employees being laid off • Unable to pay Suppliers

Constructing an image of the situation through numbers helps quantify the problem being faced:



The direct impact of this situation would be:

- 10% of the population working in this industry – now in severe economic risk
- Businesses have been forced to close down or lay off employees
- News reports suggest that 40-50% of restaurants would suffer closure owing to the pandemic

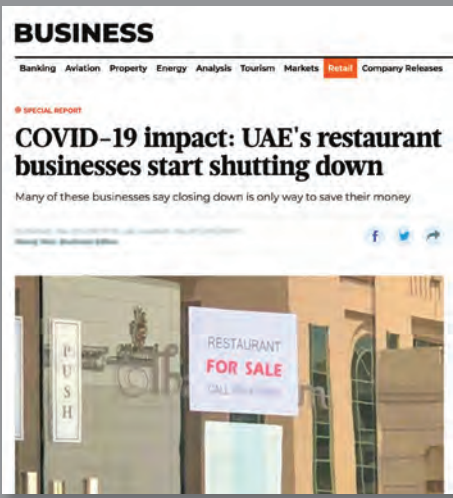


Figure 4.3: Impact of COVID-19 on restaurants business; Source: Gulf News

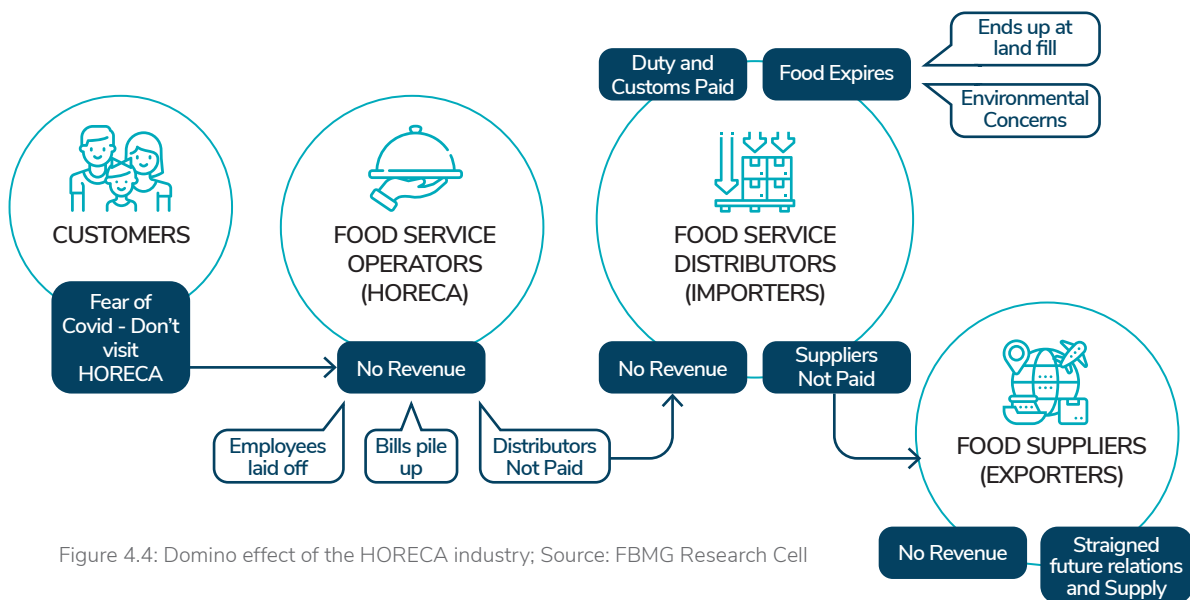


Figure 4.4: Domino effect of the HORECA industry; Source: FBMG Research Cell



HORECA in the new normal

While the HORECA industry suffers a domino effect of problems, it is also evident that to prop the industry back to a growth trajectory requires the key node in the system to revive – the customers.

A few thoughts on what operators in the HORECA industry must keep in mind as they prepare for recovery:

STRENGTHS

The Population

- UAE has a growing, unique and dynamic population
- Young & with a global dynamic outlook, they are open to new experiences
- Diverse expat population represents more than 200 nationalities – there are many flavour profiles to cater to

Disposable income

- While job losses and pay reductions have impacted many, the UAE still has one of the highest per capita income in the world
- These customers who are relatively less impacted will drive the revival

Superior infrastructure

- Being a major tourist destination, a great emphasis on the infrastructure of the hospitality industry has been placed in the recent past – hotels, promenades, beaches, wharfs, malls
- This will help businesses redefine their spaces to allow superior sanitisation and social distancing capabilities

OPPORTUNITIES

Rise in health consciousness

- This is more pronounced now than ever before owing to COVID-19
- Fresh, organic and healthy foods that build immunity will be important drivers of choice for diners

Made in UAE

- As seen in retail foods, there is an underlying sentiment amongst the populace to support local businesses – this includes locally sourced foods as well
- These could be brands or locally grown foods.

Online is alright

- It will take a long while before things are back to normal
- Hence, it becomes important to find solutions to cater to the cautious and careful patrons as well
- Online grocery and food delivery has enjoyed tremendous growth since the pandemic began and it is now something that every food service business must incorporate as well

Willing to try

- The young and dynamic population of UAE is open and willing to try new and different food concepts
- Restaurants can build their USP on having celebrity chefs, street food concepts or food trucks. People are hungry not just for dining out, but for new experiences as well

THREATS

Competition

- Prior to the pandemic, some industry experts opined that the restaurant business in UAE was nearing saturation point
- While the pandemic did take its toll on several businesses, the competition now also includes in-home experiences that some diners may have grown accustomed to
- Hence, have a clearly defined USP would go a long way in building success

Rental burden

- One of the key reasons for restaurant closures during the pandemic was the high rentals
- Rent is the single largest expense borne by HORECA businesses (20-30% of revenue) – for most businesses, this is even more than the cost of food (raw material)!
- As all businesses look to recover and with government support, the hope is that this burden will receive some relief for HORECA businesses

Attracting talent

- Being the first and hardest hit by the pandemic, the HORECA industry saw many lay offs this year
- The fear of economic insecurity also led to many individuals heading back to their home countries
- This is an industry that already suffered from very high attrition rates owing to high competition – hence, it is important to look at people and recruitment with a fresh lens
- Ideas such as having an interim work force specifically for the hospitality industry would ensure high quality talent for businesses and job security for employees

Role of

RETAILER

WELCOME

WE ARE

OPEN

PLEASE COME IN

The role of the retailer is crucial to the functioning of the F&B industry. Today retail is continuously being redefined with the advent of new age commerce such as online retail and D2C (direct to consumer). With social distancing norms and hygiene requirements on top of everyone’s minds, the ubiquitous brick and mortar retail also needs to redefine their mode of operations.

Retail is a fundamental node between the producer and consumer, and a healthy relationship between producer-seller-consumer is essential for a functioning economy. The economics of a country has usually determined the balance of this relationship across the world – in some places, the control of goods is in the hands of the retailer, and in some place in the hands of the producer.

COVID-19 has given us all a chance to relook at our approach to business, environment and people – to redefine better ways of doing what we do. COVID-19 has given us a chance to identify ways in which the give and take between retailers and producers can translate to a more harmonious and mutually beneficial existence.

The Retail Landscape

As per our 2019 estimates, the F&B retail landscape in UAE is dominated by big retailers. To be precise, it is dominated by the “Top 2” retailers of UAE. The below charts clearly illustrate this dynamic:

of Stores in UAE



Figure 5.1: Approximation of number of retail stores in UAE; Source: FBMG Research Cell

% of F&B Value

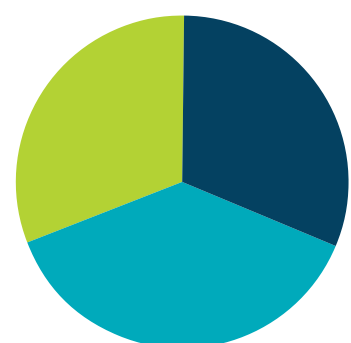


Figure 5.2: Approximation of share of revenue between retail store types; Source: FBMG Research Cell

These charts indicate that despite operating a little over 2% of the number of retail outlets in UAE, the big retailers are able to earn nearly 1/3rd the revenue generated from all F&B retail. Whereas, the approximately 10,000 stores that are classified as Traditional Trade stores (i.e., small grocery shops, baqalas, etc.) generate less than 40% of the total revenue, i.e., much lower than their “fair” share

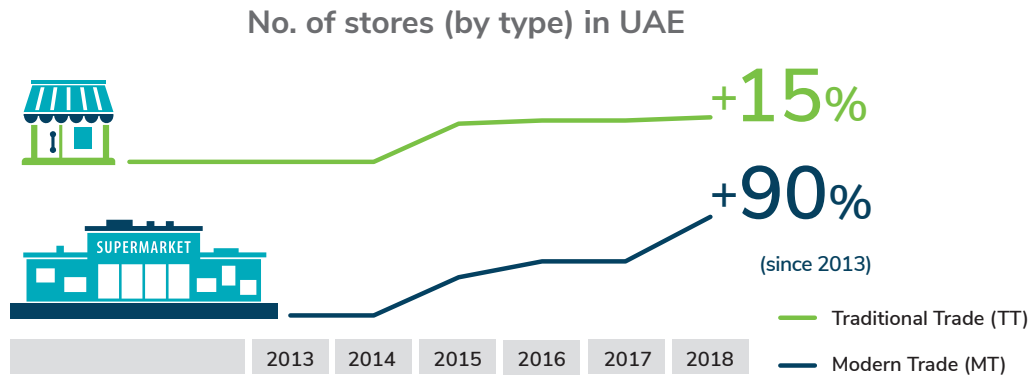


Figure 5.3: Growth rate of organised retail vs. traditional retail, 2013-2018; Source: FBMG Research Cell

Although not represented in the above charts, the online retail of F&B was estimated to be ~10-12% of overall F&B sales in UAE. Evidently, with COVID-19, this number would have increased significantly in 2020.

Interestingly, the major online F&B retailers in UAE are brands operated by the major brick and mortar entities themselves as a proponent of their omnichannel strategies.

Impact of Big Retail on the F&B industry

The consequence of this skewed dynamic is that the revenue generated in the F&B industry is concentrated in the hands of a few, with less than optimal money circulation in the economy. The effects of this situation have been accentuated during this pandemic as:

- Small retailers shut shop and head back to their home countries
- Local manufacturers are closing down and/ or laying off staff

This is not a situation that has been brought about by the pandemic – instead this has become evident and visible because of it. The lack of support for local business and control of a critical leg of the F&B supply chain has brought about this situation. Some of the key issues being faced by the industry today are:

- High cost of doing business with retailers
- Price control skewed towards maintaining interest of retailers – not manufacturers or consumers
- Rampant production and promotion of private label and cheap imported goods

Cost of Retail

For some food categories, the big retailers control more than half of all the sales in UAE. This makes it impossible for manufacturers and suppliers to ignore them, and are therefore subject to whatever terms and conditions proffered by retailers.

Operating in these retail chains requires a staggering listing fees and the agreement of an annual contract which is anywhere between 16-20% of the buy-in of the store. If you include event participations and in-store promotions, this increases the value up to 40% of the chains' buy-in.

Further, the listing fees for each new SKU introduced by a manufacturer, which means having a bar code on their internal systems, are exorbitant – upwards of AED 10,000-15,000. This is further exacerbated by visibility costs which run up to a similar amount, per month.

The concern is not about retailers increasing their earnings – but at what cost are these earnings? Local manufacturers and innovative start-ups are unable to compete in this market. The only businesses that are able to sustain in this environment are large global conglomerates and the retailers' private labels.

The eventual cost of doing business with large retailers in UAE, if you add up listing fees, rebates, visibility, GRV, promo costs, etc. rack up to anywhere between 40-60% of revenue for almost all F&B categories.

Retail Type	Cost of Sales	Rebates	Display/ Visibility	GRV	Promos
Big 2	30-50%	14-18%	2-5%	9-20%	3-18%
Coops	33-56%	10-16%	4-25%	8-20%	8-10%
Other chains	14-20%	8-10%	3-4%	3-5%	5-10%

Figure 5.4: Cost of retail in F&B industry; Source: FBMG Research Cell

This has a severe effect on the manufacturing side as a significant proportion of the earnings is exhausted – leaving a much smaller share of the pie for other expenses such as raw material, machinery capital, salaries, regulatory costs, etc.

Further to this, credit terms demanded by retailers severely impact the cash flow requirements of businesses. **With a 120-day terms of credit forced upon manufacturers, especially in these pressured times, clearly spelling the death knell for the industry.**

Made in UAE

With the mandate to collectively achieve the Five Pillars of the National Food Security Strategy, one of the methods of achieving this would be to wean the country off the import

dependency on food items. This was one of the key concerns of the industry and government at the onset of the pandemic.

Five Pillars of the National Food Security Strategy

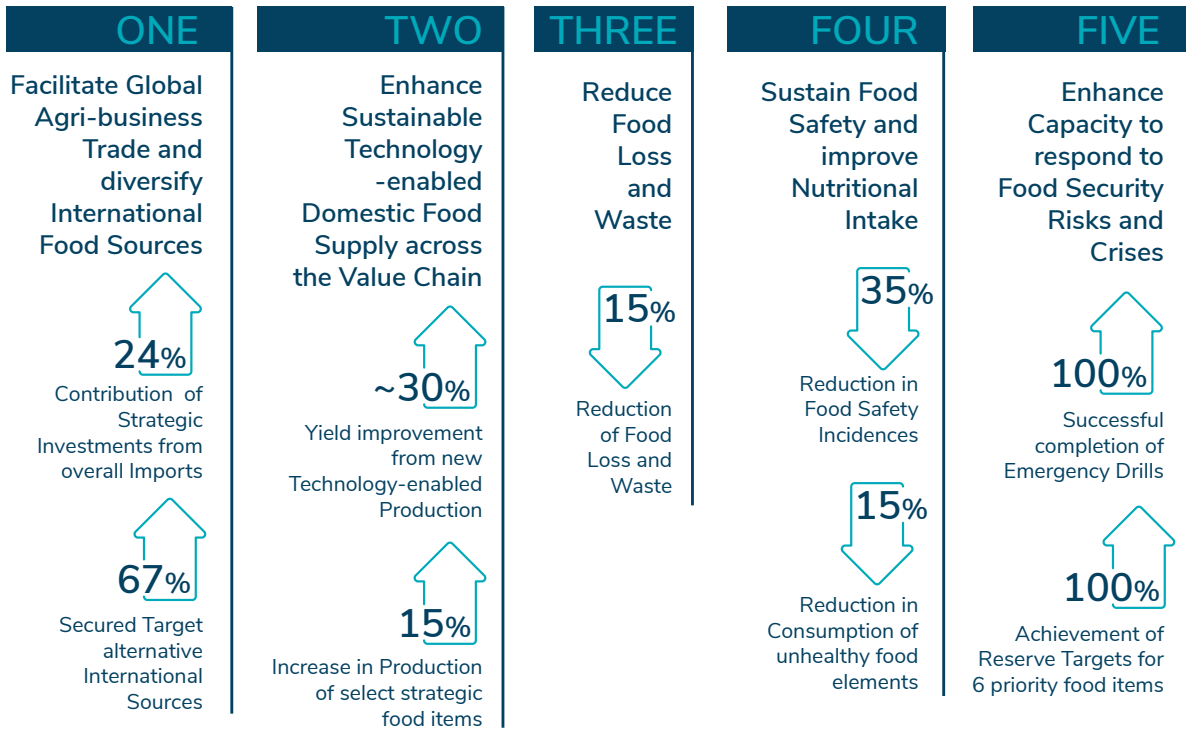


Figure 5.5: Five Pillars of the National Food Security Strategy; Source: UAE Ministry of Food Security

Unfortunately, in our retail research, we identified a very small proportion of shelf space dedicated to UAE products – across F&B categories, across 15 different outlets. Even on shelves dedicated to local produce, imported products were occupying pride of place.

Retail Type	Shelves with UAE Produce	Total Food Shelves	% of UAE Produce
Big 2	661	4,748	14%
Coops	655	4,698	14%
Other chains	727	4,190	17%

Figure 5.6: Representation of UAE products on shelf; Source: FBMG Research Cell

The pandemic showed us that the local industry has the capacity and capability to sustain the F&B needs of the resident population of UAE. When global supply chains were severely disrupted and food supply was a serious risk, the industry stepped up and were able to supply produce across food categories.

However, as we return to a semblance of normalcy in this "new normal", the old tendencies of pushing the sales of private labels and cheap imports have also returned. With the severe financial impact of the pandemic, a resumption of old methods is bringing the industry to a point of serious concern with severe withdrawal of some much needed investment and impetus to the economy.

UAE is a major export and logistics hub of the world owing to its unique geographical location and high investments in infrastructure, and thus able to attract the best products and producers of food in the world.

But this advantage has manifested itself into a whole different dimension:

- As evidenced, imported products constitute >80% of shelf space across retail and food categories
- Local players are being pushed out of their own market and struggling to survive
- Retailers support lower cost imported products as they generate higher profits
- No support nor protection accorded to the local industry
- Essentially, market competitiveness has become artificially structured towards favouring imports and discouraging exports and local production



The exclusion of local products is not only because of imported products. Some retailers play a more active role in diminishing the performance of local players by promoting their in-store private labels:

- Private labels are cheaper store branded products.
- Produced in nearby countries, not in UAE.
- Not subject to the same stringent quality standards that UAE products adhere to.
- Private label products are growing at a far greater pace than the rest of the market:

4.4% Growth of F&B Market
(2018)

8.7% Growth of F&B Private Labels
(2018)

The casualties from this are not just local manufacturers who have been helping build UAE's economy since the 1970s, but the efforts of agritech farms are also going in vain. Furthermore, the efforts of young entrepreneurs with hopes to shape our future is becoming needlessly more cumbersome as the barriers to enter the market are sometime insurmountable.

The Issue of Price Control

In 2008 and earlier, i.e., pre GFC (Global Financial Crisis), the price of goods were directly negotiated between the retailer and supplier of goods. However, considering the severe impact that the GFC had on the economy, the Ministry of Economy intervened to establish a price control mechanism on manufacturers in order to protect consumers from the perils of inflation at a very sensitive time.

Unfortunately, these price control mechanisms stayed in place throughout the succeeding years even as the world recovered from the effects of the GFC and UAE was able to control inflation much better than global and regional averages. The degree of success in managing inflation was evident as in 2019, inflation reached negative values.

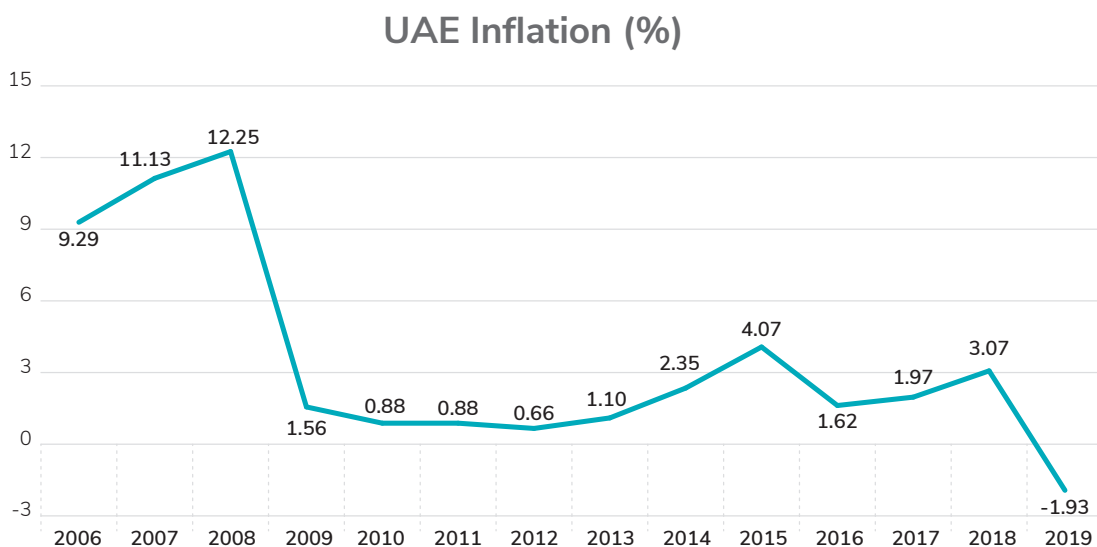


Figure 5.7: UAE inflation rates, 2006-2019; Source: World Bank

Now, as we are at another key juncture in our history, where the entire world has been affected in a dramatic manner, it is perhaps prudent to relook at the price control policy implemented in 2009.

The key concerns with the current mechanism of price control are that:

1. **It only applies to manufacturers** – retailers do not come under the ambit of price control
2. **Manufacturing costs have continuously increased** over the years, and now with COVID-19 have spiralled out of control (e.g., raw materials, packaging and especially cost of retail)
3. Of late, **consumers do not get the full benefit** of price control as retailers increase prices on shelf for higher pro

Having conducted extensive research from store observations and market metrics, it has been observed that price control has eventuated into a bane for the industry and does not espouse the boon for the economy it

was intended to be. Under the garb of promotions (which are paid for by the producers themselves), there is evidence of price confusion in market. This is best captured in the graphic below:

Rampant promo abuse



These market dynamics are almost contradictory in nature, asking the following questions...

How are big retailers charging more, even after such heavy promotions?



How are big retailers making more money despite selling less?

THE RESULT





Summary of recommendations for the benefit of Food & Beverage Industry in UAE

The UAE Food & Beverages Manufacturers Group (FBMG) has been extremely active through 2020. Conducting several research exercises; meetings with regulatory authorities, ministers, and industry experts; engaging with our next generation via internships and promotion of young entrepreneurs.

Through our various initiatives and engagements, we have identified several ways in which the industry can emerge out of this most challenging of years to a more productive and beneficial future for UAE.

Some of these recommendations are listed in this section.

These are not conclusive, but merely our humble contribution and efforts. We are certain that several facets of this list will be addressed, and many more recommendations will emerge in the future – our industry, and indeed, our country, is dynamic.

Enable a balance between supplier and seller:

No.	Topic	Rationale	Recommendation
1	Regulate retailers' profit margins	Retailer margins are high @30-60%, for food products. Regulating these margins to a reasonable level will enable Distributors & Manufacturers to continue business operations in a sustainable manner	Cap profit margins to 30% until 2022; and at 10% for products made in UAE in order to protect local industry
2	Relook at existing price control mechanics	As input costs increase (imports, logistics, raw materials, commodities), business margins have reduced significantly. It is recommended to allow Distributors & Manufacturers to increase prices of Food Products to represent a more balanced market	Increasing prices to a reasonable extent will ensure efficient functioning of food producers and suppliers
3	Reducing promotion costs for local products	In these challenging times, it is imperative to promote local produce, especially agricultural produce and the "Made in UAE" brand	Promo costs to be reduced until such time as there is a strong market representation of "Made in UAE" products
4	Customised retail shelves for local products	Global consumer trends suggest an increased preference for local products in this new normal	Local products to be provided dedicated shelf space to encourage consumption.

Reducing the cost of doing business:

No.	Topic	Rationale	Recommendation
1	Defer VAT payments	The introduction of VAT resulted in shrinkage of market and more specifically, reduced export opportunities and trade partners opting for other GCC markets instead	Defer VAT payments until such time as market dynamics may be taken advantage of for the benefit of UAE producers
2	Reduce cost of utilities	>5% of OPEX for Manufacturers is spent on utilities like electricity and water, especially in farms where humidity and temperature control is mandatory for production	Waive electricity charges for food producers
3	Reduce cost of Foreign Trade	Reducing or waiving port handling & custom duties for food importers would be a significant relief to existing cash flow constraints. Businesses will then be able to carry out business operations with increased output and efficiencies	Waiver or 50% reduction of port handling fees for Essential Food Products until such time as global trade trends normalise

Streamline regulatory requirements:

No.	Topic	Rationale	Recommendation
1	UAE level standardisation	Having different regulatory requirements across emirates makes it complex for businesses and leads to avoidable penalties and fines	Federal level food regulatory requirements
2	GCC standards	To have a level playing field for UAE exporters in GCC. Presently, it is easier to import goods into UAE than for UAE producers to export to other countries, including GCC	Align on food standards that are applicable and accepted across GCC (e.g., nutritional information)
3	Grace period for implementing new regulatory requirements	New regulatory requirements, whenever implemented, necessitate a learning curve for manufacturers to ensure compliance	Regulations should allow for a 3-year implementation period as per global best practices
4	Non preferential treatment for imports	It is often the case that local manufacturers are subject to more scrutiny and regulatory requirements than imported goods. This allows market flooding which is detrimental for local businesses to flourish and prevents a level playing field	All F&B goods sold in UAE must have the same standards, whether locally produced or imported
5	Streamline regulations	Currently regulatory framework is highly fragmented with high level of duplications. Certain regulations may be made voluntary, such as EQM and a framework for Public Private Partnership may be devised to make future decisions beneficial and effective	Make EQM voluntary (non-mandatory) and establish a Public Private Partnership for industry regulation
6	COVID specific support	The pandemic has impacted businesses like no event in our living history. Special arbitration and laws must be devised to ensure businesses are able to revive from the pandemic	Need a regulatory framework for COVID-19 environment addressing Collections, Bankruptcy, Arbitration, Banks, Regulatory Requirements and Anti-Competition

Boost export capabilities and streamline import issues:

No.	Topic	Rationale	Recommendation
1	Free Trade Agreements	Incentivise local businesses to invest more with greater export opportunities – thus boosting UAE economy and global presence	Reduce technical & tariff related barriers and identify next set of focus markets to reduce dependency on few trade partners
2	Produce local	To avoid import related issues, global organisations may be incentivised to produce in UAE	Incentivise and welcome global organisations to produce in UAE and give a boost to local capabilities, food security and employment

If left unchecked, the current situation will deteriorate to a more grievous situation

As the current state of manufacturers is:

- Lack of resources to fund growth
- Competing with import dumps
- Competing with non-compliant businesses
- Not attractive to address local market anymore
- No incentive to invest, expand and innovate
- And, will lead to closure of businesses across the board

Resulting in a consequent impact on the overall economy:

- Food Security will become increasingly challenging to achieve
- There will be an increased dependence on food imports
- Consumer health & wellness will suffer
- UAE will not be in line with global trends
- Wealth creation in UAE will deteriorate
- And UAE's ease of doing business metrics will go down



SUB-SECTOR VIEW F&B CONNECT

Through the course of 2020, the UAE Food & Beverages Manufacturers Group (FBMG) has conducted extensive research and consulted with industry leaders and experts to identify key market insights for each F&B sub-sector.

The efforts made were presented and discussed with the industry via a series of meetings under the banner of F&B Connect. Resulting in an unprecedented depth of insight about the industry, it's current challenges and how the future of the industry will shape up.

This section of the report contains summarised versions of the data and insights presented or discussed in the F&B Connect meetings.



Dairy Products

MILK, CHEESE, YOGURT, BUTTER, Etc.

Dairy products are widely used in the UAE by locals and expats which includes products like:

- MILK
- CHEESE
- BUTTER
- YOGHURT

Due to local traditions, camel milk, laban (a yoghurt like product), and labneh (a type of cheese) is particularly popular amongst the locals. While on the other hand, with a large expat population, imported dairy products are also widely popular. These include ghee, butter, a variety of cheese, dry milk powder, etc.

As far as the local industry is concerned, even though several manufacturers produce all such products, there is still a high demand for foreign brands.

Key Product Types

- Milk**  Fresh, Long Life, Powdered Milk, Full Fat, Low Fat, Skimmed, Flavoured, Full Cream, Double Cream, Evaporated, Condensed, Semi Skimmed
- Yoghurt**  Plain, Greek, Low Fat, Skimmed, Fat Free, Full Fat, Flavoured, Full Cream, Laban
- Cream**  Plain, Greek, Low Fat, Skimmed, Fat Free, Full Fat, Flavoured, Full Cream, Laban
- Fats**  Butter, Margarine, Ghee
- Cheese**  Fresh, Processed, Cream Cheese, Cheese Spread

Figure 7.1.1: Key Dairy Products; Source: FBMG Research Cell

KEY COMPANIES IN UAE



Figure 7.1.2: Key Dairy Companies; Source: FBMG Research Cell

DAIRY TRADE

As per the HS Codes, Dairy products come under HS04. Information received from the government indicate that Dairy imports & re-exports have performed very well (more than half of 2019 volumes achieved in H1 2020)

HS Code 04 - Dairy Produce, Honey & Edible Products of Animals Volumes (tonnes)

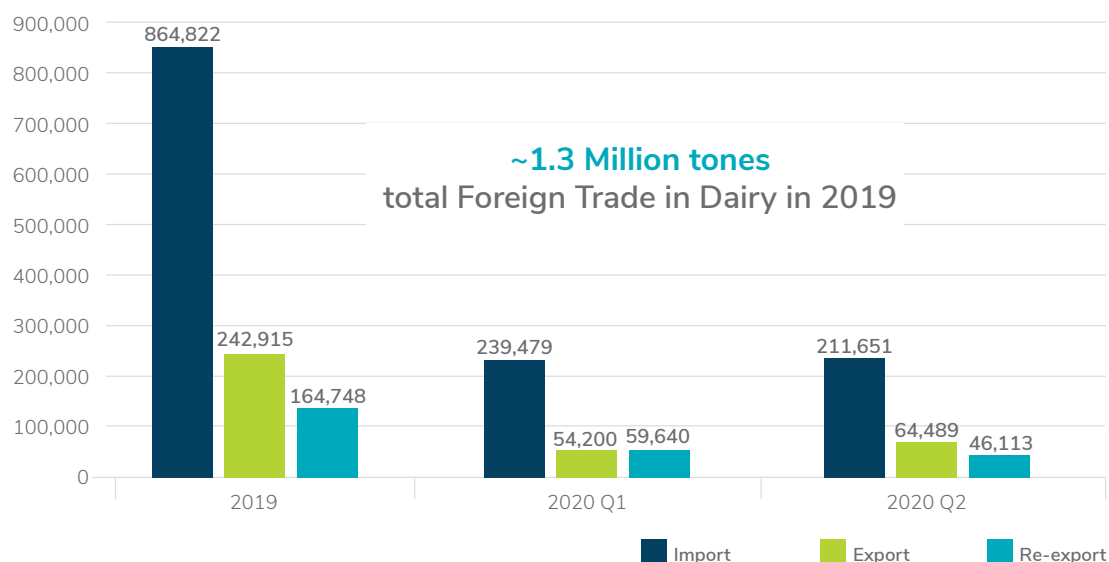


Figure 7.1.3: Foreign Trade HS Code 04 – Dairy Produce, Honey & Edible Products of Animals Volumes (tonnes); Source: UAE Federal Competitiveness and Statistics Authority

HS Code 04 - Dairy Produce, Honey & Edible Products of Animals - 2020 Volumes (tonnes) Trends

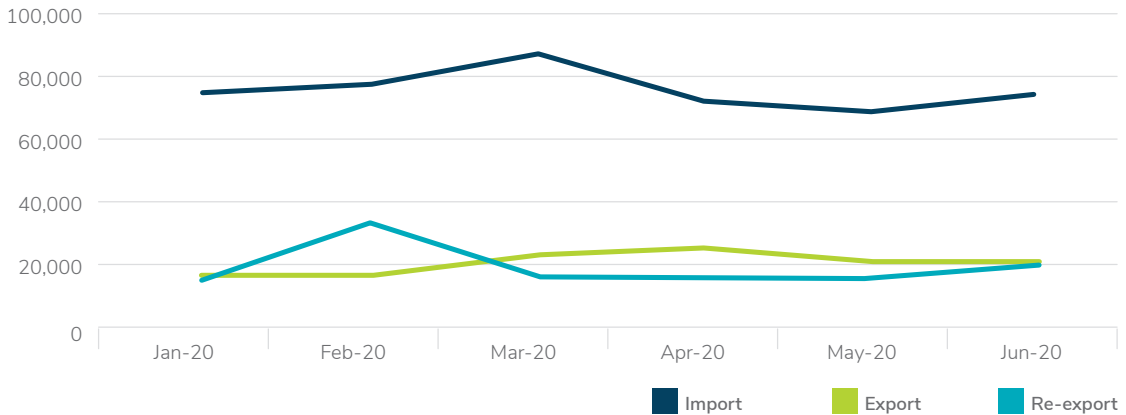


Figure 7.1.4: Foreign Trade HS Code 04 – Dairy Produce, Honey & Edible Products of Animals Volumes (tonnes) Trend; Source: UAE Federal Competitiveness and Statistics Authority

For Dairy products, re-exports have seen a clear decline since the onset of COVID-19; while exports have remained fairly stable. Imports saw a spike before Ramadan, and a continuous dip since then.

As is evident, dairy imports far outweigh exports. This is either indicative of a high dependence on imports for dairy, or limitations of local dairy producers being able to maximise their opportunities.

As per the Federal Competitiveness and Statistics Authority, re-exports are ~20% of imports (HS Code 04 – Dairy Produce, Honey & Edible Products of Animals), by value. While exports are ~20% of Total Foreign Trade.

Dairy products are used extensively by consumers, food service as well as in industry. UAE has the highest per capita dairy consumption in GCC, and taking a look at the retail sales data, it is evident that the local producers have significant capacity to serve the market.

After Milk (mainly powdered milk), Soft Cheese is the most imported dairy product – mozzarella is ~1/3rd of all Soft Cheese.

Import vs. Retail volumes (2019)

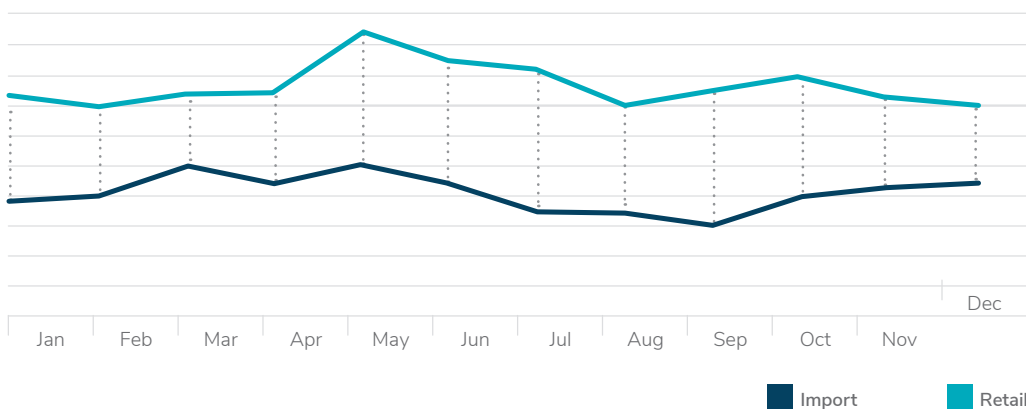
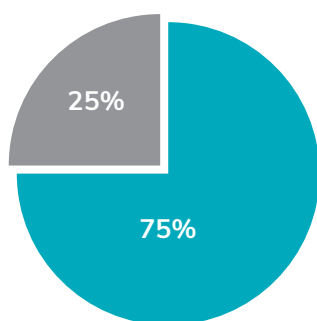


Figure 7.1.5: Dairy imports vs. Retail sales comparison, 2019, volumes in tonnes; Source: FBMG Research Cell

Dairy is one of the few F&B categories in UAE where imports are less than retail sales. This implies that there is a significant contribution from local producers and further indicative that maintaining supply of dairy products is feasible because of local businesses.

Furthermore, like most food categories, Dairy also sees a significant retail spike during Ramadan. The widespread utility of dairy products - in cooking, daily consumption in tea/ coffee, as a refreshment, etc. - is represented by a relatively high traditional trade importance.

Dairy Retail Trade (2019)



■ Modern Trade ■ Traditional Trade

Figure 7.1.6: Dairy Retail Trade in UAE, 2019, approximate splits; Source: FBMG Research Cell

Hence, Dairy products may be considered staples, but since they have a lower shelf life than other staples (e.g., cooking oil, rice, wheat, pulses, etc.), the stock piling witnessed during the peak COVID-19 lockdown period (with retailers and households), bears implications for supply for rest of the year:

Are we running the risk of wastage?

Will we have enough for the remainder of the year?

DAIRY IMPORT SOURCES

With COVID-19, global supply chains were challenged and disrupted like never before. One of the most important categories of trade, F&B, came into the spotlight because of the implications on Food Security – more so to UAE, a country that has high dependence on food imports for sustaining the local population.

This focus, raised the question at the FBMG Research Cell while preparing this report – which food categories are at risk if some countries have lockdowns or trade blockades?

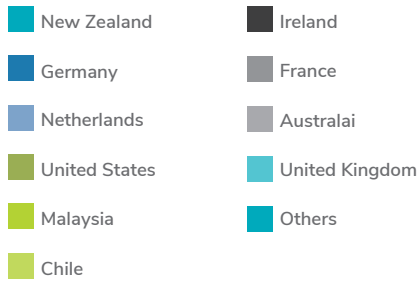
Will UAE be able to source the food for our residents?

This gave rise to a metric called the Country Dependency Metric.

Country Dependency Metric (CDM) measures how many countries comprise **>70%** of all imports. Lower CDM value means higher risk

Country Dependency	Interpretation
1-3 Countries	Risky
4-7 Countries	Moderate
7+ Countries	Low Risk

Countries imported from (2019) - %



Although New Zealand is the key source for imported dairy (~1/3rd of all imports), the risk level is low as 10 countries comprise ~70% of all imports.

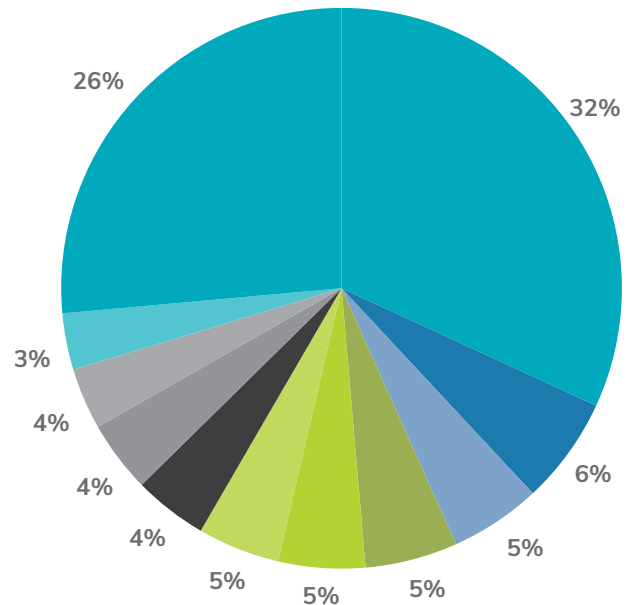


Figure 7.1.7: Dairy Import Sources and Country Dependency Metric; Source: FBMG Research Cell

CDM = 10

Key concerns of the Dairy Sector

With COVID-19 straining all businesses across the world, the Dairy industry also suffers from some key **Regulatory concerns:**

- **Advanced payments and bad debt resolution** have become major strains on cash flow of businesses – a redressal system is imperative for sustaining what is a vibrant domestic industry.
- Processed dairy products have a high consumer demand, however, there is little clarity on **which ingredients used are taxable** and which are not. This prevents local businesses from catering to the market and being competitive – while foreign imports tend to bypass these restrictions.

Today, the market realities are very different from what they were a decade ago – this mandates **an overhaul of the price control mechanism that is currently prevalent in UAE**. This has resulted in many products being at unreasonably low prices and an influx of imports (which receive preferential treatment) – rendering the market non-competitive and it not being a level playing field.

- Increasing Competition - local producers face **threats due to increasing competition from imports**. Imports from other countries especially Northern Europe pose as a big threat as they have better cost structures.

As evidenced, Dairy is a very large market in UAE and local businesses have the capacity to play a more significant role in Dairy Food Security. However, **retailers in UAE do not promote UAE brands with shelf space**. Shelf space is instead dedicated to imports where the margins are significantly higher for them.

VAT introduced has also become a growing challenge for local producers as it is a big change considering there was no tax in the UAE during previous years. This has a direct implication on exports, as several markets have found it non-feasible to pay this higher fee from their earnings.

Food service is a major channel of consumption for dairy – by some estimates, it is approx. 1/3rd of dairy consumption in UAE. This is a concern in these times as food service businesses are far from recovery and it is not likely that tourism will come back to pre COVID levels any time soon.

Harsh Climate – several companies have plans to double in size seeing the yearly demand for dairy products increasing by approximately 20%. However, harsh climate conditions and the **infancy of cold chain technology** are some of many obstructions that producers have encountered along the way to realizing their objective.

- Further, **keeping cows in such a harsh and hot environment poses many challenges**. UAE is not a natural habitat for cattle breeding and there is an absence of natural grazing pastures.



Poultry

CHICKEN, DUCK, TURKEY, EGGS, Etc.

This section will highlight key industry trends of the Poultry industry and touch upon the great potential it has in UAE. **It is one of the few food production sectors that can aim to be self-sufficient in the future and be a major proponent of UAE’s Food Security ambitions.**

However, like every industry in every economy in the world, it does face certain challenges. Unfortunately, the challenges faced by the Poultry sub-sector is almost existential in nature. Far from achieving the scale of self-sufficiency, it is today fighting for its survival.

There are three key “types” of poultry produced and sold in the market today. These three “types” are:

Fresh Poultry

These are poultry products that have been processed to be consumed over a short period of time, usually within 3 days. Like all fresh produce like dairy, fruits & vegetables, fresh poultry products are healthier and have a short shelf life – compared to frozen or overtly processed products. These are usually locally produced to ensure delivery of fresh products to the consumer.

Frozen Poultry

In UAE, these products are usually imported from countries like Brazil, France & Turkey. They have a high shelf life, usually of 12 months. They are not fresh and less healthy for consumers. The concerns pertaining to frozen poultry are the multiple touch points that exist in the supply chain. Each touch point within the supply chain needs to be subject to stringent quality measures to ensure they are fit for consumption. Frozen poultry is usually much cheaper than fresh poultry.

Defrosted Poultry

These are essentially poultry products that were once frozen with a shelf life of 12 months and then defrosted. Once defrosted, it should not be refrozen and must be consumed within a maximum period of 3 days – just like Fresh Poultry. However, these products are not fresh, and less healthy for consumption. The primary purpose of these products is to deliver convenience and drive down costs. These defrosted poultry products have more touch points in the supply chain than even frozen poultry.



Figure 7.2.1: Key Local Poultry Companies; Source: FBMG Research Cell

POULTRY TRADE & INDUSTRY

Currently, the poultry industry is one of the most important food categories in UAE with an **estimated industry value of >2.2 billion AED** and an **estimated per capita consumption of approximately 45 kgs per year**.

As per the HS Codes, Poultry products come under HS02.

Information received from the government indicate that Poultry imports & re-exports have not performed very well (less than half of 2019 volumes achieved in H1 2020).

HS Code 02 - Meat and Edible Meat offal - Volumes (tonnes)

~2/3rd of HS-02 comprises of Poultry Products (chicken, eggs, turkey, duck, etc.)

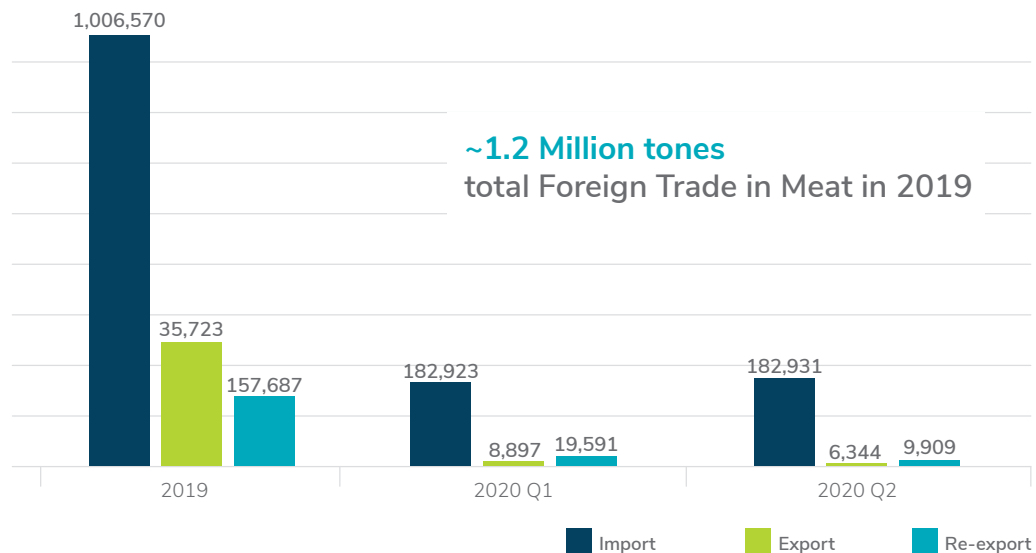


Figure 7.2.2: Foreign Trade HS Code 02 – Meat and Edible Meat offal Volumes (tonnes); Source: UAE Federal Competitiveness and Statistics Authority

HS Code 02 - Meat and Edible Meat offal - Volumes - 2020 Volumes (tonnes) Trends

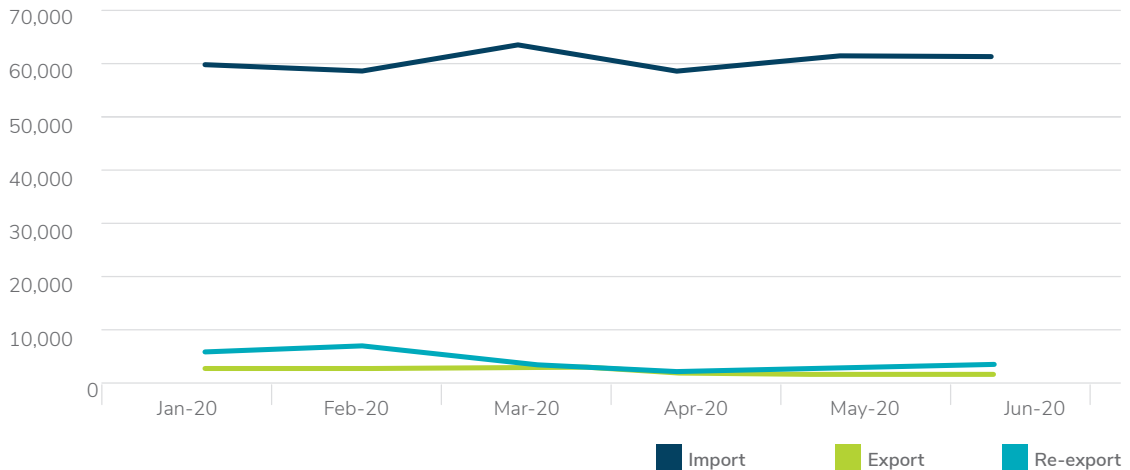


Figure 7.2.3: Foreign Trade HS Code 02 – Meat and Edible Meat offal Volumes (tonnes) Trend;
Source: UAE Federal Competitiveness and Statistics Authority

For Poultry products, imports are ~90% of total foreign trade. This goes against our understanding that the poultry industry is capable of being self-sufficient and provide food security for UAE. Looking at the demand and supply numbers for poultry in UAE, it is evident that the market is suffering from considerable dumping.

By comparing the market needs for poultry overall and fresh poultry (a better quality and healthier form of poultry), versus the supply; it becomes evident that UAE is subject to a great degree of market dumping that could lead to unhealthy and illegal practices, if it isn't already.

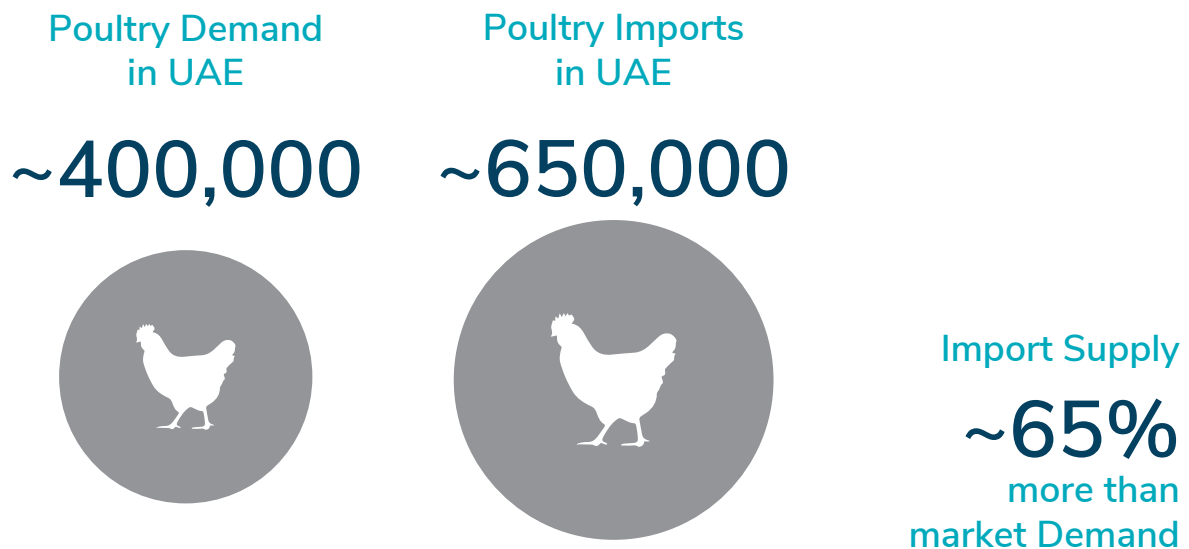


Figure 7.2.4: Poultry Demand & Import (supply) mismatch in UAE, 2019;
Source: FBMG Research Cell

More specifically, considering that the local market produces Fresh Poultry primarily, it is also important to do the Fresh Poultry demand/ supply comparison:

However, as per the Fresh Poultry Industry of UAE's estimates, the total demand for Fresh Poultry is:

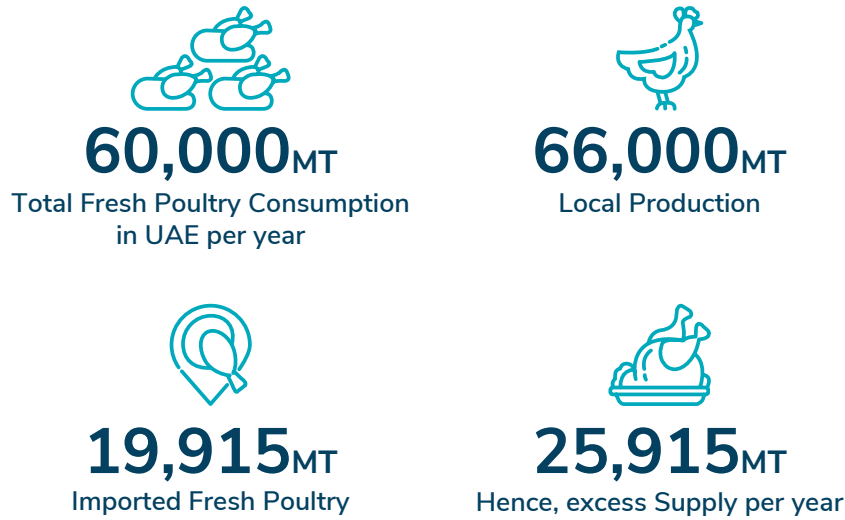


Figure 7.2.5: Fresh Poultry Demand & Supply mismatch in UAE, 2019; Source: FBMG Research Cell

The implication for this is that a substantial volume of what is being promoted as fresh poultry in UAE is actually defrosted poultry. **As per our estimates, 10-15% of all poultry sold in retail today is defrosted frozen poultry and not fresh.** This is a direct consequence of supply far outstripping demand in UAE.

Poultry Retail Trade (2019)

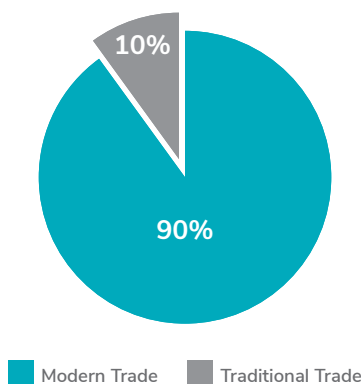


Figure 7.2.6: Poultry Retail Trade in UAE, 2019, approximate splits; Source: FBMG Research Cell

Poultry retail is skewed heavily towards the modern trade retail format. This is also an indication of the higher importance given to imported frozen poultry products – the market is approximately 65% frozen, 23% fresh and 12% defrosted poultry.

It is evident from our analysis that Poultry is one of the few food categories for which UAE can be self-sustainable. This was put to test during the supply chain constraints that emerged during COVID-19 induced lockdowns across the world, where local producers met the gap in the market where imported products were not able to deliver.

With consumer sentiment tilting towards supporting local products and fresh & healthy foods, it is time for the local industry to flourish under the guidance of the government and regulatory authorities.

POULTRY IMPORT SOURCES

With COVID-19, global supply chains were challenged and disrupted like never before. One of the most important categories of trade, F&B, came into the spotlight because of the implications on Food Security – more so to UAE, a country that has high dependence on food imports for sustaining the local population.

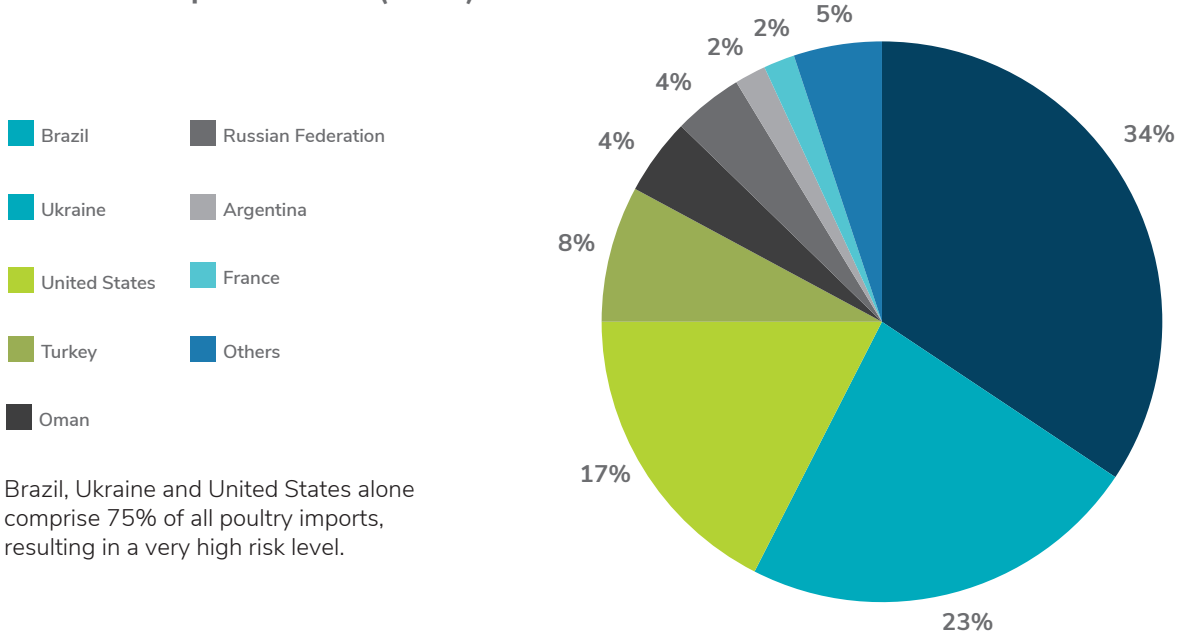
This focus, raised the question at the FBMG Research Cell while preparing this report – which food categories are at risk if some countries have lockdowns or trade blockades?

Will UAE be able to source the food for our residents? This gave rise to a metric called the Country Dependency Metric.

Country Dependency Metric (CDM) measures how many countries comprise **>70%** of all imports. Lower CDM value means higher risk

Country Dependency	Interpretation
1-3 Countries	Risky
4-7 Countries	Moderate
7+ Countries	Low Risk

Countries imported from (2019)



Brazil, Ukraine and United States alone comprise 75% of all poultry imports, resulting in a very high risk level.

Figure 7.2.7: Poultry Import Sources and Country Dependency Metric; Source: FBMG Research Cell

CDM = 3

Key concerns of the Poultry Sector

There has been increasing strain between local fresh poultry producers and retailers in UAE.

Imports from within GCC **have an unprecedented and skewed representation on store shelves** – between 20-50% shelf space dedicated for their brands.

- The biased promotion by retailers is against the principles of Food Security, as stated by the government of UAE.
- The earnings made by foreign producers do not contribute to the UAE economy, but instead are repatriated back to the home country.

Poultry is one of the few food categories for which UAE can be self-sustainable.

- This was put to test during the supply chain constraints that emerged during COVID-19 induced lockdowns across the world.
- Local producers met the gap in the market where producers like Almarai were not able to deliver.

There is an evident **need for protection of local industry** without which investments in monetary and human resource terms will be wasted and not continue further.

- Significant investment into the fresh poultry business has been made by local players.
- They employ a large number of people and provide livelihood for many families.
- With the market being this challenging, the returns that local producers receive are less than 5% and this is not sustainable.

Cost of business continues to increase as retailers' terms are not sustainable.

- BDA agreements continue to keep increasing.
- Retailers force local players to take returns.
- Purchase guarantees are not provided and continue to shrink.
- Costs of government mandated promotion, viz. "Made in UAE" are also borne by the local poultry producers.



Seafood

Before the discovery of oil in UAE, the main industry of the country was fishing and pearls. Today, the demand for seafood is ever increasing, and is a preferred source of protein for the growing, young and diverse UAE population (highest consumption in GCC).

 **226,000**
tonnes annual seafood consumption

 **4.7% CAGR**
Expected, 2020-2025

Figure 7.3.1: Key Seafood Numbers; Source: FBMG Research Cell

This translates to a diverse taste profile as well – with a requirement to cater to different nationalities and income profiles. Resulting in the fact that the country is now dependent on imports for 80% of its seafood requirements as the diversity of seafood requirement is extremely high.

70,000
tonnes UAE fish catch in the gulf

Figure 7.3.2: Local Seafood Production; Source: FBMG Research Cell

Key Product Types




- Fish**  Tuna, Rohu, Basa, Salmon, Sardines, Anchovies, Sea Bream, Mackerel, Nile Perch
- Molluscs**  Mussels, Clams, Oysters, Scallops, Calamari
- Crustaceans**  Shrimps, Crabs, Lobsters

Figure 7.3.3: Key Seafood Products; Source: FBMG Research Cell

KEY COMPANIES IN UAE



Figure 7.3.4: Key Seafood Companies; Source: FBMG Research Cell

SEAFOOD TRADE

As per the HS Codes, Seafood products come under HS03. **Information received from the government indicate that Seafood imports have performed reasonably well (more than 40% of 2019 volumes achieved in H1 2020)**

HS Code 03 - Fish, Crustaceans, Molluscs & Aquatic Invertebrates Volumes (tonnes)

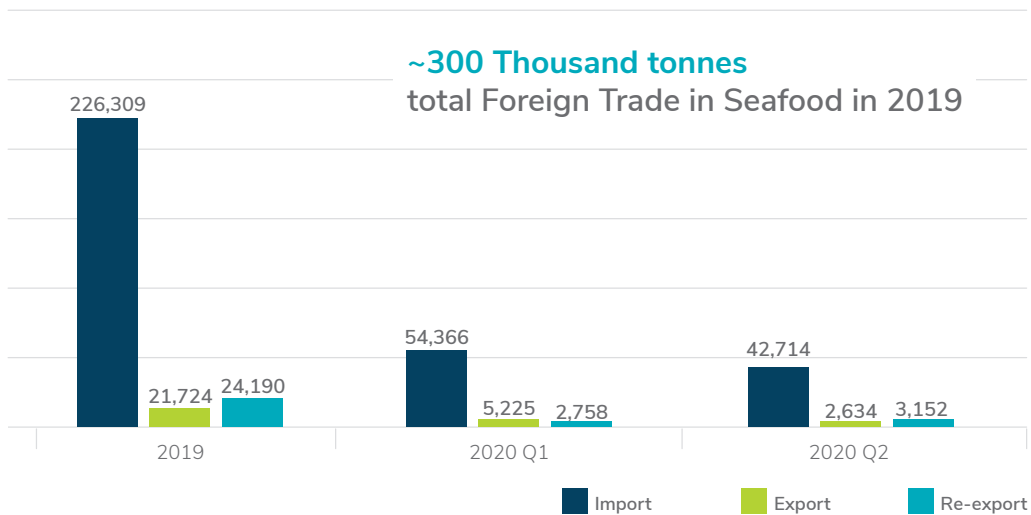


Figure 7.3.5: Foreign Trade HS Code 03 – Fish, Crustaceans, Molluscs & Aquatic Invertebrates Volumes (tonnes); Source: UAE Federal Competitiveness and Statistics Authority

HS Code 03 - Fish, Crustaceans, Molluscs & Aquatic Invertebrates - 2020 Volumes (tonnes) Trends

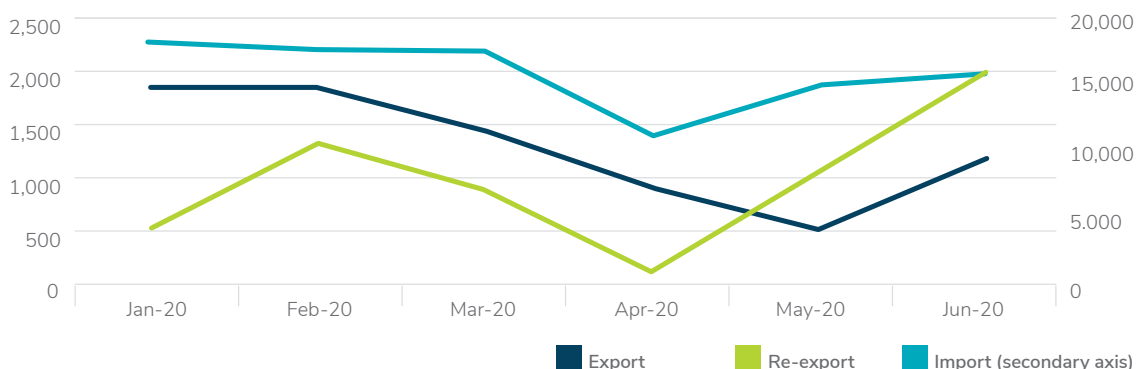


Figure 7.3.6: Foreign Trade HS Code 03 – Fish, Crustaceans, Molluscs & Aquatic Invertebrates Volumes (tonnes) Trend; Source: UAE Federal Competitiveness and Statistics Authority

For Seafood products, re-exports have seen a sharp rebound since April; while imports have remained fairly stable. Seafood exports haven't yet recovered to pre COVID levels as yet.

As per the Federal Competitiveness and Statistics Authority, imports are >80% of imports in 2019 and it has increased in H1 2020 to nearly 90% of total foreign trade in seafood (HS Code 03 – Fish, Crustaceans, Molluscs & Aquatic Invertebrates), by value. While exports are ~7-8% of Total Foreign Trade.

SEAFOOD IMPORT SOURCES

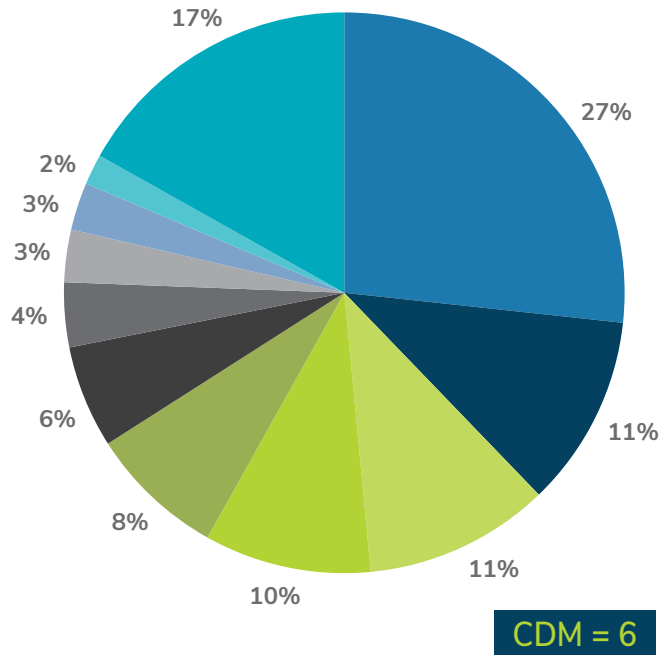
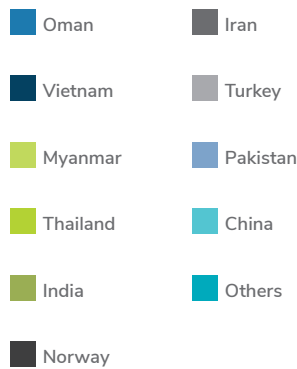
With COVID-19, global supply chains were challenged and disrupted like never before. One of the most important categories of trade, F&B, came into the spotlight because of the implications on Food Security – more so to UAE, a country that has high dependence on food imports for sustaining the local population.

This focus, raised the question at the FBMG Research Cell while preparing this report – which food categories are at risk if some countries have lockdowns or trade blockades? Will UAE be able to source the food for our residents? This gave rise to a metric called the Country Dependency Metric.

Country Dependency Metric (CDM) measures how many countries comprise **>70%** of all imports. Lower CDM value means higher risk

Country Dependency	Interpretation
1-3 Countries	Risky
4-7 Countries	Moderate
7+ Countries	Low Risk

Countries imported from (2019)



CDM = 6

Oman supplies more than 1/4th the seafood volumes. With Vietnam, Myanmar and Thailand supplying approx.10% each. A relatively low import risk overall, however, there are potential product x source dependencies that could have an impact on supply or costs.

Figure 7.3.7: Seafood Import Sources and Country Dependency Metric; Source: FBMG Research Cell

Key concerns of the Seafood Sector

Seafood **tastes and preferences are very diverse** in UAE.

There is a **growing demand**, but **import dependency** remains high.

Being a highly perishable product, global supply chain constraints are leading to **losses and increased costs** – apart from **high degree of wastage**.

- This has been brought to light in a more pronounced way this year, as artificial barriers to trade have cropped up due to documentation processes.

Trade agreements in these times are extremely valuable, and it is imperative to invest in these in order to ensure steady supply and sustainable costs – a key example provided by the seafood industry of UAE is the lack of a trade agreement with China.

HORECA and tourism were traditionally big markets for seafood that have been impacted because of COVID.

Local production is not being able to maximise potential.



Fruits & Vegetables

In 2018, the fruits and vegetables market in the UAE was valued at USD 3,731 million - **80-90% of this is imported** since they cannot be grown in the UAE due to the hot and dry climate.

However, over recent years, the UAE has begun investing in agricultural technologies, such as hydroponics/vertical farming/controlled environmental agriculture, to increase local production and grow crops within the country.

One important fruit that is locally produced in the UAE is **dates**. 15% of the country's total area of crop cultivation is taken by date palms, and **40% of the world's dates are traded through the UAE**, making it a key player in the international trade of dates.

The UAE is also known to grow fruits and vegetables like **cauliflower, cabbage, potatoes, onions and eggplants**, and this list is continually expanding.

Key Product Types

Fruits



Oranges, Watermelons, Bananas, Apples, Lemons, Mangoes, Grapes, Mandarin, Pomegranates, Pears

Vegetables



Onions, Potatoes, Carrots, Tomatoes, Garlic, Ginger, Cabbage, Chili Peppers, Eggplant, Leafy Vegetables

Figure 7.4.1: Key Fruits & Vegetables consumed in UAE; Source: FBMG Research Cell

KEY COMPANIES IN UAE



Figure 7.4.2: Key Fruits & Vegetables Companies; Source: FBMG Research Cell

AGRI TRADE

As per the HS Codes, Vegetable products come under HS07, and Fruit products come under HS08.

Information received from the government indicate that Agri trade performed reasonably well in 2020 thus far (more than half of 2019 volumes achieved in H1 2020 across Import, Export and Re-export)

HS Code 07 - Edible Vegetables, Certain Roots and Tubers - Volumes (tonnes)

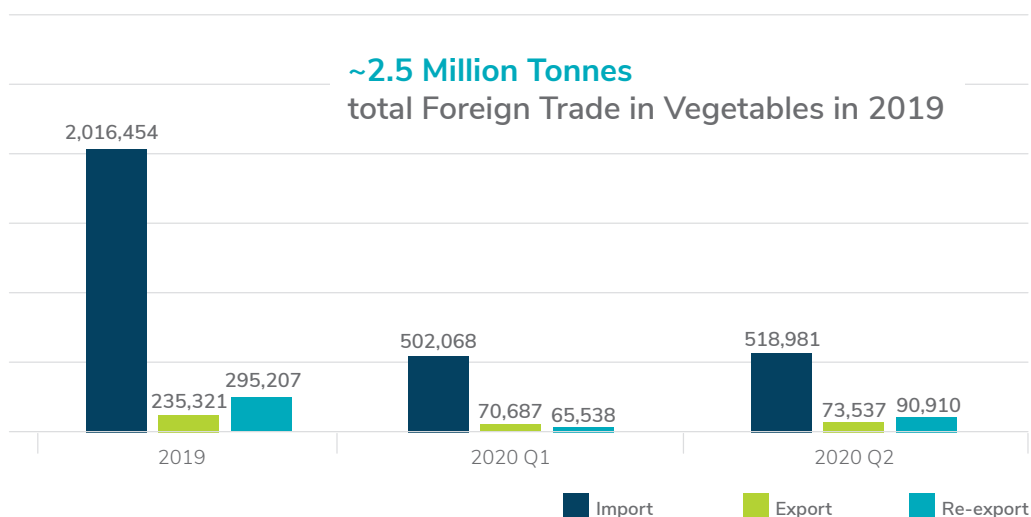


Figure 7.4.3: Foreign Trade HS Code 07 – Edible Vegetables, Certain Roots and Tubers Volumes (tonnes); Source: UAE Federal Competitiveness and Statistics Authority

HS Code 08 - Edible Fruits, Nuts, Peel of Citrus Fruit & Melons - Volumes (tonnes)

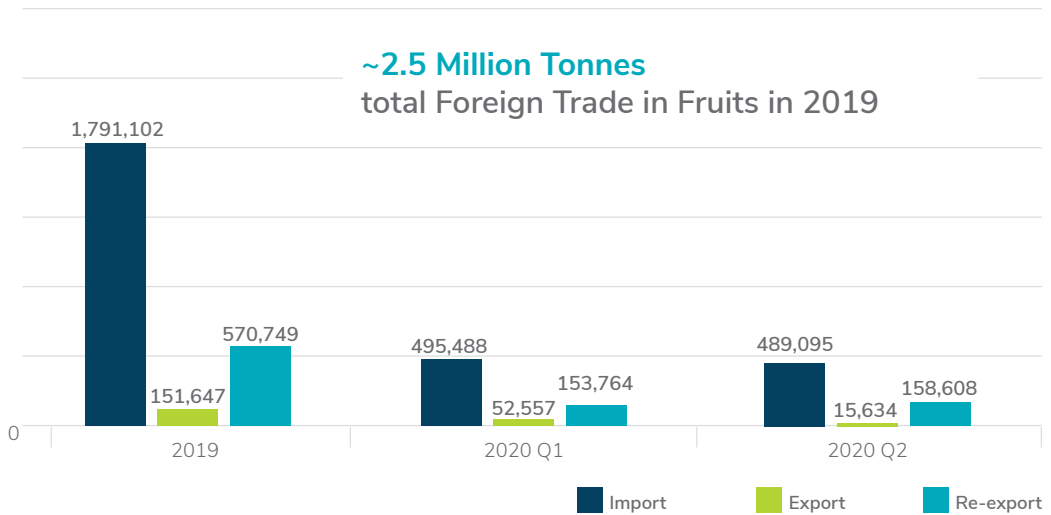


Figure 7.4.4: Foreign Trade HS Code 08 – Edible Fruits, Nuts, Peel of Citrus Fruit & Melons Volumes (tonnes);
Source: UAE Federal Competitiveness and Statistics Authority

HS Code 07 - Edible Vegetables, Certain Roots and Tubers - 2020 Volumes (tonnes) Trends

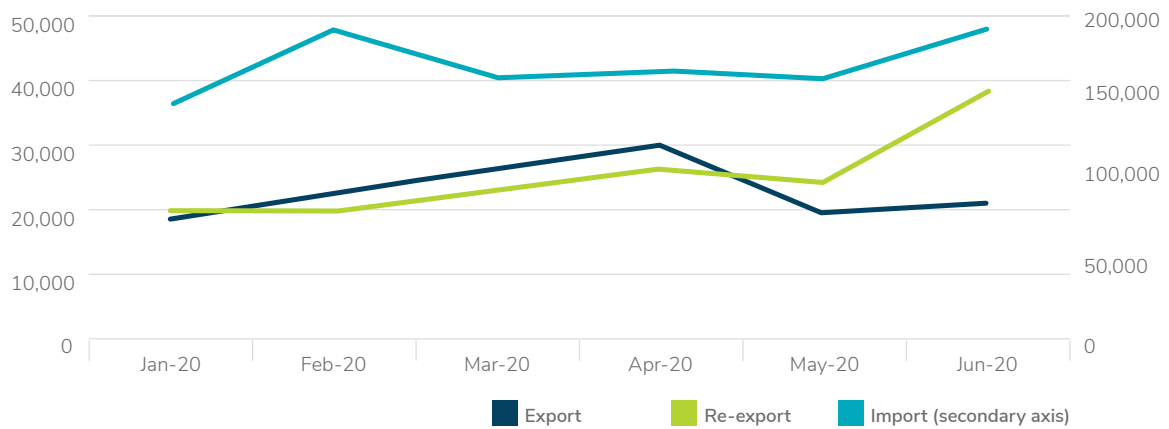


Figure 7.4.5: Foreign Trade HS Code 07 – Edible Vegetables, Certain Roots and Tubers Volumes (tonnes) Trend;
Source: UAE Federal Competitiveness and Statistics Authority

HS Code 08 - Edible Fruits, Nuts, Peel of Citrus Fruit & Melons - 2020 Volumes (tonnes) Trends

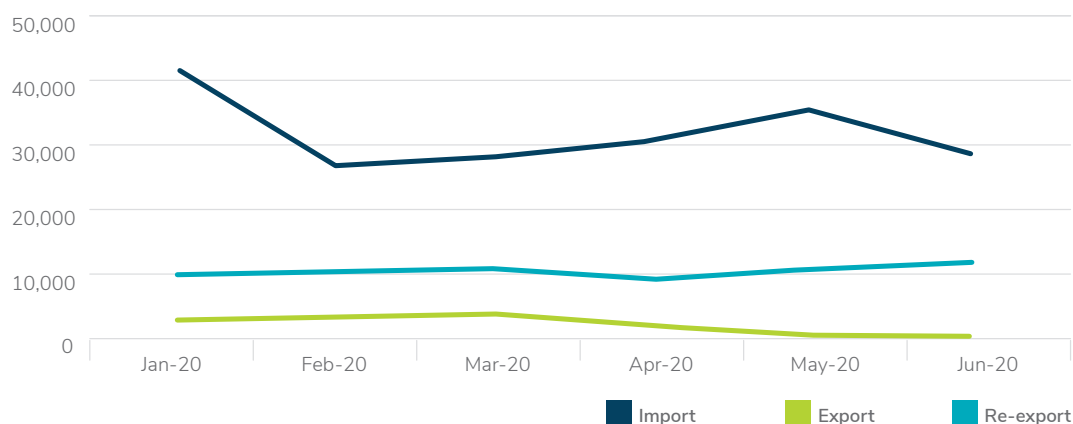


Figure 7.4.6: Foreign Trade HS Code 08 – Edible Fruits, Nuts, Peel of Citrus Fruit & Melons Volumes (tonnes) Trend;
Source: UAE Federal Competitiveness and Statistics Authority

UAE's role as a major logistics hub for the world is evident here as a substantial volume of agri products are re-exported to other parts of the world via UAE – 12% for Vegetables and 23% for Fruits. The trade trends have been relatively stable through the year, thankfully, as fruits & vegetables are key essential foods that are required for the population of UAE, as well as the rest of the world where the foods are re-exported further.

Fruits are used in various purposes by industry:

- Products sold to consumers
- Value addition
- Processing of other food products, e.g., bakeries, confectionary, etc.

In 2019, imports peaked in May (during Ramadan) – driven by Watermelons; while 3 fruits – oranges, watermelons and bananas – account for nearly ½ of all fruit imports into UAE.

Overall volume of vegetable imports into UAE is similar to fruits. General trend of vegetable imports increased through 2019. Onions & Potatoes account for >50% of total vegetable imports.

AGRI IMPORT SOURCES

With COVID-19, global supply chains were challenged and disrupted like never before. One of the most important categories of trade, F&B, came into the spotlight because of the implications on Food Security – more so to UAE, a country that has high dependence on food imports for sustaining the local population. This focus, raised the question at the FBMG Research Cell while preparing this report – which food categories are at risk if some countries have lockdowns or trade blockades?

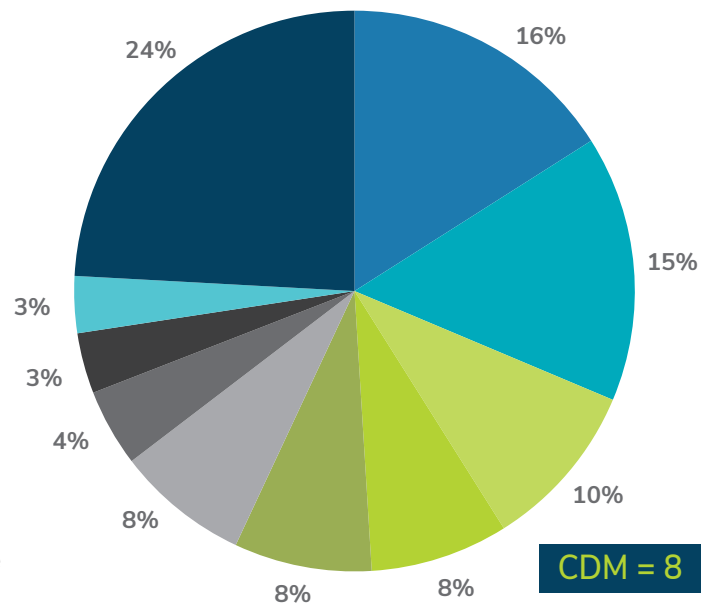
Will UAE be able to source the food for our residents?
This gave rise to a metric called the Country Dependency Metric.

Country Dependency Metric (CDM) measures how many countries comprise **>70%** of all imports. Lower CDM value means higher risk

Country Dependency	Interpretation
1-3 Countries	Risky
4-7 Countries	Moderate
7+ Countries	Low Risk

Countries imported from (2019)

- India
- China
- Iran
- Ecuador
- Pakistan
- Turkey
- South Africa
- Phillipines
- Egypt
- Others



India & Iran are the key countries from where Fruits & Vegetables are imported – together contributing nearly 1/3rd of imports. However, low risk as there are several countries and regions from where imports come to UAE.

Figure 7.4.7: Agri Import Sources and Country Dependency Metric; Source: FBMG Research Cell

Key concerns of the Agri Sector

High Cost of Utilities/ Resources

- Being in a harsh climate with limited access to fresh water, a lot of power is required for humidity control, air conditioning, etc.
- Farms in UAE are not typical “muds and boots” but use high tech and advanced R&D, computer controlled, which makes it an expensive enterprise.

Poorly Regulated, leading to high degree of False Claims/ Advertising

- Low credibility of claims on products available in store. These pertain to:
 - > Country of Origin (falsely labelled as Made in UAE, etc.)
 - > Unfairly claiming to have benefits like pesticide-free, vegan, organic, etc. without any certification

Despite having Capacity and Capability, there is No Support to encourage Local Producers:

- Retailers do not support local farmers.
- Neighbouring countries are blatantly dumping products in market at uncompetitive low prices.
- There is a need to improve on consumer/ retailer education about the sector.
- Also need support from Retail/ B2C channels to promote local produce and “Made in UAE” products.

Retailers harming the sector and economy

- Some retailers are directly importing or producing private label products (without obtaining regulatory certifications) and flooding the market with cheap products.
- Retailer rebates have increased from 1-2% to 15-16% in a five-year period – continue to increase.
- Retailers are raising prices and squeezing margins from suppliers at the same time.

Sector has a major cash flow and working capital concern

- Food producers already have a longer working capital cycle than other manufacturers in industry – from seeds, machinery, production, harvest to sales & collections – the cycle is approx. 180-200+ days.
- Now, with COVID, the situation is more acute with a high degree of defaults and operations slowing down.
- To add to the concern, banks and financial institutes do not have any sector specific financial instruments to manage working capital.

Production costs continue to increase

- There is an increase in production cost as several costs associated with the sector continue to rise, viz., raw materials, logistics, imports, freights, etc.
- While selling price does not increase – e.g., price of tomatoes has not changed in the past 20 years due to increased competition from cheap imports and product dumping.
- Hidden costs associated with labour such as visas, insurance, flights, accommodation, etc. also continue to increase.
- A potential route to mitigate some of these costs would be to employ seasonal workers (as it is done in several markets across the world – including Oman) As labour requirements increase in a cyclical manner and need not be supported for the entire year.

Maintaining competitiveness is proving to be challenging in the import/ export/ re-export markets

- Owing to increased costs of doing business in UAE, the re-export market is now under stress – evidenced by the first ever reduction in business with South Africa.
- Neighbouring countries have also become more competitive (Saudi Arabia) and are eating into UAE’s market share.
- Imports are being burdened with excessive paperwork.



Edible Oil

VEGETABLE OIL, PALM, OLIVE, MUSTARD, Etc.

Oils and fats are almost ubiquitous in food processing – whether naturally occurring in foods or added as ingredients for functional benefits and, they remain an essential part of the human diet.

It is apparent that both the quantity and the quality of the fat consumed are vital to achieving a balanced diet. Health concerns regarding high-fat diets continue to have a high profile, and still represent a pressing issue for food manufacturers.

Key Product Type

Oil



Palm olein oil, Sunflower oil, Blended oil, Palm oil, Soybean oil, Olive oil, Corn oil, Coconut oil, Pomace olive oil, Palm kernel oil, Canola oil, Mustard oil, Extra virgin olive oil, Vegetable oil

Figure 7.5.1: Key Edible Oil Products; Source: FBMG Research Cell



Figure 7.5.2: Key Edible Oil Companies; Source: FBMG Research Cell

EDIBLE OIL TRADE

As per the HS Codes, Edible Oil products come under HS15. **Information received from the government indicate that Edible Oil exports & re-exports have performed well in 2020 so far – with more than 60% of 2019 volumes being achieved in H1 2020 already. While imports are also at nearly half of 2019 volumes in H1 2020.**

HS Code 15 - Animal or Vegetable Fats, Oils and Waxes - Volumes (tonnes)

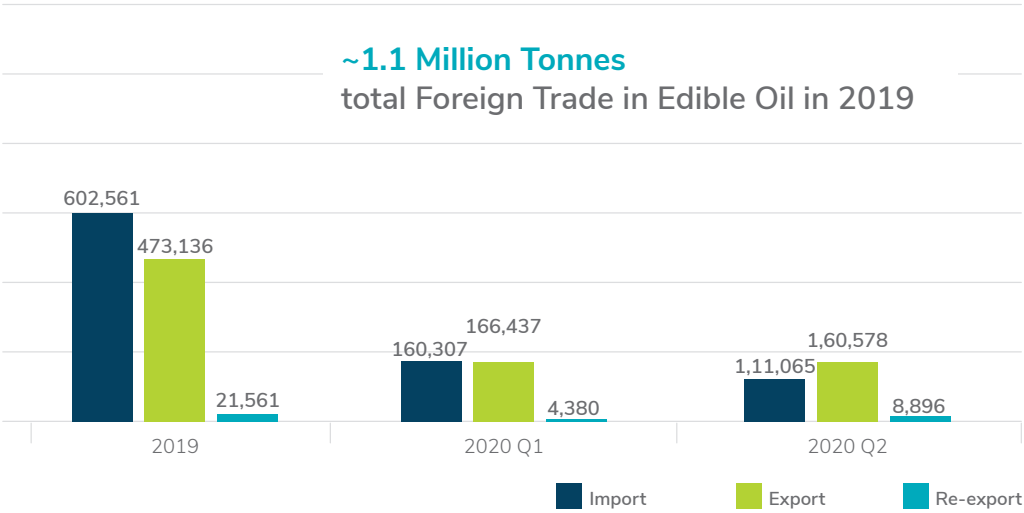


Figure 7.5.3: Foreign Trade HS Code 15 – Animal or Vegetable Fats, Oils and Waxes Volumes (tonnes); Source: UAE Federal Competitiveness and Statistics Authority

HS Code 15 - Animal or Vegetable Fats, Oils and Waxes - 2020 Volumes (tonnes) Trends

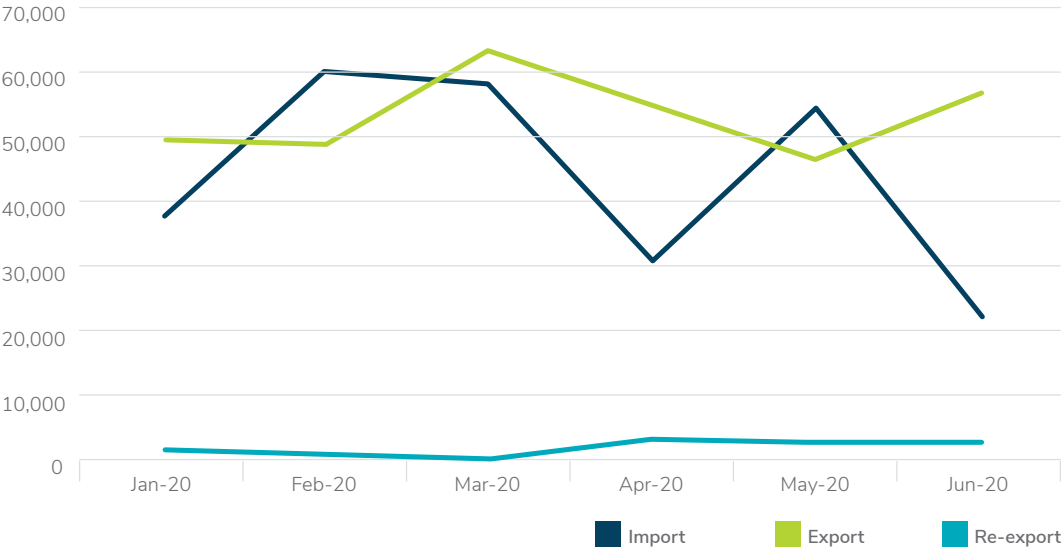


Figure 7.5.4: Foreign Trade HS Code 15 – Animal or Vegetable Fats, Oils and Waxes Volumes (tonnes) Trend; Source: UAE Federal Competitiveness and Statistics Authority

Edible Oils is one of the few F&B categories in UAE that have a very strong local production – in 2019, imports were 55% of foreign trade. Now, in H1 2020, imports have been 44% of total foreign trade. With minimal re-exports, this is indicative of a local industry that has capabilities of fulfilling market requirements and increasing export requirements.

There is, evidently, enough local capacity to sustain local demand as well as conduct export businesses. There is no requirement for being dependent on imports for Edible Oils in UAE. As per industry inputs, the quality of produce in UAE is also more often better than the imported products.

Import vs. Retail Volumes (2019)

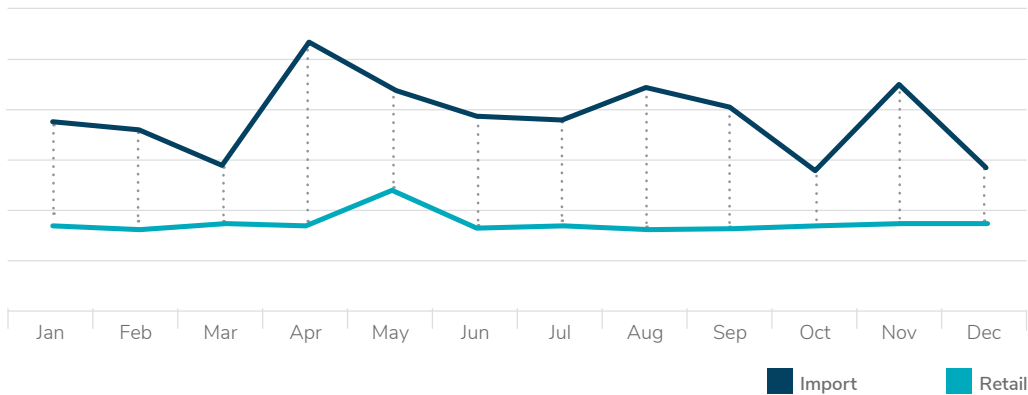
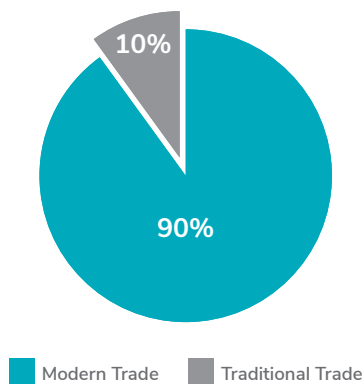


Figure 7.5.5: Edible Oil imports vs. Retail sales comparison, 2019, volumes in tonnes; Source: FBMG Research Cell

Edible Oil Retail Trade (2019)



Retail comprises ~40% of all imports.

This provides two key insights:

- There should be sufficient stock in market for consumption
- There is a high consumption by industry for preparing other products

It is also evident from the charts that Edible Oil sales peak during Ramadan. Further, being part of the monthly shopping basket (not top-ups), Edible Oil sales are skewed towards modern trade channel.

Figure 7.5.6: Edible Oil Retail Trade in UAE, 2019, approximate splits; Source: FBMG Research Cell

EDIBLE OIL IMPORT SOURCES

With COVID-19, global supply chains were challenged and disrupted like never before. One of the most important categories of trade, F&B, came into the spotlight because of the implications on Food Security – more so to UAE, a country that has high dependence on food imports for sustaining the local population.

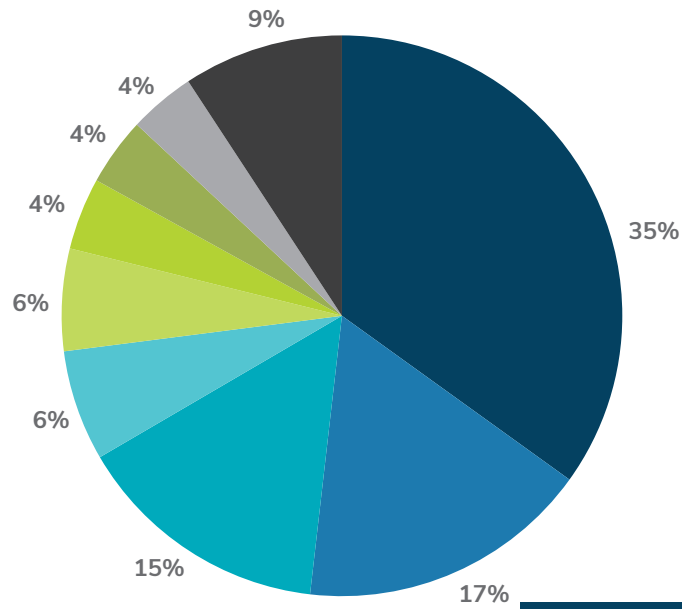
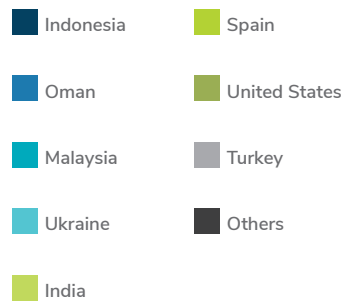
This focus, raised the question at the FBMG Research Cell while preparing this report – which food categories are at risk if some countries have lockdowns or trade blockades?

Will UAE be able to source the food for our residents?
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Country Dependency Metric (CDM) measures how many countries comprise **>70%** of all imports. Lower CDM value means higher risk

Country Dependency	Interpretation
1-3 Countries	Risky
4-7 Countries	Moderate
7+ Countries	Low Risk

Countries imported from (2019)



CDM = 4

1/3rd of all Edible Oil imports come from Indonesia. Oman & Malaysia contribute another 1/3rd of all imports of edible oil. High dependency on a few countries nowadays is not advisable owing to volatility in global supply chains.

Figure 7.5.7: Edible Oil Import Sources and Country Dependency Metric; Source: FBMG Research Cell

Key concerns of the Edible Oil Sector

High prevalence of imports – either at product or input (raw material) stage.

- There is a heavy influx of Turkish & Ukrainian brands which impact local traders.

Population is moving towards **healthier options** – evident in increase in Coconut oil sales in retail.

Sales are **highly dependent on promotions** – not a sustainable strategy in the current economic climate.

Private labels continue to gain importance – ranging from different types, pack sizes, heavy promos and now even premiumized products.

Advertising and branding need to focus more on **health benefits** of their brand such as being nutrient and vitamin rich, in order to remain relevant.



Beverages

SOFT DRINKS, ENERGY DRINKS, JUICES, CONCENTRATES, Etc.

The Beverages sub-sector is one of the key proponents of the overall F&B industry in UAE. The industry contributes more than AED 3.5 billion to the UAE economy. It is also a major direct & indirect contributor of employment and livelihoods, and a major contributor of employment and livelihoods in UAE.

However, the industry is currently under tremendous strain, beyond the regulatory and retail concerns that afflict the rest of the F&B industry. The excise tax implemented on the beverages sector has resulted in a sharp overall market decline of 25-30% of business. What is not measured easily is the indirect impact that this has had across the supply chain related to the beverages industry.

Further, COVID-19 spared no industry, and the additional impact of the pandemic was another 20-25% of business loss for the beverage industry. This amounts to an unimaginable decline of more than 50% of the beverage business in UAE. The impact of this is proving to be an insurmountable challenge as businesses, big and small, have been resigned to closing operations and/or reducing staff.

Key Product Types



Fruit and vegetable juices, Carbonated soft drinks, Powdered beverages, Vitamin drinks, Energy drinks

Figure 7.6.1: Key Beverage Products; Source: FBMG Research Cell



Al Ain National Juice & Refreshments Co. LLC
Abu Dhabi



Anorka Food Industries Factory LLC
Dubai



Al Ain Food and Drinks
Abu Dhabi



Gulf & Safa Dairy Company LLC
Dubai



Gulfa Mineral Water & Converting Ind. Co. B.S.C.
Ajman



Emirates Juice Factory
Abu Dhabi



Figure 7.6.2: Key Beverage Companies; Source: FBMG Research Cell

BEVERAGES TRADE

As per the HS Codes, Beverages products come under HS22. Information received from the government indicate that Beverage trade has been only reasonable thus far in 2020. With imports up to H1 2020 only at 40% of 2019 levels. Export and re-export have not fared as well and have more catching up to do to reach pre-COVID levels.

HS Code 22 - Beverages, Spirits and Vinegar - Volumes (tonnes)

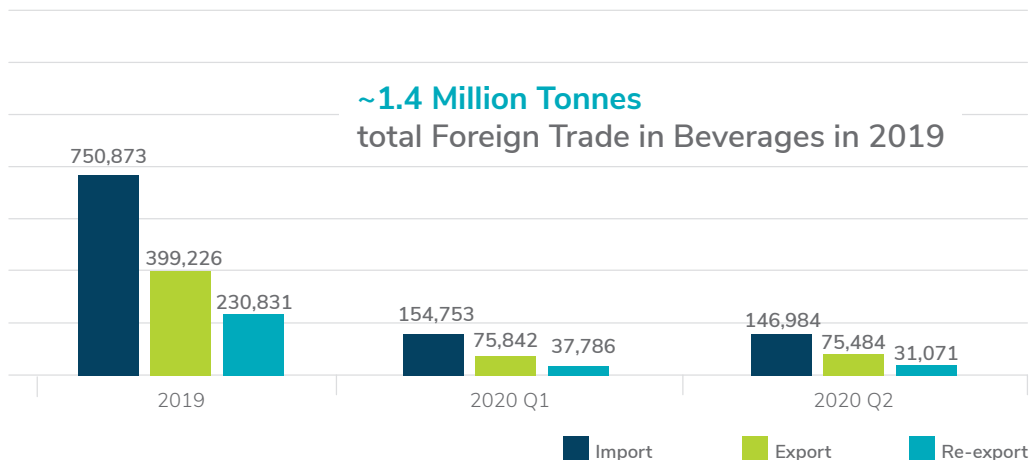


Figure 7.6.3: Foreign Trade HS Code 22 – Beverages, Spirits and Vinegar Volumes (tonnes); Source: UAE Federal Competitiveness and Statistics Authority

HS Code 22 - Beverages, Spirits and Vinegar - 2020 Volumes (tonnes) Trends

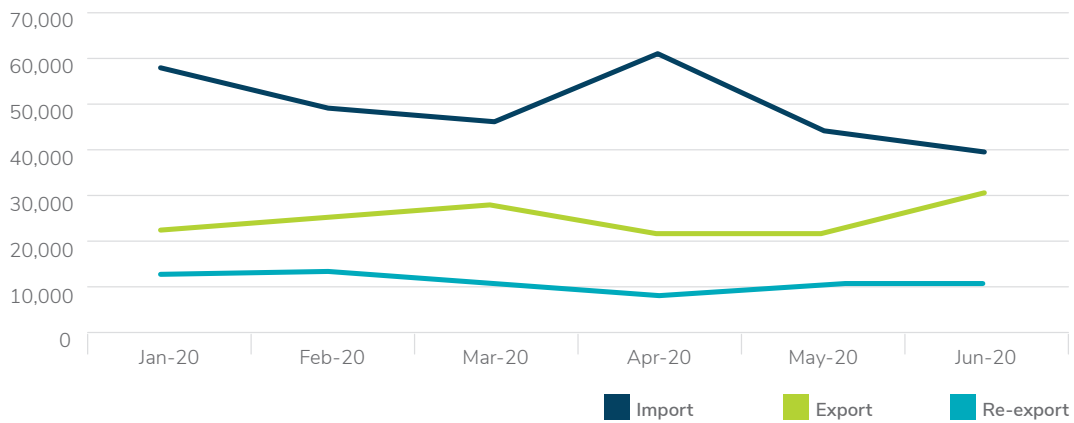


Figure 7.6.4: Foreign Trade HS Code 22 – Beverages, Spirits and Vinegar Volumes (tonnes) Trend;
Source: UAE Federal Competitiveness and Statistics Authority

Exports and re-exports are a significant proportion of beverages foreign trade. With well established and strong local players in the business, there is potential to increase this further.

Beverages Retail Trade (2019)



Figure 7.6.5: Beverages Retail Trade in UAE, 2019, approximate splits;
Source: FBMG Research Cell

Interestingly, Beverages is one of the few F&B categories with a very high volume of sales in the Traditional Trade retail environment. This further highlights the point of the impact of the beverages industry – that there are several small businesses that depend on the sales of beverages to sustain their operations. Even food service environment has a very high sale of beverage products that has been impacted during the pandemic.

BEVERAGES IMPORT SOURCES

With COVID-19, global supply chains were challenged and disrupted like never before. One of the most important categories of trade, F&B, came into the spotlight because of the implications on Food Security – more so to UAE, a country that has high dependence on food imports for sustaining the local population.

This focus, raised the question at the FBMG Research Cell while preparing this report – which food categories are at risk if some countries have lockdowns or trade blockades?

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Country Dependency Metric (CDM) measures how many countries comprise **>70%** of all imports. Lower CDM value means higher risk

Country Dependency	Interpretation
1-3 Countries	Risky
4-7 Countries	Moderate
7+ Countries	Low Risk

Countries imported from (2019)

- Bangladesh
- Thailand
- United States
- Cyprus
- Bahrain
- Netherlands
- Indonesia
- Turkey
- Japan
- Saudi Arabia
- India
- Malaysia
- Morocco
- United Kingdom
- Germany
- Others

Beverage products are largely produced or bottled locally in UAE. Imported products are mainly specific brands or fruit juice drinks that cater to the needs of the expat population. One area of concern is the volume of private label beverages that are imported into the country, e.g., powdered beverages from Oman that see a spike during the Holy month of Ramadan.

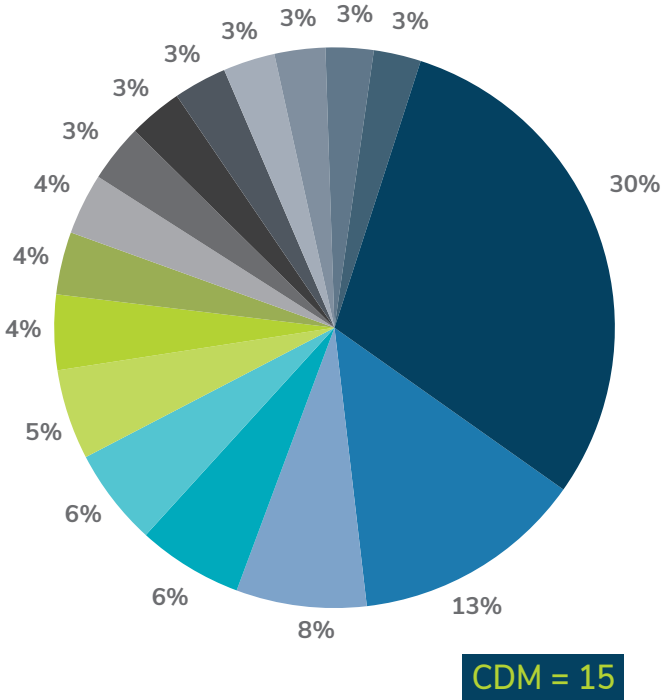


Figure 7.6.6: Beverage Import Sources and Country Dependency Metric; Source: FBMG Research Cell

Key concerns of the Beverages Sector

The biggest concern prevailing over the beverages sub-sector is the issue of Excise Tax. As mentioned at the outset, along with the pandemic, it has served to severely impact the industry.

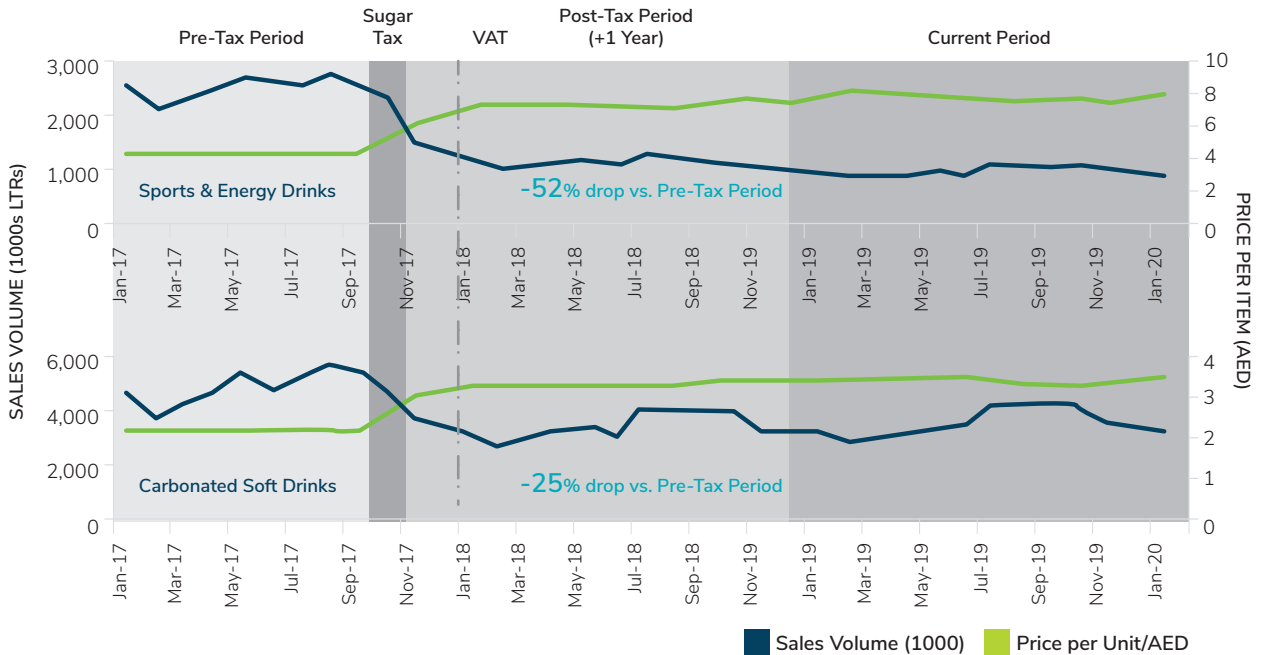


Figure 7.6.7: Impact of excise tax on beverages industry in UAE; Source: Industry sources, FBMG Research Cell

Even for non-carbonated products like fruit juices, the impact has been significant. In a survey conducted by FBMG Research Cell, three major fruit juice producers in UAE have stated that there has been more than a 10% reduction of volumes owing to Excise Tax.

THE IMPACT OF THE EXCISE TAX ON THE INDUSTRY HAS BEEN THREE-FOLD



While the magnitude of the tax is one of the key concerns, there are also concerns with the manner in which the tax was **implemented**

1. Excise **tax calculated on the estimated selling price** a sample survey.
 - a. This does not reflect the revenue earned by the manufacturers (as seen in the Retailer section, significant proportion of final selling price is the retailers' profits)
2. **The payment cycle for the tax is very short at only 15 days**
 - whereas businesses have to pay this when their collection payment terms are more than 120 days.
 - a. This places significant additional pressure on cash flow
3. **Excise tax is also levied on bad debts**, i.e., even when manufacturers are not paid for their goods sold, taxes are paid.

It is imperative that a **solution** to provide relief in this situation is provided. Some of the reasonable suggestions provided by industry leaders is as follows:

1. Excise Tax should be calculated on **actual sales revenue**, rather than on estimate retailer selling price
 - a. Accounting for retailers increasing or decreasing price, returned products, bad debts
2. The tax **payment cycle to be quarterly**, rather than monthly
 - a. Allowing for collection cycles and supporting cash flow of businesses
3. Taxation to be **calculated on the basis of volume**, rather than units
 - a. Cheaper products in market, including cheap imports from neighbouring countries are operating under the radar of regulatory authorities by selling to small outlets and caterers
 - b. The prices at which they sell are not audited and thus an unfair competitive environment is developing with compliant companies being penalised
4. Taxation to be **calculated on the quantity of sugar** in the product
 - a. This means that products with high sugar content would be more expensive
 - b. This would encourage manufacturers to innovate and reformulate healthier products, as well as encourage households to purchase healthier products
5. Introduction of Excise Tax has resulted in increase in smuggled goods to take advantage of the price gap
 - a. Additional **resources to combat smuggling** would help protect the local industry



Snacking Industry

CONFECTIONERY AND SALTY SNACKS

The COVID-19 pandemic brought into sharp focus the need to ensure provision and stock of essential foods like rice, wheat, potatoes, etc.

However, consumer behaviour also drove the need for snacking options – driven by the young, expatriate population of UAE. Juggling with the demands of WFH and keeping the house in order, the demand for convenience snacks and DIY food prep kits rose across the spectrum.

COVID-19 also increased the demand for a growing change in the industry – the need for healthier snacking options. As the population has become more health conscious, it becomes important for the industry to evolve to meet these evolving customer needs as well.

So, in essence, snack foods – salty snacks and confectionery products – may not be “essential” but have definitely proven important in this new normal.



Figure 7.7.1: Key Snacking Industry Numbers; Source: FBMG Research Cell

In snacking industry there is an increased demand for healthier snacking options

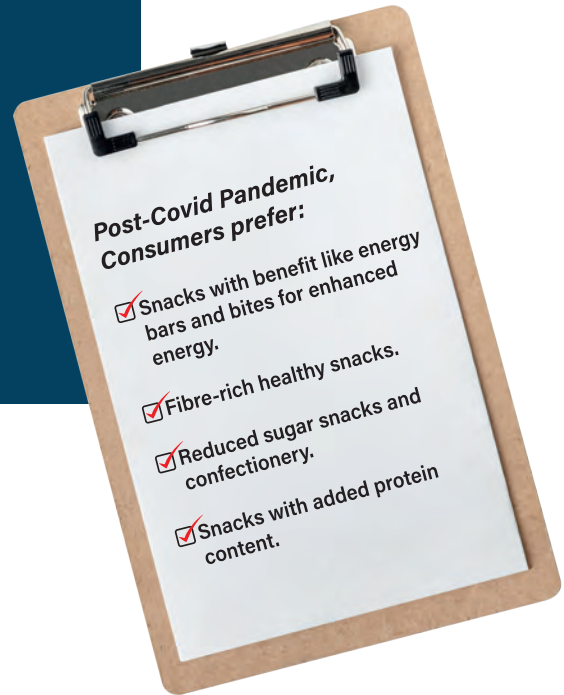


Figure 7.7.2: Key Snacking Industry Insights; Source: FBMG Research Cell, Mintel

Key Product Types



- Confectionary**  Chocolates (Milk, Dark, White, Compound), Chewing Gum, Candy, Cocoa (Powder, Mass, Butter), Chewy Sweets, Toffee, Lollypops
- Salty Snacks**  Extruded Snacks, Potato Chips/ Crisp, Pretzel Type, Tortilla (Corn & Cereal Chips)

Figure 7.7.3: Key Snacking Products; Source: FBMG Research Cell

KEY COMPANIES IN UAE



Figure 7.7.4: Key Snacking Industry Companies; Source: FBMG Research Cell

SNACKING INDUSTRY TRADE

As per the HS Codes, Snack food products span across HS17 (Sugar and Sugar Confectionery), HS18 (Cocoa and Cocoa Preparations), HS19 (Preparations of Cereals, Flour, Starch or Milk) and HS20 (Preparations of Vegetables, Fruits, Nuts, etc.).

Together, these food categories contributed nearly 3 million tonnes in foreign trade in 2019:

2019 FOREIGN TRADE VOLUMES (tonnes)	IMPORT	EXPORT	RE-EXPORT	TOTAL FOREIGN TRADE
HS 17 (Sugar and Sugar Confectionery)	988,981	378,455	62,150	1,429,586
HS 18 (Cocoa and Cocoa Preparations)	146,230	55,803	41,481	243,514
HS 19 (Preparations of Cereals, Flour, Starch or Milk)	288,930	142,284	39,848	471,062
HS 20 (Preparations of Vegetables, Fruits, Nuts)	481,610	279,714	82,577	843,901
GRAND TOTAL	1,905,750	856,256	226,056	2,988,062

Figure 7.7.5: Dubai Snacking Industry Import Volumes (tonnes);
Source: UAE Federal Competitiveness and Statistics Authority

HS Code 22 - Beverages, Spirits and Vinegar - 2020 Volumes (tonnes) Trends

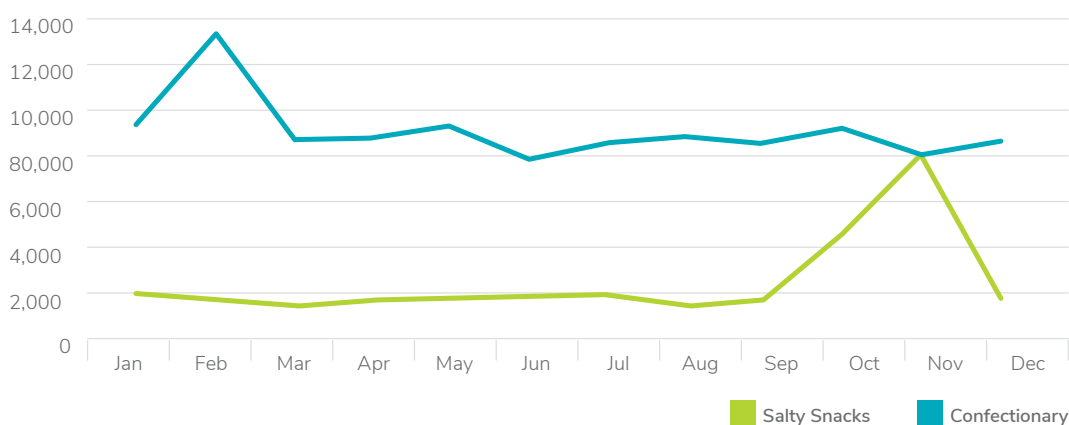


Figure 7.7.6: Dubai Snacking Industry Import Volumes (tonnes);
Source: UAE Federal Competitiveness and Statistics Authority

Chocolate alone comprises **61%** of confectionery imports in 2019.

While Potato chips & Corn chips comprise **>50%** of salty snacks imports in 2019.

Import vs. Retail volumes (2019)

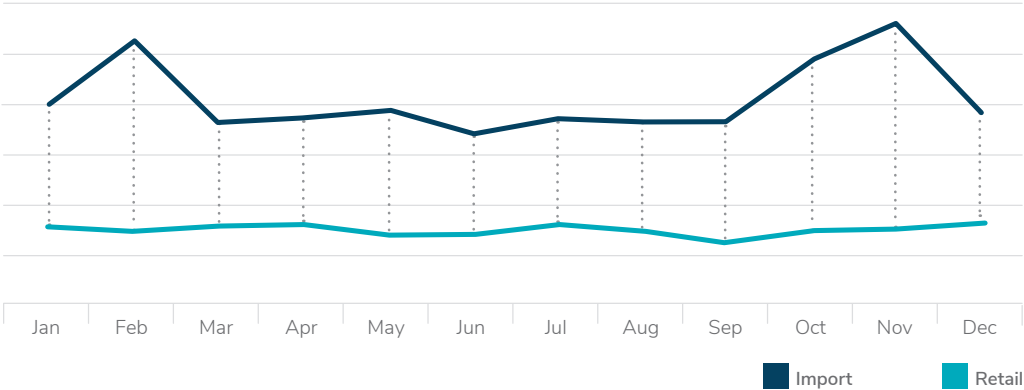
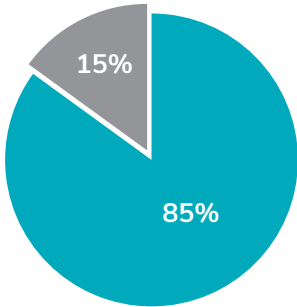


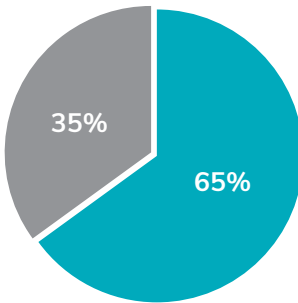
Figure 7.7.7: Snacking imports vs. Retail sales comparison, 2019, volumes in tonnes; Source: FBMG Research Cell

Snacking industry imports are approximately 2.75x the retail sales, with Confectionery imports at 3.2x and salty snacks at 1.8x. Implying a high degree of imported products in market or high volume of reprocessing of foods in market (considering re-exports are not very high).

Confectionery Retail Trade (2019)



Salty Snacks Retail Trade (2019)



Modern Trade Traditional Trade Modern Trade Traditional Trade

Figure 7.7.8: Snacking industry Retail Trade in UAE, 2019, approximate splits; Source: FBMG Research Cell

While Confectionery items are primarily sold in modern trade channels, Salty Snacks have a relatively high off-take in the traditional trade channels of small grocery and baqala stores.

SNACK FOODS IMPORT SOURCES

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Country Dependency	Interpretation
1-3 Countries	Risky
4-7 Countries	Moderate
7+ Countries	Low Risk

Countries imported from (2019)

- Russia
- Netherlands
- Turkey
- Egypt
- Saudi Arabia
- Indonesia
- Others
- Romania
- Malaysia
- China
- Ivory Coast
- Italy
- Germany

Russia, Netherland and Turkey are the key source countries for confectionery imports.

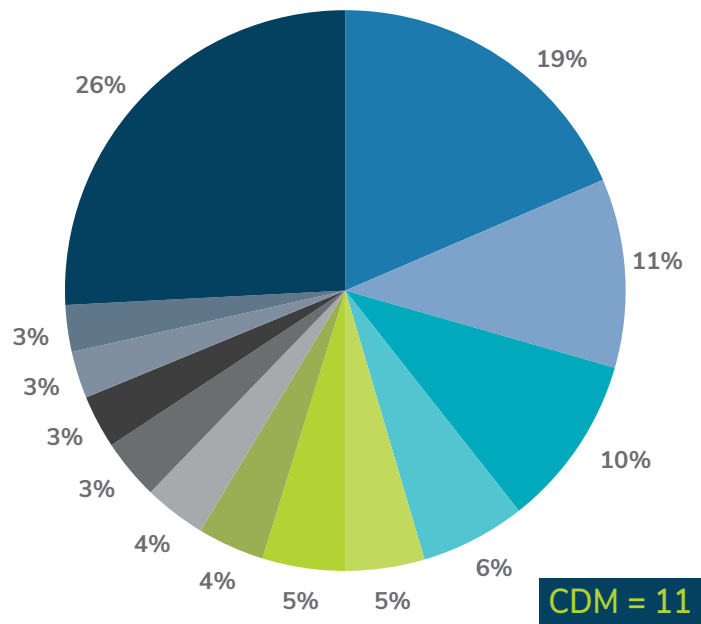
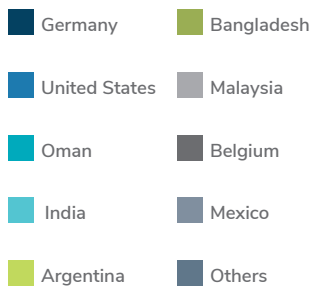


Figure 7.7.9: Confectionery Import Sources and Country Dependency Metric; Source: FBMG Research Cell

Countries imported from (2019)



For Salty Snacks, the risk is moderate with a CDM of 6

Germany alone accounting for 30% of imports – owing to sharp spike in Oct / Nov '19. Which is probably indicative of import dumping or re-exports.

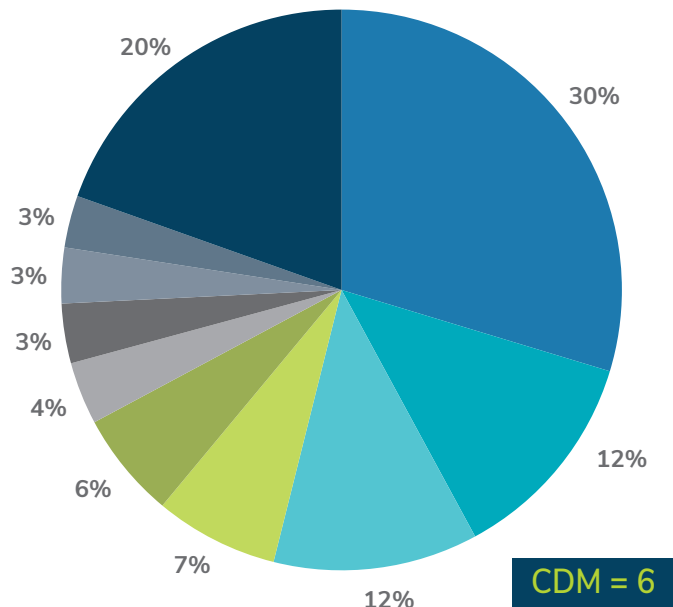


Figure 7.7.10: Salty Snacks Import Sources and Country Dependency Metric; Source: FBMG Research Cell

Key concerns of the Snack Food Sector

- Consumer **tastes and preferences are changing** rapidly globally and in UAE
- **Healthier snacking options** are a growing trend in the industry
- Requiring companies to constantly innovate on product, packaging and price points to remain relevant
- Being an industry that requires significant additional processing, with the continuous rise of manufacturing input costs, **retail price control** is a major cause of concern for the industry
- With significant volume of imports, there is a need to streamline and **make importing more efficient** – vis-à-vis documentation, legislation and associated delays
- **Sugar tax** has not been implemented yet, but is a potential threat for the industry
- Spate of **cheap imports** from Eastern Europe, Turkey and South East Asia competing in market
- **Private labels** also have a strong presence in market

Closing Remarks



This report is a reflection of the year gone by. A year that many of us want to forget and “write off”. When in the midst and the height of the pandemic, we all feared the worst. At the outset, we stated that the theme of this report was Amal, or Hope. And as we have progressed through the year and are preparing for the future, we realise that this hope is not misplaced.

Human ingenuity allows us to prepare for the worst and emerge out of it with a new definition of success. The definition of success in this post pandemic world, therefore, is self-reliance, sustainability, inclusiveness and collaboration.

This report has been written by taking inputs from all stakeholders related to the food industry in UAE. This report has been written for the benefit of all stakeholders related to the food industry in UAE.

And the message that we would like for you to take away from it is that all of us in UAE have a future to look forward to.



Yes, our **import dependency on food** brought us grave concern at the onset of the pandemic. As per research conducted by distinguished and qualified entities revealed, the economy of UAE was always bound to be impacted negatively in the short term. But with the positive caveat that it would bounce back quickly and resoundingly. We have observed this.

Thanks to our **governance and healthcare warriors**, UAE has conducted **more tests per capita** than any other country in the world.

Food shortages have been mitigated by **local industry** stepping up and rising to the challenge of ensuring food provisions.

Import dependency has been mitigated thanks to **increased investments and production by local manufacturers**.



Food Security has become a primary motive for governments across the world, as it has been in the UAE. With an **increased focus on our production capabilities and technological advancements in agriculture**, this increased focus will bode well for UAE's economy and food security objectives.

As the pandemic grew in strength, so did our collective resolve to look inwards and identify what is broken in our systems and what needs to be fixed. Many of the areas of concern that afflict the food economy have been highlighted across this report, and it is pleasing to know that many of them are being addressed.

Regulatory requirements, foreign trade capabilities, the retail-manufacturer relationship, focus on local, production constraints, human resource requirements and many more such issues. These are all **being addressed to allow for a more harmonious and hopeful future for the economy, industry and populace.**

There are several food categories that have been identified, and we continue to identify that can meet our local requirements and wean us off import dependency. Food categories like poultry, dairy products, cooking oil, etc. already have a strong local presence and are food items that are "essential products".



The next step, therefore, is to allow **room for growth** across the spectrum. Not just to serve the needs of the local population, but also **to be economic growth drivers** and to identify and serve global trade requirements. The **export potential for finished goods "Made in UAE"** is high and the present objective is to build on this to overcome the impact that curtailed global movement, owing to the pandemic, has had on our economy.

Since the last crisis, the 2008-09 Global Financial Crisis, UAE's economy has been served well by the industry of Oil, Foreign Trade and Tourism. With all of these now subject to an extremely dynamic geo-political climate as well as severely curtailed people movement owing to COVID-19 (and expectant to be so well into 2021), **the food industry is determined and ready to step up to the challenge and fill the gap of being an economic driver.** Not just for our country and region, but for a larger global audience.



The period of reflection that all of us may have gone through during this year helped us identify many things that we were doing incorrectly, wrong or inefficiently in our personal and professional lives. Instead of looking back at this year as a crisis, we would be better served to look back at this year as a period of reflection and resolve.

Hence, as we identify ways to kick start the economy and our businesses again, it is important to do so in a responsible way and be better equipped to manage any future crisis that may arrive.

It is, therefore, **important that our recovery incorporates sustainable practices that allow for a healthy circular economy with minimal wastage and impact on our environment.** The food industry is committed to deliver a more responsible and environmentally healthy future.

It is, therefore, important that we look at a collective and collaborative practice of working. **The age of information is now behind us, and it is time to now embrace the age of insights.** The information presented in this report has been painstakingly put together by poring over reams of information, and it is free for the reader to use for their benefit. However, it is the insights that we have gleaned by speaking to government authorities, industry leaders and industry experts with immense collective knowledge that we are actually presenting to you, the reader.

It is, therefore, **important that our recovery keeps an eye out for our future, the next generations.** Incorporating the youth, the Emiratis, the next generation of innovative ideas will bode well for us and allow us to think above and beyond our current methods. The food industry is committed to support entrepreneurs and young and fresh ideas for an exciting and new future.



Because, one thing that AI Amal taught us is that we are definitely capable.

Updates

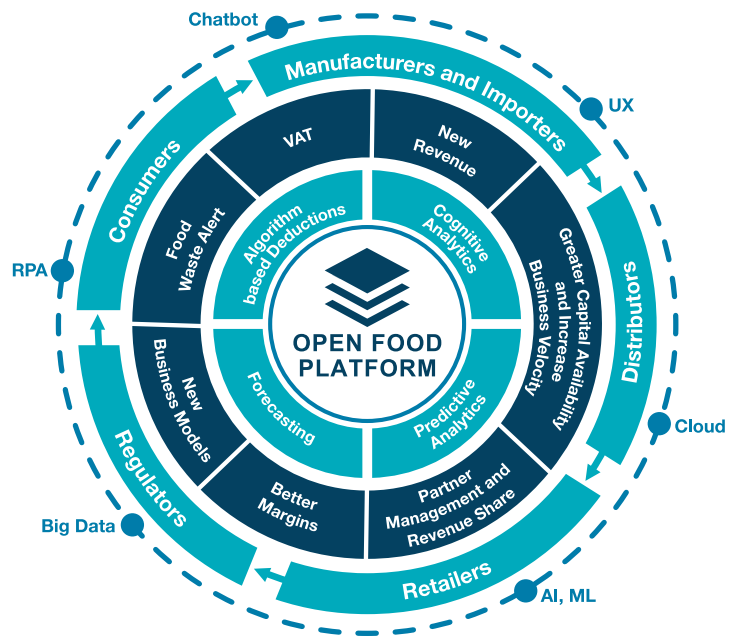
from The UAE Food & Beverage Manufacturers Group

The objective of the UAE Food & Beverage Manufacturers Group (FBMG) is to serve the needs of the food industry in UAE. It is also our objective to identify objectives that strengthen the industry with new initiatives which sometimes do not get the attention they deserve. Some of these initiatives are listed in this section.

We look forward to continuing our efforts in collaboration with the industry and stakeholders; and welcome new ideas that will help the industry scale new heights.



Leadership of the UAE Food & Beverages Business Manufacturing Group, along with our technology partners Suntec, are now emulating the visionaries of the country. Via a tireless journey spanning over the last two years, wherein we have conducted academic and commercial research projects, liaised with experts in technology, industry and strategy, and held countless meetings to arrive at a path breaking approach. This effort has manifested into what is called the UAE Food Platform.



Platformification is the disruptive global trend. New breed of companies are on the rise and FAANG (Facebook, Airbnb, Apple, Netflix and Google) is leading the way. They are creating platforms where market spaces can evolve, collaborate, thrive and benefit from each other.

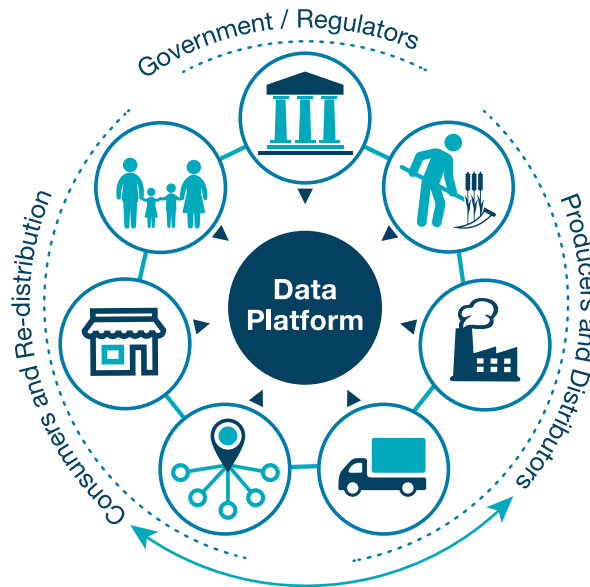
Aligning with this vision of the UAE government, Dubai Exports (an agency of Dubai Economy), UAE F&B Manufacturers, and Gulfood have come together to enable the Open Food Platform to build UAE as a regional manufacturing and re-export hub.

UAE has been responding to these global changes by driving growth through digital transformation of the economy and creating futuristic governance models. UAE has also become the first country to adopt platformification at the country level.

ABOUT THE PLATFORM

A value chain integrator, which brings together the key stakeholders into a collaborative model, based on data sharing, from the existing siloed model to create value through innovation in the industry as a whole.

The platform will enable collaboration between entities, help them digitally connect between different ecosystem partners, bring in AI and cognitive capabilities and thus optimize the value chain.



Platformification • Supply Chain Optimization • Greater Transparency



Connecting your existing business to the platformified future ecosystem will help you with higher business velocity, enhanced capital availability, greater partner discovery and new revenue opportunities.



Sub-Sector Groups have been created to ensure equity in giving attention to all the sub-sectors in the industry. Such an approach was deemed necessary due to the wide range of issues specific to a particular sector which might not receive adequate attention on a generic platform.

The processes and procedures of the sub-groups are designed with a focus on unlocking the potential synergies between the stakeholders in each sub-sector and allowing them to work together to bring new innovative

models that will drive the growth of the food industry as a whole.

Sub-Sector meetings are held regularly under the F&B Connect banner where industry insights is shared and solution oriented dialogue takes place

Food Industry Report

Food Industry report is intended to provide industry participants and stakeholders an overview of the performance of the sector. In doing so the report explains the myriad of variables ranging from government decisions, macro-economic performance, global events and consumer behavior that have impacted in shaping the sector as well as the response of industry participants.

Report contains detailed analyses using data from a diverse range of sources and supported by in-house information from the UAE Food and Beverage Manufacturers Research Cell. The aim of the research has been to derive unique insights into how various factors influence UAE Food and Beverages Manufacturers.





Aim of UAE Industry Rising Star CEO Round Table is to energize the F&B sector as the economies reopen and the UAE and the world is re-adjusting to the emerging market needs.

This CEO round table with stakeholders would find ways to reinvent the existing food and beverage manufacturing plans so that it supports UAE Industrialization strategy and would prepare an action plan to implement the recommendations and also explore ways to facilitate and enhance UAE food and beverage manufacturing and related industries.

Internship Program



Working together with student interns to prepare them for the new normal in the food industry.



ENERGY WARRIORS PROGRAM in the Food Processing sector

F&B Manufacturers Group, in partnership with Al Futtaim Engineering, and knowledge partners, TED, rolls out Muda Busters, energy warrior program of food sector;

- Targeting plant engineering, and maintenance team
- Student and startup green entrepreneurs.

Supported by DEWA, SEWA and ADWIA, the energy partners to the food sector

Support resilient food manufacturing sector



Future Food Forum is a first of its kind event aimed at food and beverage manufacturing leaders in the Middle East. A culmination of all aspects of food and beverage manufacturing business, this platform addresses the challenges faced by food and beverage manufacturers, producers, brand and label owners, retailers, logistics and technology service providers, government organisations and other law enforcement agencies involved in the business of food manufacturing.



The forum looks at the state of food manufacturing in a global level, highlighting world's best practices. Taking place over two days the event features high-level panel discussions, keynote presentations and industry-specific workshops and masterclasses.



Food & Beverage Lab will encourage and foster new product development by UAE Nationals that can be nurtured and developed to achieve its growth potential.

Program drives the following objective of the F&B group and sector.

- Encourage innovation and product development in the food ecosystem
- Develop talent for the ecosystem
- Revitalize the New product lunch sector with a UAE flavors
- Engage and involve the food startup with the F&B Manufacturing sector



FBMG Members



About the UAE FBMG Annual Report 2020

This report has been written using multiple sources of information such as government published data, global data banks (World Bank, IMF) and publicly available information shared by various industry experts and consultancies.

The opinion and narrative encapsulated in this report attempts to represent the collective knowledge and wisdom of the F&B manufacturers and suppliers in UAE. Our continuous engagement with industry leaders provides insights that are seldom found elsewhere. It has been our endeavour to represent these insights in their truest form and supported by insights and data from various sources.

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