

REAL CHALLENGES OF “MAKING IT IN THE EMIRATES”

- UNREGULATED IMPORTS & PRIVATE LABELS A PANDEMIC OF THE F&B INDUSTRY



DOCUMENT INDEX

- 1 Unregulated Imports stifling local businesses “Made in UAE”
- 2 Nothing is “Made in UAE” anymore

Unregulated imports stifling local “Made in UAE” businesses

Local businesses are being pushed out of their own market. A cursory look at the retail environment will reveal that UAE products are provided with minimal shelf space. Support to local produce is not being taken seriously and put into effect as even shelves dedicated for local produce have imported products occupying space.

Cheap imports, across food categories, are entering our market while circumventing regulatory requirements. Often times, these imports are non-compliant and unhealthy foods which is a disservice to our population. While UAE produce are subject to stringent standards that are costly and complex. Imported products are able to price their way into the market without such overheads.

One of the key messages delivered in Operation 300bn is to “Make it in the Emirates” – the industry is ready and geared to push forward, but require help and support from the policy makers.

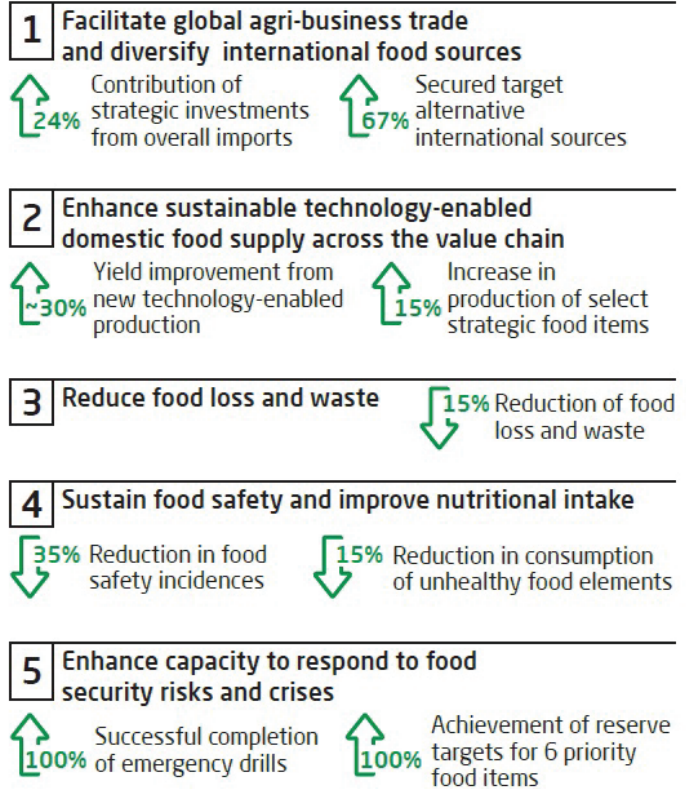


Figure: Five Pillars of the National Food Security Strategy;
Source: UAE Ministry of Food Security

Nothing is “Made in UAE” anymore

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.

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%

Table: 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:

- 2018 Growth of F&B Market: 4.4%
- 2018 Growth of F&B Private Labels: 8.7%

The casualties from this are not just local manufacturers who have been helping build UAE’s economy since the 1970s, but the efforts of agri-tech 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.