Market Study

Olive and fats in Saudi Arabia
JANUARY/2014

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SUMMARY

- Sales of oils and fats are set to rise by 14% in 2013 to reach SR5 billion
- Growing health concerns impact on the performance of oils and fats
- Olive oil is set to record the highest current value growth of 16% in 2013
- Unit prices are likely to rise by 7% in 2013
- Saudi Vegetable & Ghee (SAVOLA) leads the category with an anticipated 43% value share in 2013
- Oils and fats is expected to register a constant value CAGR of 7% over the forecast period

TRENDS

Saudi Arabia is witnessing a gradual improvement in the overall health and wellness understanding among the general population. Obesity has reached alarming levels as have related illnesses, such as cardiac diseases, bone and joint health. With the help of government education campaigns through healthcare providers as well as learning gained from exposure to Western lifestyles mainly through the internet, consumers have come to recognise the importance of a healthy diet and lifestyle. As a result, not only has demand for better-for-you products risen, such as low cholesterol, low fat and low sugar/salt, but consumers have also started buying gymnasium memberships and engaging in diet plans offered by nutritionists and health centres. On the other hand, companies also started investing in introducing healthier food items and improving the labelling to highlight the health benefits associated with the product. As a result, the performance of categories, such as oils and fats, started to suffer as they are considered harmful to the health.

Value sales in 2013 are set to rise by 14% compared to a CAGR of 16% over the review period. This will largely be a result of the growing health awareness which led consumers to reduce their intake of most types of oils and fats, thereby affecting its expected growth. Furthermore, with Ramadan season coinciding with children’s summer holidays, many expatriates travelled out to their home countries. These expatriates, especially those from South Asian countries, are among the largest consumers of oils and fats during the Ramadan season as most of the products are deep fried. The exodus of expatriates hence had a significant negative impact on sales of oils and fats in general and vegetable and seed oil in particular in 2013.

Olive oil is set to record the strongest current value growth of 16% in 2013 a performance that will also be shaped by growing health awareness among consumers. Olive oil is not only A traditionally consumed oil but is also considered the healthiest alternative to regular cooking oils and cooking fats. As consumers have become more aware of its health benefits, they have switched to olive oil instead of vegetable and seed oil for cooking as well as use in salad dressing, a move which helped the category to grow.

Corn oil is likely to remain the leading type of oil in 2013. However, thanks to growing health awareness, consumers are shifting to healthier options, such as sunflower, which is taking share from corn oil. The share of sunflower oil grew by one percentage point in 2013 to reach 23%, whereas corn oil lost one percentage point to reach 38% in 2013.

COMPETITIVE LANDSCAPE

Saudi Vegetable Oil & Ghee (SAVOLA) led the category in 2013 with a 43% value share. The company's strength lies in its dominant position in vegetable and seed oil where it holds a 57% share through an array of brands including Afia, Al Arabi, Al Nakhil and Olite. Throughout most of the year, and especially during Ramadan, the company spent heavily on multi-pack offers for all of its brands which significantly boosted its sales. Its brand building also continued through TV advertisements and in-store displays, which ensured the company's leading position.

Consumers of oils and fats are highly price-sensitive; therefore any tactic that gives them good value for money and offer savings is successful. This is the reason why many companies in a number of categories run multi-pack offers throughout the year. Vegetable and seed oil is one of the categories in which this strategy is immensely successful, especially during Ramadan season, as this is when the consumption really soars. Almost all of the leading companies, including Saudi Vegetable Oil & Ghee Co (SAVOLA), Emirates Refinery and Binzagr, run multi-pack offers for their vegetable and seed oil brands for most of the year. This strategy is also very common in margarine with Bestfoods Saudi Arabia regularly offering multipacks of its Mazola brand. Extra value packs are popular in butter as well as cooking fats. Therefore, there is a heavy reliance on in-store promotions for these products in order to be successful.

The oils and fats category in Saudi Arabia features a mix of international and domestic players. Saudi Vegetable Oil & Ghee occupies a major share of the category due to its renowned brands, such as Afia and Al Arabi in vegetable and seed oil. A number of regional players from the Middle East, including Emirates Refinery and Gulf Vegetable Oil, also hold a significant share. Butter is led by local player Almarai, owing to the brand's longstanding reputation in the category, whereas olive oil is mainly characterised by international players, such as Rafael Salgado and Kobayter, as their products are perceived as premium and of high quality. As such, the oils and fats category is highly fragmented.

PROSPECTS

The health consciousness among the local population is expected to continue accelerating in the forecast period. In order to cater to rising obesity levels, the government also rolled out various plans to improve the healthcare system as well as build awareness among the general population on healthy lifestyle and eating habits. Internet penetration, which is already impressive in the country, is also expected to increase further in the future, which will further expose consumers to tips and guidelines on healthy lifestyles.

Oils and fats, which are generally considered unhealthy, are expected to suffer significantly due to rising health awareness as the constant value CAGR will slip to 7% in the forecast period, down from 10% in the review period. Consumers are expected to significantly reduce their oil intake and instead switch to healthier alternatives. Furthermore, during some of the forecast period years, the Ramadan season will continue to fall during the summer time, coinciding with school summer holidays. As most Asian expatriates leave the country during this time, the vegetable and seed oil category will witness a significant slowdown with constant value sales growing by an anticipated 8% CAGR, down from an 11% CAGR seen during the review period.

Olive oil is expected to remain the strongest-performing category with a constant value CAGR improving to 10% during the forecast period, up from a 9% CAGR witnessed during the review period. This will again be a result of consumers becoming more health conscious and choosing healthier alternatives to cooking oil. Moreover, as olive oil is an important part of Saudi cuisine, especially in salads and traditional delicacies, the population growth, which is expected to be strong in the forecast period, will also have an impact on its sales.

Supplemental Data

The health consciousness among the local population is expected to continue accelerating in the

Table-1: Sales of Oils and Fats by Category: Volume 2008-2013 ('000 tons)

	2008	2009	2010	2011	2012	2013
Butter	9.69	10.13	10.54	10.96	11.27	11.62
Cooking Fats	8.83	9.13	9.45	9.69	9.9	10.09
Margarine	3.64	4.36	4.56	4.91	5.26	5.65
Olive Oil	10.71	11.68	12.32	13.38	14.58	15.98
Spreadable Oils and Fats	0.26	0.26	0.26	0.27	0.28	0.29
Vegetable and Seed Oil	223	231.1	248.4	266.3	286.8	308.3
Oils and Fats	256.2	266.6	285.5	305.5	328.1	352

Table-2: Sales of Oils and Fats by Category: Value 2008-2013 (SR million)

	2008	2009	2010	2011	2012	2013
Butter	200.5	228.6	250.8	278.9	305.7	339.2
Cooking Fats	161.3	188.8	208.9	225.3	241.6	259.8
Margarine	56.54	67.28	80.89	91.58	102.8	116.6
Olive Oil	291.2	337.7	379.5	434.8	500.9	581.2
Spreadable Oils and Fats	5.99	6.38	6.74	7.34	7.96	8.83
Vegetable and Seed Oil	1727	2210	2477	2822	3281	3769
Oils and Fats	2442	3039	3404	3860	4440	5075

Table-3: Sales of Oils and Fats by Category: % Volume Growth 2008-2013

	2012/13	2008-13 (CAGR)	2008/13 (Total)
Butter	3.15	3.7	19.91
Cooking Fats	1.88	2.69	14.22
Margarine	7.51	9.22	55.42
Olive Oil	9.65	8.33	49.18

Spreadable Oils and Fats	5.22	2.19	11.43
Vegetable and Seed Oil	7.5	6.69	38.25
Oils and Fats	7.27	6.56	37.4

Table-4: Sales of Oils and Fats by Category: % Value Growth 2008-2013

	2012/13	2008-13 (CAGR)	2008/13 (Total)
Butter	10.97	11.09	69.17
Cooking Fats	7.53	9.99	60.99
Margarine	13.45	15.58	106.25
Olive Oil	16.02	14.83	99.61
Spreadable Oils and Fats	11.02	8.09	47.55
Vegetable and Seed Oil	14.87	16.9	118.27
Oils and Fats	14.29	15.75	107.78

Table-5: Sales of Vegetable and Seed Oil by Type: % Value Breakdown 2008-2013

	2008	2009	2010	2011	2012	2013
Corn	44	40	40	39	39	38
Palm	13	14	15	15	15	16
Sunflower	17	20	21	22	22	23
Others	26	26	24	24	24	23
Total	100	100	100	100	100	100

Table-6: NBO Company Shares of Oils and Fats: % Value 2009-2013

	2009	2010	2011	2012	2013
Saudi Vegetable Oil & Ghee Co (SAVOLA)	37.23	39.19	40.21	42.44	42.74
Emirates Refinery Co Ltd	16.77	17.86	17.63	17.1	16.52
Bestfoods Saudi Arabia	8.65	9.55	9.81	9.84	9.88
Almarai Co Ltd	3.77	3.78	3.74	3.66	3.6
Gulf Vegetable Oil Co Ltd	4.44	4.22	3.71	3.37	2.93
Binzagr Co	2.2	2.48	2.78	2.73	2.68
Rafael Salgado SA	1.76	1.87	1.94	2.01	2.08
Kobayter SA	1.61	1.64	1.69	1.72	1.75
Al Ghurair Foods Co	2.55	1.82	1.78	1.65	1.49
Halwani Bros Co	1.36	1.37	1.35	1.3	1.18
National Agricultural Development Co (NADEC)	0.87	0.89	0.97	0.99	1.01
International Foodstuffs Co	0.67	0.71	0.89	0.93	0.97
Al Watania Agricultural Co Ltd	0.76	0.77	0.79	0.82	0.87
Sasso SpA, P & Figli	0.87	0.86	0.84	0.83	0.84

Flora Food Co Ltd	0.77	0.82	0.76	0.76	0.76
Danya Foods Ltd	0.68	0.66	0.68	0.71	0.74
Essam Kabbani Co Ltd	0.41	0.43	0.47	0.49	0.52
Lactalis International	0.54	0.55	0.54	0.52	0.51
Al Othman Agricultural & Processing Co	0.54	0.54	0.53	0.51	0.49
Nashar Trading Co	0.46	0.47	0.47	0.44	0.42
Basamh Trading Co	0.39	0.38	0.36	0.34	0.32
Bonlac Foods Ltd	0.45	0.41	0.36	0.31	0.29
Saudi New Zealand Milk Products Co Ltd	0.45	0.41	0.36	0.31	0.28
Areej Vegetable Oil Industry Ltd	0.31	0.32	0.3	0.28	0.27
Procter & Gamble Arabia	0.26	0.26	0.24	0.22	0.21
Cevital SpA	0.42	0.32	0.25	0.19	0.15
Orient Provision & Trading Co Ltd	0.2	0.19	0.16	0.15	0.11
Basamh Marketing Co	0.09	0.08	0.06	0.05	0.05
Kraft Jacobs Suchard Ltd	0.13	0.13	0.08	0.05	0.03
National Food Industries Co Ltd	0.12	0.08	0.06	0.03	0.02
Others	10.27	6.94	6.2	5.23	6.3
Total	100	100	100	100	100

Table-7: LBN Brand Shares of Oils and Fats: % Value 2010-2013

	Company	**2010**	**2011**	**2012**	**2013**
Afia	Saudi Vegetable Oil & Ghee Co (SAVOLA)	20.23	21.61	23.36	23.44
Al Arabi	Saudi Vegetable Oil & Ghee Co (SAVOLA)	11.14	11.4	11.7	11.96
Mazola	Bestfoods Saudi Arabia	9.55	9.81	9.84	9.88
Nour	Emirates Refinery Co Ltd	8.8	8.99	8.83	8.61
Hayat	Emirates Refinery Co Ltd	4.51	4.28	4.13	3.94
Alfa	Emirates Refinery Co Ltd	4.22	4.06	3.85	3.71
Almarai	Almarai Co Ltd	3.78	3.74	3.66	3.6
Al Nakhil	Saudi Vegetable Oil & Ghee Co (SAVOLA)	1.81	2.01	2.24	2.34
Olite	Saudi Vegetable Oil & Ghee Co (SAVOLA)	2.4	2.14	2.2	2.3
RS	Rafael Salgado SA	1.61	1.69	1.76	1.83
Al Wazir	Kobayter SA	1.64	1.69	1.72	1.75
Jenan	Al Ghurair Foods Co	1.82	1.78	1.65	1.49
Leeza	Saudi Vegetable Oil & Ghee Co (SAVOLA)	1.67	1.57	1.51	1.49
Hanaa	Binzagr Co	1.17	1.28	1.22	1.18
Nafees	Gulf Vegetable Oil Co Ltd	1.46	1.28	1.24	1.08
Mokhtarat	Halwani Bros Co	1.14	1.13	1.07	1.05
Nadec	National Agricultural Development Co (NADEC)	0.89	0.97	0.99	1.01
Rahma	International Foodstuffs Co	0.71	0.89	0.93	0.97

Nabati	Gulf Vegetable Oil Co Ltd	1.53	1.35	1.17	0.97
Zahi	Gulf Vegetable Oil Co Ltd	1.24	1.07	0.96	0.89
Al Watania	Al Watania Agricultural Co Ltd	0.77	0.79	0.82	0.87
Shahea	Binzagr Co	0.69	0.78	0.83	0.86
Sasso	Sasso SpA, P & Figli	0.86	0.84	0.83	0.84
Flora	Flora Food Co Ltd	0.82	0.76	0.76	0.76
Lurpak	Danya Foods Ltd	0.66	0.68	0.71	0.74
Abu Zahra	Binzagr Co	0.51	0.64	0.62	0.59
Al Sawsan	Essam Kabbani Co Ltd	0.43	0.47	0.49	0.52
Président	Lactalis International	0.55	0.54	0.52	0.51
Nada	Al Othman Agricultural & Processing Co	0.54	0.53	0.51	0.49
Farm	Nashar Trading Co	0.47	0.47	0.44	0.42
Others	Others	12.38	10.77	9.42	9.92
Total	Total	100	100	100	100

Table-8: Distribution of Oils and Fats by Format: % Value 2008-2013

	2008	2009	2010	2011	2012	2013
Store-Based Retailing	100	100	100	100	100	100
- Grocery Retailers	100.00	100	100	100	100	100
-- Modern Grocery Retailers	51.50	54.7	56.7	58.5	59.7	61
--- Convenience Stores	6.40	6.5	6.7	6.8	7	7.2
--- Discounters	-	-	-	-	-	-
--- Forecourt Retailers	0.60	0.7	0.5	0.7	0.7	0.8
--- Hypermarkets	17.46	19.15	20.08	20.69	21.02	21.46
--- Supermarkets	27.04	28.35	29.42	30.31	30.98	31.54
-- Traditional Grocery Retailers	48.50	45.3	43.3	41.5	40.3	39
--- Food/drink/tobacco specialists	-	-	-	-	-	-
--- Independent Small Grocers	41.50	38.6	36.5	34.5	33	31.5
--- Other Grocery Retailers	7.00	6.7	6.8	7	7.3	7.5
- Non-Grocery Retailers	-	-	-	-	-	-
-- Health and Beauty Retailers	-	-	-	-	-	-
-- Mixed Retailers	-	-	-	-	-	-
-- Other Non-Grocery Retailers	-	-	-	-	-	-
Non-Store Retailing	-	-	-	-	-	-
- Vending	-	-	-	-	-	-
- Homeshopping	-	-	-	-	-	-
- Internet Retailing	-	-	-	-	-	-

- Direct Selling	-	-	-	-	-	-
Total	100	100	100	100	100	100

Table-9: Forecast Sales of Oils and Fats by Category: Volume 2012-2017 ('000 tons)

	2008	2009	2010	2011	2012	2013
Butter	11.62	12.01	12.37	12.72	13.07	13.39
Cooking Fats	10.09	10.24	10.44	10.62	10.82	11.05
Margarine	5.65	6.13	6.64	7.2	7.84	8.49
Olive Oil	15.98	17.55	19.19	21.04	22.98	25.21
Spreadable Oils and Fats	0.29	0.31	0.32	0.34	0.36	0.38
Vegetable and Seed Oil	308.32	330.61	355.97	384	411.5	441.6
Oils and Fats	351.95	376.85	404.93	436	466.6	500.2

Table-10: Forecast Sales of Oils and Fats by Category: Value 2012-2017 (SR millions)

	2008	2009	2010	2011	2012	2013
Butter	339.24	350.99	361.92	372.9	383.8	393.7
Cooking Fats	259.75	263.48	268.38	272.6	277.2	282.9
Margarine	116.61	126.28	136.43	147.7	160.3	173.3
Olive Oil	581.18	639.72	700.38	770.1	843.6	927.1
Spreadable Oils and Fats	8.83	9.3	9.77	10.29	10.8	11.36
Vegetable and Seed Oil	3769.08	4051.69	4376.85	4730	5078	5464
Oils and Fats	5074.68	5441.46	5853.72	6303	6753	7252

Table-11: Forecast Sales of Oils and Fats by Category: % Volume Growth 2012-2017

	2017/18	2013-18 (CAGR)	2013/18 (Total)
Butter	2.45	2.88	15.24
Cooking Fats	2.18	1.85	9.58
Margarine	8.3	8.49	50.32
Olive Oil	9.68	9.54	57.74
Spreadable Oils and Fats	5.53	5.43	30.26
Vegetable and Seed Oil	7.33	7.45	43.24
Oils and Fats	7.2	7.28	42.11

Table-12: Forecast Sales of Oils and Fats by Category: % Value Growth 2012-2017

	2013-18 CAGR	2013/18 TOTAL
Butter	3.02	16.05

Cooking Fats	1.72	8.91
Margarine	8.25	48.65
Olive Oil	9.79	59.53
Spreadable Oils and Fats	5.15	28.54
Vegetable and Seed Oil	7.71	44.97
Oils and Fats	7.4	42.91