**EXCUTIVE SUMMARY & CONCLUSION**

This industry study on the frozen vegetables market is an update to three prior studies. The first industry study was issued by MSCD on 18.11.1412H and the second one was issued on 30.10.1414H. Moreover, the last industry study on this sector was issued on 30.10.1421H.

It should be mentioned here that on 25-12-1416H, the Management Committee has recommended that the Fund should continue to accept frozen French fries/other vegetables loan applications, based on their merits. This recommendation was supported by the market opportunities for import substitution of frozen vegetables and the findings from the potato study which indicated the suitability of commercial production of industrial potatoes in KSA.

Vegetables are an essential daily part of the human diet providing carbohydrate, protein, vitamins and fibres. They are available to the consumer in three particular forms namely fresh, tinned and frozen.

Fresh vegetables are available fresh from the farm, or from markets and shops, or in some cases via home growing in gardens. Fresh vegetables can be restricted in availability through seasonality or through shortage of shelf life. However, a wide variety of vegetables can be also preserved for longer shelf life by being cooled to a freezing temperature and by then storing them at a freezing temperature until use. With few exceptions such as some salad vegetables and cabbage, all vegetables can be frozen.

Frozen vegetables are preferred to canned vegetables due to better retention of appearance and form, in addition to more authentic taste & texture.

Based on RESD field surveys in the market it was found that there is a broad range of frozen vegetables available in the Kingdom, as follows:-

|  |  |  |
| --- | --- | --- |
| Artichoke | Carrots | Molokhia |
| Asparagus | Cauliflower | Okra |
| Broad Beans | Corn | Peas |
| Brussels Sprouts | Green Beans | Potatoes |
| Spinach | Mixed Vegetables | Vine Leaves |

The local market of frozen vegetables is still dominated by imports, which represent nearly 90% of the frozen French fries market and 100% of all other frozen vegetables. This is due to low local production. Imports of frozen vegetables come from various countries, however, Egypt, Holland, USA, Canada and Belgium were found to be the key exporter in order of importance.

The Local frozen French fries market which accounts for nearly 70% of total frozen vegetables consumption has experienced 35% compound annual growth rate, during the past five years, equivalent to demand of 87,670 MT in 2004. Demand for all other frozen vegetables has also been growing at 13% compound annual growth rate during the same period, reaching 18,200 MT in 2004.

Within the all other frozen vegetables category consumption is segmented as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Demand Forecast: A/O Vegetables : Importance by Variety (%)** | | | | | | | |
|  | **Peas** | **Mixed Veg.** | **Okra** | **Molokhia/**  **Spinach** | **Cut Beans** | **Others** | **Total** |
| **% Share** | **32** | **29** | **10** | **10** | **4** | **15** | **100** |

Due to continued strong growth in the fast foods industry (30% as estimated by Kudu’s management) and changes in eating habits of Saudi children it is expected that demand for frozen French fries will continue to grow by at least 10% annually, while demand for all other types of frozen vegetables is expected to grow by 5% per annum as demand for other vegetables is much lower than demand for French fries.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **KSA: Frozen Vegetables Demand Forecast – 2009 (MT)** | | | | | | |
| **Product** | **2005** | **2006** | **2007** | **2008** | **2009** | **CAGR** |
| **Frozen Fries** | 96,435 | 106,080 | 116,690 | 128,355 | 141,195 | **10** |
| **A/O Froz.Veg.** | 19,110 | 20,065 | 21,070 | 22,120 | 23,230 | **5** |
| **Total:** | **115,545** | **126,145** | **137,760** | **150,475** | **164,425** | **9.2** |

Most of the Kingdom’s demand of French fries is generated from demand of large catering companies and fast food restaurants as it is believed that at least 75% of the demand comes from these large-scale customers. Cold stores (predominately wholesaler) sales are largely re-routed to fast foods and catering companies.

The average consumption per capita of French fries was found to be around 3.2 kg based on 2004 figures, which is considered to be very high as result of changing in eating habits among the Saudi children. However, the average consumption per capita for other frozen vegetables is estimated to be less than 1 kg (700 gm), which is considered to be relatively low.

Current local production of frozen vegetables is represented by only two local factories, which process frozen fries, from local industrial potatoes. **Food Product Co**. (Inv.# 1247), and **Astra, Tabouk** (Non-SIDF, Closed) are the only local processors of French fries after **Hadco** (Inv.# 1550) ceased potato farming and frozen fries processing in 1999.

The Local production of French fries has been growing slightly over the past four years as can be seen below, however, the level of local production against imports is still minimal.

**KSA: Frozen Fries – Historical Local Supply (MT)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Producer Name** | **2001** | | **2002** | | **2003** | | **2004** | |
| **Local** | **Export** | **Local** | **Export** | **Local** | **Export** | **Local** | **Export** |
| **FPC** | 1,950 | 200 | 3,550 | 400 | 3,160 | 450 | 3,285 | 500 |
| **Astra** | 1,070 | - | 2,075 | - | 3,832 | 332 | 3,985 | 350 |
| **Total:** | **3,020** | **200** | **5,625** | **400** | **6,992** | **782** | **7,270** | **850** |

Separately, **Vita Food Co**., Dammam (Inv.# 274) and **Sunbullah**, Jeddah (Inv.# 620) are local repackers of imported frozen vegetables under the companies brand names. These two companies’ sales represented only 0.02% of frozen fries and 7% of all other vegetables in 2003. Sunbullah used to repack both French fries and other frozen vegetables in the past, however, since 2001 the company ceased its repacking of French fries and started to import fries from Hungary.

**Conclusion**

There continues to be opportunities for existing and new local processors of frozen French fries to profitably grow share from imports. The local soil and climate conditions allow for farming of good quality industrial potatoes virtually year round, providing competitive advantages versus most importing countries that rely on one crop per annum.

The demand for frozen fries will continue to grow strongly, fueled by fast foods and catering sectors. The keys to success in the market are adequate supplies of good quality raw materials and satisfactory cold chain distribution network, supported by strong strategic business and marketing planning processes. Ideally, the processing plant should be located on or in close proximity to the farm. All other frozen vegetables potential is less pronounced, however offers potential in certain higher velocity sectors, supported by good farming practices.

**Recommendation**

Given the above marketing considerations, MSCD recommends that the Fund should continue to accept loan applications from frozen vegetables projects in the future and these applications should be evaluated based on their own merits.

**1. INTRODUCTION**

This Industry Study on the frozen vegetables market is an update to two prior studies and a subsequent review undertaken by the management committee. The two prior industry studies submitted by MSCD were issued on 18.11.1412H and 30.10.1414H, respectively. An update of the 1414H study, which included the findings of a Fund commissioned report on “the long term, economic viability of growing industrial variety potatoes in KSA”, was evaluated by the management committee on 25.12.1416H.

The management committee recommended that the Fund continue to accept frozen fries/other vegetables loan applications, based on their merits. This recommendation was supported by the market opportunities for import substitution of frozen vegetables and the findings from the potato study which indicated the suitability of commercial production of industrial potatoes in KSA (assuming good farming practices).

The local frozen fries market, which accounts for 67% of total frozen vegetables consumption, has experienced a 4.8% compound annual growth rate, during the past five years. This strong increase has been fueled by growth in catering sectors and expansion of fast foods outlets in the Kingdom.

All other frozen vegetables growth has been more modest in the latest 5 years period (+1.6%), due to consumer preference for fresh product and wide availability of local, fresh produce, at reasonable cost.

The markets are dominated by imports (exclusively for all other vegetables), due to local processors’ inability, to-date, to successfully grow share. This is linked to low potato crop yields/quality, processing equipment problems and lower, priced imports competition. There is every indication, based on prior studies, that domestic processors with reliable, quality raw materials and processing equipment can successfully penetrate this market.

**Data Sources**

Data for this industry update were obtained from RESD field survey reports, marketing analyses of sponsors’ projects, foreign trade statistics, field audits and prior agricultural consultancy study, commissioned by the Fund.

2. **PRODUCT**

2.1. **Varieties/Characteristics**

With a few exceptions (e.g. cabbage & salad vegetables), a wide variety of vegetables can be frozen; providing extended shelf-life and year-round consumer availability. Further, frozen vegetables offer added conveneyance benefits of immediate usage, without the need for cleaning, peeling, cutting, etc.

Field surveys indicate a broad range of frozen vegetables available in the Kingdom, as follows:-

|  |  |  |
| --- | --- | --- |
| Artichoke | Carrots | Molokhia |
| Asparagus | Cauliflower | Okra |
| Broad Beans | Corn | Peas |
| Brussel Sprouts | Green Beans | Potatoes |
| Spinach | Mixed Vegetables | Vine Leaves |

Comparatively, in addition to above defined benefits, frozen vegetables are preferred to canned vegetables due to better retention of appearance and form, in addition to more authentic taste & texture.

2.2. **Manufacturing Process**

The processing phases used in manufacturing of frozen vegetables entail preparation stage, blanching, freezing, cold storage, and finally packing as per the following:-

**Preparation** stage is a critical element of the process to maintain optimum product quality after harvesting. Ideally, the time delay between harvesting and blanching of vegetables should be kept to a minimum. To insure these benefits, the optimum situation should incorporate the processing facilities adjacent to the farm. Key elements of the preparation phase include some or all of the following processes:-

Washing, sorting, grading, trimming, peeling and chopping.

**Blanching** entails passing vegetables through either near – boiling water or in the case of some more delicate vegetables, steam blanching. This heat treatment serves to halt the active enzyme systems, to prevent objectionable off-flavours and loss of colour in storage. Blanching times vary by vegetable and range from 1 minute for peas, up to 11 minutes for corn-on-the-cob.

**Freezing** stage involves in most cases a quick – frozen process whereby a continuously moving bed of vegetables are subjected to cold air at – 18°C or below, in a flow freezer.

**Cold Storage** process involves bulk storage of frozen vegetables at temperatures of approximately - 20°C, awaiting final packaging.

**Packaging** for frozen vegetables is predominately polythene bags, which includes pack system for forming, filling and sealing.

Following final packaging, phase finished products are cold stored for future delivery or distributed in refrigerated trucks/rail cars.

2.3. **Segmentation**

2.3.1. **Product Variety**

Based on importers sales data and domestic suppliers and FTS, importance of frozen vegetables in terms of consumption trends is segmented 67% frozen fries versus all other frozen vegetables.

Within the all other frozen vegetables category, varieties of vegetables are segmented as follows:-

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **A/O Vegetables: Importance by Variety (%)** | | | | | | | |
|  | **Peas** | **Mixed Veg.** | **Okra** | **Molokhia/**  **Spinach** | **Cut Beans** | **Others** | **Total** |
| **% Share** | **32** | **29** | **10** | **10** | **4** | **15** | **100** |

Source: RESD, field survey.

2.3.2. **Distribution Channels**

The combined profile of sales by channels of distribution indicates the predominance of usage among catering and fast foods outlets. Cold stores (predominately wholesalers) sales are largely re-routed to fast foods and catering companies.

Catering sectors (fast foods, hotels, cafeteria and restaurants) account for over 80% of frozen fries consumption and 64% of all other frozen vegetables:

|  |  |  |
| --- | --- | --- |
| **Frozen Veg: Customers’ Profile of Supplies (%)** | | |
| **Outlets** | **Frozen Fries** | **A/O Froz. Veg.** |
| **Cold Stores** | **52** | **33** |
| **Catering/Restaurants** | **29** | **31** |
| **Retail** | **11** | **30** |
| **Other** | **8** | **6** |
| **Total:** | **100** | **100** |

2.4. **Products & Brand Profiles**

2.4.1. **Imports**

The imports dominated market is characterized by a large number of brand offerings, predominately from Holland (60%), Egypt (20%), Canada (9%) and U.S.A. (4%), in the case of frozen fries.

In the all other frozen vegetables categoy, an even greater number of brands are available from some 36 countries, with the majority of imports from U.S.A. (37%), Egypt (30%), Belgium (15%) and Holland (4%).

2.4.2. **Domestic Brands**

Local production of frozen vegetables is limited to two companies which process frozen fries, from local industrial potatoes. **Food Products Co.** (Inv.# 1247) and **Astra, Tabuk** (non-SIDF, closed) are the only 2 remaining processors. **Hadco** (Inv.# 1550), ceased potato farming and frozen fries processing in 1999, due to management problems, poor crop yields and inefficient processing equipment. This followed unsuccessful experiments in other vegetables/fruits (corn/strawberries) suspended in ’98.

Separately, Vita Food Co., Dammam and Sunbullah, Jeddah are local repackers of imported frozen vegetables/fries under the company brand names.

A full listing of brands, origins and pack sizes are summarized in Appendices 1 & 2.

2.4.3. **Pack Sizes**

Frozen fries are generally available in 400 g, 1 kg and the most popular 2.5 kg size.

All other frozen vegetables are sold in a larger variety of pack sizes, with 400 g, 450 g and 900 g the predominant packs.

3. **MARKET CHARACTERISTICS**

Catering sectors (fast foods, hotels, cafeteria & restaurants) account for over 80% of frozen fries consumption and close to 60% of all other frozen vegetables. The expansion of these sectors has driven most of the growth in the market, during the past four years.

Imports accounted for an average 83% of frozen fries supplies in the ’97 – ’99 period, with foreign products representing 100% of other frozen vegetables sourcing. Given the large number and variety of imported brands, the market for frozen vegetables is highly price sensitive.

Farming yields for local industrial potatoes are on average 37% less per hectare as compared to table potatoes, and require more specially trained labour for growing, harvesting and handling. Additionally, generally, industrial & table potatoes are sold at parity price. Erratic quality due to weather/handling and resultant low finished goods processing yields (50 – 60% of raw material input), generate low profit returns for local processors competing with lower priced imports; despite 12% off-season (July-Nov.) and 25% harvest period (Dec. – June) import duties.

In the case of all other frozen vegetables, the relatively low demand by segment, the need for speciality varieties and more intensive farming techniques/handling and the need, ideally, to have the processing plant adjacent to the farm, have constrained local production. These obstacles have been further acerbated by the abundant supplies of lower priced imports, primarily from Egypt.

4. **SUPPLY**

4.1. **Imports**

As previously highlighted, Holland, Egypt, Belgium, Canada and the U.S. are the primary sources of supplies for frozen vegetables, in the past five years.

Based on RESD recent field survey, the customer base for imported, frozen fries is segmented into three sectors. The largest suppliers are major importers (10 – 12 companies) that account for an average 50 – 60% of foreign supplies, in the past three years. Fast foods companies, to control quality & supplies import directly from foreign sources, account for 39 – 42% of consumption. The last segment is comprised of 2 small local repackers of imported finished products, Vita Food Co. and Sunbullah, accounting for 1% of imports. Historical imports of all other frozen vegetables are 90% controlled by importers and 10% by the above mentioned local repackers.

Based on extrapolations from FTS and latest field survey, frozen fries imports are conservatively estimated to have grown to 19.8 M MT in 1999, equivalent to a compound annual growth rate of 4.5% since 1995.

All other frozen vegetables growth has been more modest in the same period, with imports building to 9,900 MT in the latest period, equivalent to 1.6% compound growth. It should be noted that these rises in all other frozen vegetables are below previous projections of 5%. The reduced rate is linked to consumer preference for fresh produce, supported by the abundant and readily accessable supplies of fresh vegetables at reasonable rates. This is supported by latest Agricultural Statistics Year Book (Vol.# 12), which indicates increased supplies of all fresh vegetables, the primary frozen vegetables products, have grown from 972 M MT in 1994 to 1,242 M MT in 1998 (CAGR + 6.3%).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **KSA: Frozen Vegetables Imports Trend - 1999 (MT)** | | | | | | |
| **Product** | **1995** | **1996** | **1997** | **1998** | **1999** | **CAGR** |
| **Frozen Fries** | **16,600** | **17,400** | **18,500** | **19,600** | **19,800** | **4.5** |
| **A/O Vegetables** | **9,300** | **9,400** | **9,500** | **9,600** | **9,900** | **1.6** |
| **Total:** | **25,900** | **26,800** | **28,000** | **29,200** | **29,700** | **3.5** |

4.2. **Local Supply**

4.2.1. **Domestic Processors**

In 1999, following Hadco’s exit from market, there were only two local processors of frozen fries, namely, Food Products Co. (Inv.# 1247) and Astra, Tabuk (non-SIDF, closed). In early 2000, Astra halted production due to processing equipment problems. Astra resumed commercial production in mid-October.

Due to strong availability of local industrial potatoes, at highly attractive prices due to oversupply situation, domestic supplies driven primarily by FPC grew to 5,000 MT in 1999, equivalent to a 44% increase over prior year, as follows:-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **KSA: Frozen Fries – Local Supply (MT)** | | | | | |
| **Company** | **1995** | **1996** | **1997** | **1998** | **1999** |
| **Hadco** | **-** | **-** | **265** | **440** | **13** |
| **FPC** | **3,194** | **3,150** | **2,329** | **2,138** | **3,895** |
| **Astra** | **-** | **-** | **600** | **900** | **1,100** |
| **Total:** | **3,194** | **3,150** | **3,194** | **3,478** | **5,008** |

Separately, Al Khorayef Food Ind. (Appl. # 2045, closed) and Al Arfaj (Appl. # 2205, closed by sponsor) frozen vegetables projects were not implemented.

4.2. **Domestic Repackers**

Vita Food Co. (Inv. # 274) and Sunbullah (Inv. # 620) have been supplying the local frozen vegetables markets, for a number of years, through repacking of imported products, primarily from Holland, Egypt and Belgium.

While Vita’s supplies are quite modest, and significantly below installed capacity, Sunbullah have grown sales 53% in the past three years, as follows:-

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **KSA: Frozen-Veg. Repackers’ Supply/Capacity Utilization (MT)** | | | | | | |
| **Suppliers** | **Product** | **1997** | **1998** | **1999** | **Installed Capacity** | **% Utilization** |
| **Sunbullah** | **Froz.Fries** | **123** | **145** | **155** | **1,800** | **9** |
|  | **A/O Veg.** | **566** | **744** | **899** | **1,300** | **70** |
|  | **Total:** | **689** | **789** | **1,054** | **3,100** | **34** |
| **Vita Food** | **Froz.Fries** | **8** | **10** | **12** | **500** | **2** |
|  | **A/O Veg.** | **35** | **34** | **36** | **500** | **7** |
|  | **Total:** | **43** | **44** | **48** | **1,000** | **5** |

Source: RESD field survey.

4.2.3. **Licensed Installed Capacities/Utilization**

M.O.I.E. data indicate there are 41 active licences for the processing of frozen vegetables, with total licensed capacity of 179,435 MT. From this, following Hado’s plant shutdown in June/’99, Food Products Co. (FPC) and Astra are the only two active processors (Froz. Fries exclusively).

Based on 1999 production of 3,895 MT, FPC is operating at 54% of capacity (7,200 MT), with Astra utilization rate also at 54% (1,100/2,048 MT).

4.3. **Raw Material Supply**

As of 1999, there were 4 major producers of industrial potatoes in the Kingdom, namely, Al Jouf Agricultural Co., Tabuk Agr. Co., Nadec and Astra. These farms’ supplies, which are estimated to produce 75 – 80% of industrial potatoes, are supplemented by a number of smaller farms (12 – 15).

Based on the recent field survey of major farms and customers, domestic potato crops of both industrial and table varieties, significantly increased in 1999, leading to oversupply and depressed pricing. Revenues per ton decreased from 50 – 55% (SR 425/SR 1,050) versus 1998. This dramatic price depression and resultant losses by the vast majority of potato farms, has led to a significant reduction in cultivation area and decreased number of farms planting potatoes in 2000. The fact that industrial and table potatoes are generally sold at parity price, despite a 37% less yield, is a further disincentive to plant.

These events have resulted in a significant increase in prices for industrial potatoes, coupled with quality problems, making domestic processors of frozen fries uncompetitive with imports in the first 3 quarters of 2000.

Going forward, the Kingdom’s varying, regional climate and soil conditions, which allow for the growing of potatoes virtually year-round continue to provide an opportunity for domestic substitution of imported, frozen fries and other high velocity frozen vegetables.

Based on actual experiences and supported by the agricultural consultant study commissioned by the Fund, industrial potatoes can successfully be harvested in the Kingdom, with appropriate, specialised farming methods. Further, given that potatoes grown in KSA are produced by means of irrigation rather than dependence on rainfall, as in the case for imports, the local growers have a competitive advantage. The key advantage vs imports is a much greater degree of consistency of volume production, assuming good farming practices are used.

A regime whereby processors honor forward purchase commitments, which has not historically been the case due to periodic shifts to imports at lower price, and farmers having a high degree of confidence in agreements, combined with good farming practices, can produce a successful, domestic industry for frozen fries. The ideal marketing formula, with the highest returns, would encompass an integrated farm and processing plant combined with an efficient cold chain distribution network. Periodic low price imports, due to subsidies/oversupply do not pose a significant threat to long term stability of prices to the Saudi grower. Long term, it is to the benefit of local processors to buy Saudi potatoes, where quality standards can be assured based on long term contracts.

In the case of other vegetables, onions, garlic and sweet corn all can have excellent profit potential, although a wide range of beans can be successfully grown in the north of the Kingdom, the economics are very marginal, given much lower priced imports.

5. **DEMAND**

5.1. **Historical Demand**

Based on field data and foreign trade statistics, the local demand for frozen fries has experienced a 5.8% compound annual growth rate during the past five years, building to 24.8 M MT in 1999. The major drivers of this strong growth rate have been catering & fast foods sectors.

All other frozen vegetables, based on imports data, have posted a more modest growth at 1.6%, well below population rise of 3.7% in the period. The consumer preference for fresh vegetables combined with adequate supplies at reasonable prices have contained growth as follows:-

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **KSA: Frozen Vegetables Demand (MT)** | | | | | | |
| **Product** | **1995** | **1996** | **1997** | **1998** | **1999** | **CAGR** |
| **Frozen Fries** | **19,775** | **20,590** | **21,720** | **23,045** | **24,750** | **5.8** |
| **A/O Froz.Veg.** | **9,300** | **9,400** | **9,500** | **9,600** | **9,900** | **1.6** |

5.2. **Future Demand**

Forecasted, continued strong growth in the fast foods industry, expansions in the various catering sectors and in-home consumption rises linked in part to new, flavors/shapes are projected to grow consumption demand of frozen fries by 7% in the next five years.

Consumer overall trends to fresh foods combined with the availability of good quality local vegetables are projected to lead to a more modest growth rate for all other frozen vegetables, equivalent to a compound increase of 2%, as follows:-

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **KSA: Frozen Vegetables Demand Forecast – 2004 (MT)** | | | | | | |
| **Product** | **2000** | **2001** | **2002** | **2003** | **2004** | **CAGR** |
| **Frozen Fries** | **26,480** | **28,335** | **30,320** | **32,440** | **34,710** | **7.0** |
| **A/O Froz.Veg.** | **10,100** | **10,300** | **10,500** | **10,720** | **10,930** | **2.0** |
| **Total:** | **36,580** | **38,635** | **40,820** | **43,160** | **45,640** | **5.7** |

All other frozen vegetables importance by varieties are projected to be broadly in line with historical segmentation as follows:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Demand Forecast: A/O Vegetables : Importance by Variety (%)** | | | | | | | |
|  | **Peas** | **Mixed Veg.** | **Okra** | **Molokhia/**  **Spinach** | **Cut Beans** | **Others** | **Total** |
| **% Share** | **32** | **29** | **10** | **10** | **4** | **15** | **100** |

5.3. **Exports**

Foreign trade statistics indicate very limited quantities of exports for frozen fries, equivalent to 4.3 MT in ‘98 and 15.5 in ’99, primarily to Bahrain.

In the other frozen vegetables category, there are negligible quantities of re-exports reported during the past five years, ranging from 4-8 MT.

6. **Pricing**

Due to the abundant supply of local industrial potatoes in 1999, Food Products Co., the largest domestic processor, implemented a 18% wholesale price decrease versus imported brands, in an effort to gain share. Imports responded to this price roll-back in the fourth quarter of ’99, halting FPC’s sales. Pricing by imports was further decreased in 2000 by as much as 16%, resulting in a 65% decline in sales volumes versus ’99 for FPC, combined with depressed margins due to increase in local industrial potatoes costs.

All other frozen vegetables prices have remained relatively constant during the past two years:-

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **KSA: Frozen Vegetables Selling Prices Trend (SR)** | | | | | |
| **Product** | **Size** | **Source** | **Wholesale S.P.** | | |
|  |  |  | Jan-Sept.’99 | Q4 ‘99 | Jan-Sept.’00 |
| **Froz.Fries** | 10 Kg | Egypt | 48 – 50 | 36 – 39 | 32 – 34 |
| **“ “** | “ | Holland | 50 – 55 | 36 – 38 | 30 – 32 |
| **“ “** | “ | KSA(Repackers) | 45 – 48 | 38 | 28 – 30 |
| **“ “** | “ | FPC | 38 – 40 | 38 | 28 – 30 |
|  |  |  |  |  |  |
| **Mixed Veg.** | 8 Kg | Egypt | 25 – 27 | 25 – 27 | 25 – 27 |
| **Peas** | 8 Kg | Egypt | 32 – 35 | 32 – 35 | 32 – 35 |
| **Peas** | 8 Kg | Belgium | 32 – 35 | 32 – 35 | 32 – 35 |
| **Cut Beans** | 8 Kg | Egypt | 22 – 24 | 22 – 24 | 24 – 28 |
| **Okra** | 8 Kg | Egypt | 28 – 30 | 29 – 32 | 30 – 33 |
| **Molokhia** | 8 Kg | Egypt | 20 – 24 | 23 – 27 | 24 – 28 |
| **Spinach** | 8 Kg | Egypt | 26 – 28 | 28 – 30 | 28 – 32 |

Source: RESD Field Survey.

Given reduced levels of potatoes farming, prices in the fourth quarter of 2000 have increased for domestic supplies, returning to ’98 levels.

|  |  |  |  |
| --- | --- | --- | --- |
| **Industrial Potatoes Selling Prices Trend (SR/MT)** | | | |
|  | **1998** | **1999** | **2000** |
| **Selling Price** | **900-1,200** | **350 – 600** | **1,000 – 1,200** |

Source: RESD

Retail selling prices for frozen fries vary generally by country of origin. Based on field audits, Egyptian supplies are normally the least expensive followed by Belgium and Holland, with frozen fries from USA and Canada, the premium brands.

Retailers’ selling prices on the most important 2.5 Kg frozen fries brands, range from SR 10.50 to SR 16.65, based on latest supermarkets survey. Detailed prices at retail and wholesale are summarized in Appendix – 3.

1. **Competitive Environment**

Domestically, local processors of frozen fries accounted for 20.2% of supplies in the latest recorded ’99 period, with the two local re-packers representing 0.7% of consumption. The major importing distributors are estimated to account for 48% share of supplies, with fast foods direct imports accounting for 31% of demand.

In the all other frozen vegetables sector, the two local repackers are reported to account for 9.4% of estimated demand in ’99, with importers/distributors contributing the balance.

|  |  |  |
| --- | --- | --- |
| **KSA: Frozen Fries/Vegetables Comparative Market Shares – 1999 (%)** | | |
|  | **Frozen Fries** | **A/O Frozen Veg.** |
| **Distributors** | 48.0 | 90.6 |
| **Fast Foods** | 31.1 | - |
| **Local Processors** | 20.2 | - |
| **Repackers** | 0.7 | 9.4 |
| **Total** | 100% | 100% |

1. **Advertising and Promotion**

Given the importance of importers/distributors in the market, the high level of price sensitivity and relatively low retail market importance, marketing activities are primarily restricted to trade discounting. At retail, co-op advertising price features using newspapers and grocery stores flyers, are the predominant promotion vehicles.

In terms of consumer advertising, Astra have to-date not invested in media advertising. Food Products Co. are planning to invest SR 250 – 400 M in outdoor and newspaper advertising to support Wafra brand frozen fries. These expenditures are equivalent to 3.4% - 3.6% of FPC’s projected sales revenues in 2001.

1. **Conclusion**

There continues to be opportunities for current and new, local processors of frozen fries, to profitably grow share from imports. The local soil and climate conditions allow for farming of good quality industrial potatoes virtually year round, providing competitive advantages versus most importing countries that rely on one crop per annum.

The demand for frozen fries will continue to grow strongly, fueled by fast foods and catering sectors; projected to rise by a 7% compound annual growth rate, over the next five years. The keys to success in the market are adequate supplies of good quality raw materials and satisfactory cold chain distribution network, supported by strong strategic business and marketing planning processes. Ideally, the processing plant should be located on or in close proximity to the farm. All other frozen vegetables potential in less pronounced, however offers potential in certain higher velocity sectors, supported by good farming practices.

10. **Recommendation**

It is recommended that the Fund continue to accept frozen fries/all other vegetables applications based on their merits.

Appendix - 1

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| KSA: Frozen Fries Brands/Prices Profile | | | | | |
| **Supplier Name** | **Brand/Origin** | **Carton Size (kg)** | **C/F Price ($/ton)** | **Supplier Selling Price (SR/Carton)** | |
| Vita Food Co. (Repacker) | Vita/KSA | 400g x 10 | N/A | 45 | |
| Al-Sunbullah (Repacker) | Sunbullah/KSA | 2.5kg x 4 | N/A | 30 | |
| 1kg x 12 | N/A | 45 | |
| Abar & Zainy | Buttler/Holland | 2.5 kg x 4 | $630 | 30 | |
| Kisser/Holland |  |  |  | |
| Farm Frit/Egypt | 2.5 kg x 4 | $570 | 27 | |
| Saudieast | Buttler/Holland | 2.5 kg x 4 | $600 | 30 | |
| Saudi Cold Store | Buttler/Holland | 2.5 kg x 4 | $630 | 30 | |
| Al-Shahini Cold Store | Buttler/Holland | 2.5 kg x 4 | - | 28-29 | |
| Shihata Cold Store | Star Frit/Egypt | 2.5 kg x 4 | - | 28 | |
| Buttler/Holland | 2.5 kg x 4 | - | 31-32 | |
| Bin Zager | Geko/Holland | 2.5 kg x 4 | N/A | N/A | |
| Al-Munajem | Buttler/Holland | 2.5 kg x 4 | - | 29-30 | |
| Super Star/Egypt | 2.5 kg x 4 | - | 24 | |
| Fine/Egypt | 2.5 kg x 4 | - | 22 | |
| Halwani Bros. | Buttler/Holland | 2.5 kg x 4 | $630 | 34 | |
| Food Products Co.( KSA ) | Saudi Garden | 1 kg x 10 |  | 45 | |
| 2.5 kg x 4 |  | 42 | |
| Wafra | 2.5 kg x 4 |  | 36 | |
| Macolate | 2.5 kg x 4 |  | 24 | |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **KSA: Frozen Fries Brands/Wholesales Prices** | | | | | |
| **Name of Wholesaler** | **Brand** | **Source** | **Pack Size** | **No. of Pack/Carton** | **Wholesale Price/Carton** |
| Al-Sawalem Cold Store | Buttler | Holland | 2.5 kg | 4 | 34 |
| Wafra | KSA | 2.5 kg | 4 | 33 |
| Tawared Trading Est. | Buttler | Holland | 2.5 kg | 4 | 36 |
| Buttler | Holland | 1 kg | 10 | 36 |
| Prim Pom | Belgium | 2.5 kg | 4 | 32-36 |
| Hall Cold Store | Buttler | Holland | 2.5 kg | 4 | 30-34 |
| Buttler | Holland | 1 kg | 10 | 30-34 |
| Prime | Belgium | 2.5 kg | 4 | 30 |
| Wafra | KSA | 2.5 kg | 4 | 30 |
| Balsharaf Est. | Buttler | Holland | 2.5 kg | 4 | 35 |

Source: RESD Field Survey.

**Appendix – 1 (Contd.)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| KSA: Frozen Fries Retail Brands/Selling Prices | | | | |
| **Name of Retailer** | **Brand** | **Source** | **Pack Size** | **Retail Price** |
| Panda 8 | Wafra | KSA | 2.5 kg | 13.75 |
| Buttler | Holland | 2.5 kg | 10.50 |
| Al-Kabeer | Holland | 2.5 kg | 15.50 |
| Americana | Egypt | 2.5 kg | 10.75 |
| Sunbullah | Egypt | 2.5 kg | 13.50 |
| Saudi Garden | KSA | 2.5 kg | 13.50 |
| Green Giant | Greece | 1 kg | 12.95 |
| Safeway | Buttler | Holland | 2.5 kg | 16 |
| Maple Leaf | Canada | 2.5 kg | 13.50 |
| Sunbullah | Egypt | 2.5 kg | 13.50 |
| Al-Kabeer | Holland | 2.5 kg | 16.65 |
| Al-Kabeer | Holland | 1 kg | 6.65 |
| Ross | England | 900g | 13.40 |
| Emborg | Denmark | 900g | 5.95 |
| Dat-Schaub | Denmark | 1kg | 7.50 |
| Oreida | USA | 907g | 13.40 |
| Oreida | USA | 793g | 15.50 |
| Sunbullah | KSA | 1kg | 7.75 |
| Al-Rabwa Super Market | Dat-Schaub | Holland | 2.5 kg | 13 |
| Buttler | Holland | 2.5 kg | 11.50 |
| McCain | Canada | 2kg | 16.25 |
| Keizer | Holland | 2.5 kg | 9.75 |
| Al-Kabeer | Holland | 2.5 kg | 13 |
| Saudi Gardens | KSA | 1kg | 5.95 |
| Ross | U.K. | 450g | 5.75 |
| Aswaq Al-Gamah | Buttler | Holland | 2.5 kg | 13 |
| Al-Kabeer | Holland | 1 kg | 7 |
| Dat-Schaub | Holland | 1 kg | 7 |
| Buttler | Holland | 2.5 kg | 14 |
| Aswaq Al-Seyrae | Buttler | Holland | 1 kg | 6 |
| Al-Kabeer | Holland | 2.5 kg | 12 |

**APPENDIX - 2**

| **KSA: A/O Frozen Vegetables Brands** | | | | | |
| --- | --- | --- | --- | --- | --- |
| **Supplier Name** | **Brand/Origin** | **Type** | **Carton Size** | **C/F Price $/Carton** | **Supplier Selling Price SR/Carton** |
| Vita Food Co. (Repacker) | Vita/KSA | Peas | 400g x 16 | N/A | 58 |
| Mixed veg. | 400g x 20 | N/A | 40 |
| Al-Sunbullah (Repacker) | Sunbullah/KSA | Peas | 450g x 12 | N/A | 39 |
| Mixed veg. | 450g x 12 | N/A | 37 |
| Brand beans | 450g x 12 | N/A | 50 |
| Sweet corn | 450g x 12 | N/A | 65 |
| Con on cob | (4x200g)x12 | N/A | 65 |
| Abar & Zainy (Importer) | Zeina/Egypt | Peas | 400g x 20 | $600 | 30-33 |
| Mixed veg. | 400g x 20 | $600 | 24-27 |
| Molokhia | 400g x 20 | $600 | 24-27 |
| Okra (O) | 400g x 20 | $600 | 43 |
| Okra (I) | 400g x 20 | $600 | 27-33 |
| Cut beans | 400g x 20 | $600 | 22-24 |
| Al-Munajem (Importer) | Montana/Egypt | Cut beans | 400g x 20 | - | 20-24 |
| Okra | 400g x 20 | - | 24 |
| Molokhia | 400g x 20 | - | 20 |
| Mixed veg. | 400g x 20 | - | 24 |
| Spinach | 400g x 20 | - | 24 |
| Saudieast (Importer) | Lura/Egypt | Peas | 400g x 20 | $400 | 28 |
| Mixed veg. | 400g x 20 | $400 | 22 |
| Beans | 400g x 20 | $400 | 22 |
| Okra | 400g x 20 | $400 | 32 |
| Molokhia | 400g x 20 | $400 | 24 |
| Spinach | 400g x 20 | $400 | 25 |
| Saudi Cold Storage (Importer) | Bahia/Egypt | Peas | 400g x 20 | $800 | 30 |
| Mixed veg. | 400g x 20 | $700 | 22 |
| Beans | 400g x 20 | $700 | 22 |
| Okra | 400g x 20 | $800 | 30 |
| Spinach | 400g x 20 | $750 | 26 |
| Molokhia | 400g x 20 | $750 | 26 |

Source: RESD, field survey.

**APPENDIX – 2 (Contd.)**

| **KSA** | | | | | |
| --- | --- | --- | --- | --- | --- |
| **Name of Wholesaler** | **Brand** | **Source** | **Pack Size** | **No. of Pack/Carton** | **Wholesale Price** |
| Al-Sawalem Colds Store | Montana | Egypt | 400g | 20 mixed veg. | 28 |
| Montana | Egypt | 400g | 20 peas | 38 |
| Montana | Egypt | 400g | 20 beans | 28 |
| Montana | Egypt | 400g | 20 okra | 35 |
| Montana | Egypt | 400g | 20 molokhia | 35 |
| Montana | Egypt | 400g | 20 spinach | 35 |
| Tawared Trading Est. | Montana | Egypt | 400g | 20 mixed veg. | 27-29 |
| Noor | Egypt | 400g | 20 mixed veg. | 27-29 |
| Nemah | Egypt | 400g | 20 mixed veg. | 27-29 |
| Montana | Egypt | 400g | 20 peas | 36-37 |
| Montana | Egypt | 400g | 20 okra | 33 |
| Hall Cold Store | Montana | Egypt | 400g | 20 mixed veg. | 27 |
| Leziza | Egypt | 400g | 20 mixed veg. | 25 |
| Noor | Egypt | 400g | 20 mixed veg. | 25 |
| Al-Kaher | Egypt | 400g | 20 mixed veg. | 25 |
| Toman | Egypt | 400g | 20 mixed veg. | 25 |
| Montana | Egypt | 400g | 20 peas | 35 |
| Laziza | Egypt | 400g | 20 peas | 35 |
| Noor | Egypt | 400g | 20 peas | 35 |
| Al-Kaher | Egypt | 400g | 20 peas | 35 |
| Al-HodathyCold Store | Basma | Egypt | 400g | 20 mixed veg. | 35 |
| Al-Faried | Syria | 400g | 20 mixed veg. | 35 |
| Frogel | Belgium | 400g | 20 peas | 32-35 |
| Mafco | India | 400g | 20 peas | 32 |
| Basma | Egypt | 400g | 20 molokhia | 32 |

**APPENDIX – 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **KSA: A/O Frozen Vegetables Retail Brands/Prices** | | | | |
| **Name of Retailers** | **Brand** | **Source** | **Pack Size** | Retail Prices |
| Safeway | Emborg | Belgium | 400g beans | 9.70 |
| Ross | UK | 450g corn | 7.56 |
| Dat-schaub | Belgium | 450g corn | 8.65 |
| Green Giant | USA | 453g corn | 8.95 |
| Green Giant | USA | 1kg corn | 15.75 |
| Sunbullah | KSA | 900g corn | 11.25 |
| Americana | Belgium | 450g corn | 6.75 |
| Sunbullah | KSA | 1kg corn | 11.95 |
| Green Giant | USA | 1kg corn | 14.25 |
| Emborg | USA | 1kg corn | 11.95 |
| Montana | Egypt | 400g peas | 2.95 |
| Montana | Egypt | 400g beans | 1.95 |
| Montana | Egypt | 400g okra | 4.35 |
| Montana | Egypt | 400g molokhia | 1.95 |
| Sunbullah | KSA | 400g molokhia | 2.75 |
| Basma | Egypt | 400g molokhia | 2.25 |
| Basma | Egypt | 400g beans | 2.25 |
| Basma | Egypt | 400g okra | 3.25 |
| Americana | Belgium | 450g beans | 4.50 |
| Americana | Belgium | 900g beans | 7.75 |
| Emborg | Belgium | 450g spinach | 6.50 |
| Ross | UK | 900g mixed veg. | 11.75 |
| Emborg | Belgium | 450g mixed veg. | 7 |
| Green Giant | Greece | 900g mixed veg. | 13.50 |
| Green Giant | Greece | 450g mixed veg. | 7.75 |
| Plyms | England | 450g mixed veg. | 7.75 |
| Americana | Belgium | 900g mixed veg. | 8.25 |
| Watties | New Zealand | 450g mixed veg. | 5.85 |
| Emborg | Belgium | 900g mixed veg. | 12.65 |
| Green Giant | Greece | 450g peas | 7.75 |
| Watties | New Zealand | 450g peas | 6 |
| Sunbullah | KSA | 450g peas | 4.50 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of Retailers** | **Brand** | **Source** | **Pack Size** | Retail Prices |
| Al-Rabwa Supermarket | Aga | Egypt | 400g okra | 2.50 |
| Aga | Egypt | 400g molokhia | 2.25 |
| Aga | Egypt | 400g spinach | 2.50 |
| Vita | KSA | 400g okra | 3.50 |
| Vita | KSA | 400g mixed veg. | 4.95 |
| Vita | KSA | 400g peas | 4.75 |
| Aga | Egypt | 400g peas | 2.50 |
| Ross | UK | 400g peas | 6.95 |
| Ross | UK | 400g mixed veg. | 7.25 |
| Aga | Egypt | 400g mixed veg. | 1.95 |
| Americana | Belgium | 400g mixed veg. | 5.25 |
| Sunbullah | KSA | 450g mixed veg. | 5.95 |
| Sunbullah | KSA | 900g mixed veg. | 11 |
| Ross | UK | 450g beans | 9 |
| Watties | UK | 450g mixed veg. | 5.75 |
| Green Giant | USA | 453g corn | 8.50 |
| Americana | Belgium | 450g corn | 6.75 |
| Dat-Schaub | Belgium | 450g corn | 8.75 |
| Dat-Schaub | Belgium | 450g spinach | 8.25 |
| Aswaq Al-Gamah | Laziza | Egypt | 400g beans | 3 |
| Laziza | Egypt | 400g molokhia | 3 |
| Laziza | Egypt | 400g spinach | 3 |
| Aswaq Al-Ahramat | Shahia | Egypt | 400g mixed veg. | 3 |
| Shahia | Egypt | 400g peas | 3 |
| Laziza | Egypt | 400g mixed veg. | 3 |
| Americana | Belgium | 450g mixed veg. | 6 |
| Frogel | Belgium | 400g peas | 3 |
| Aswaq Al-Seyrae | Nora | Egypt | 400g molokhia | 3 |
| Belfrost | Belgium | 400g peas | 3 |
| Laziza | Egypt | 400g mixed veg. | 3 |
| Nemah | Egypt | 400g mixed veg. | 3 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Name of Retailers** | **Brand** | **Source** | **Pack Size** | Retail Prices |
| Panda 8 | Montana | Egypt | 400g spinach | 1.95 |
| Montana | Egypt | 400g molokhia | 2.25 |
| Laziza | Egypt | 400g molokhia | 2.15 |
| Sunbullah | Local | 450g peas | 6.75 |
| Montana | Egypt | 400g peas | 1.75 |
| Montana | Egypt | 400g peas | 1.95 |
| Americana | Egypt | 900g mixed veg. | 9.95 |
| Americana | Egypt | 450g mixed veg. | 5.50 |
| Plyms | England | 450g mixed veg. | 5.75 |
| Watties | New Zealand | 450g mixed veg. | 6 |
| Al-Kabeer | S. Africa | 400g mixed veg. | 3.30 |
| Basma | Egypt | 400g beans | 2.50 |
| Zaina | Egypt | 400g beans | 1.95 |
| Basma | Egypt | 400g okra | 2.95 |
| Sunbullah | Local | 450g corn | 6.95 |
| Sunbullah | Local | 900g corn | 12.50 |
| Green Giant | USA | 453g | 8.75 |
| Plyms | UK | 450g | 10 |
| Americana | Local | 450g | 11.95 |