PRODUCT REPORT

SIDF | SAUDI INDUSTRIAL DEVELOPMENT FUND

**PRODUCT REPORT – Frozen French Fries**

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2024

1. **Product Information**
   1. **Definition**

French fries (usually made of potatoes and widely known as potato-chips or finger chips) refer to thin, long potato strips that are either deep fried in oil or baked. French fries are widely available as fresh foods or in frozen form to be heated later. Frozen French fries are made from potatoes that have been washed and peeled. Then they are cut into slices and blanched in boiling water to soften them slightly. After cooling and drying, they are then fried in oil, had the excess oil derailed, and then flash-frozen and packaged in plastic bags. Frozen French fries comes in a variety of sizes such as 750g, 1kg, 1.5kg, 2kg, and 2.5kg.

* 1. **Picture**



1. **Market Dynamics**

**2.1** **Historical Supply and Demand**

The following table shows the current installed capacities for local manufacturers of frozen French fries and its historical local demand:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Factory | Location | Installed Capacity\* | 2020 | 2021 | 2022 | 2023 |
| Jal Al-Sahraa | Al-Kharj | 2,000 | 1,359 | 1,660 | 1,668 | 1,895 |
| Del-monte | Riyadh | 7,300 | 3,700 | 4,550 | 5,000 | 5,211 |
| Wafra | Riyadh | 30,000 | 16,849 | 19,494 | 20,454 | 19,860 |
| Total Sales | | **39,300** | **21,908** | **25,704** | **27,122** | **26,966** |
| Growth rate (%) | | | | **17%** | **6%** | **-1%** |
| Imports\*\* | | | 239,746 | 284,615 | 305,080 | 301,355 |
| Growth rate (%) | | | | **19%** | **7%** | **-1%** |
| Exports | | | 0 | 615 | 339 | 180 |
| Growth rate (%) | | | | **-** | **-45%** | **-47%** |
| Historical Demand | | | **261,654** | **309,704** | **331,863** | **328,141** |
| Growth rate (%) | | | | **18%** | **7%** | **-1%** |

\*Based on 2 shifts/16hours/312 days a year. \* \*Imports obtained from the HS code 20041000.

According to the market, 2020 witnessed an increase in local producers’ sales due to the limitation of access to imported goods that was caused by Covid-19 restrictions. This allowed local producers to gain higher market shares. In 2021, the market witnessed an 18% growth that was caused by Covid-19 restriction being removed for HORECA. During this year, a number of restaurants, festivals, and many other businesses were established which increased the consumption of frozen French fries.

In 2022, the market had continuous growth of 7% due to the expansion of HORECA and the increasing number of activities and festivals held by the government. Del-monte has stated that 70% of their sales in 2022 was to Al-tazej restaurants. In 2023, Jal Al-Sahraa witnessed a 14% growth in their sales due to terminating their contract with Wafraa, where they used to buy from Wafraa to cover the demand.

Regarding exports, there was no export in 2020 due to the restrictions of Covid-19. However, local producers were able to export after removing restrictions during 2021. In 2022-2023, the export market witnessed a 45% and 56% decrease, respectively, due to producers focusing more on selling locally after gaining a higher market share in 2020. Exports represent a very small percentage of the sales and are mainly to the MENA region. Del-monte for example, have restructured its market strategy from capitalizing exports to winning contract with fast food chains, as 80% of their sales is through contracts with Al-tazej and similar fast-food chains. Additionally, the drop in export was caused by the new rule by the Ministry of Environment Water & Agriculture where export was prohibited considering the way of irrigation. If the potatoes were planted using drip irrigation, then exporting them is allowed. Del-monte was able to export their product due to importing raw materials from Belgium then re-exporting the final product.

Imports are dominating the market due to Saudi Arabia’s weather being unsuitable for a constant supply of raw materials. On the other hand, countries like Belgium and the Netherlands weather aids with maintaining a constant supply of raw materials. Imports represent nearly 92% of the demand in 2023. The figures of imports in 2023 are annualized as the information provided by the HS code is only up to October. In 2023, imports were mainly from Belgium and Netherlands, both representing 79% of total imports. Other includes USA, UAE, Sweden, UK, Turkey, and Oman. There are five imported brands dominating the market: Lamb Weston (23%), Mondial Foods (14%), and McCain (13%) from the Netherlands as well as Americana and SADAFCO (10% each) from Belgium.

**2.2 Future Demand/Balance**

The future demand drivers for frozen French fries are population growth, growing tourism sector, and the growth of the food and beverage sector. The demand is also predicted to increase due to growth in the retail industry, quick service restaurants, as well as HORECA. Exports for potatoes is currently prohibited by The Ministry of Environment Water & Agriculture. However, if the potatoes were planted using drip irrigation, then exporting them is allowed. Market experts predicted that the market would continue to grow at a CAGR of 5%. Accordingly, the following table shows the future supply and demand balance for the following years by ton:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Frozen French Fries (Tons)** | **2024\*** | **2025** | **2026** | **2027** | **2028** |
| Supply | 100,508 | 100,508 | 100,508 | 100,508 | 100,508 |
| Demand (5%) | 344,548 | 361,775 | 379,864 | 398,857 | 418,800 |
| **Balance** | **(244,040)** | **(261,267)** | **(279,356)** | **(298,349)** | **(318,292)** |

\*Al-Jouf Factory will begin manufacturing in 2024 adding 35,000 and SAU-8608 Jal Al-Sahraa Factory will add 26,208 tons.

As it can be seen above, the market is expected to witness an undersupply situation in 2028 with an uncover demand that is predicted to reach 318,292 tons.

1. **Porters 5 Forces**

Barrier to Entry

**MEDIUM**

Suppliers of raw materials are limited with high demands.

Competitive Rivalry

**HIGH**

The market is dominated by imports with a limited number of local producers.

Supplier’s Bargaining Power

**HIGH**

High cost of capital and limited accessibility to raw materials.

Buyer’s Bargaining Power

**HIGH**

There is a large number of options whether they are local or imported brands.

**LOW**

There are no substitutes for frozen French fries.

Threat of Substitutes

1. **Prices**

The price range for French Fries varies significantly due the differences in the product type (i.e., finished product) it can be shape, taste or quality of raw potatoes, which is key in quality and price. Average prices for French fries vary depending on the quality of potatoes and finished good. However, the main factor is raw material prices, which is dependent on quality and seasonality as it is a crop. Some seasons enjoys very excellent products outcomes and quality and other may have an average quality and outcomes due to high heat or lack of raining especially in Europe. The prices are also reliant on sizes, where 750g is the smallest and 2.5 Kg is the largest. The following table shows the selling price (SR/Ton):

|  |  |
| --- | --- |
| **Product** | **Market range** |
| Frozen French Fries | 4,200-7,000 |

1. **Product/ Market Card**

* There are no substitutes for frozen French fries.

Substitute Product

* Population growth.
* Growing tourism sector.
* Growth in retail and HORECA.
* Working mothers.
* University students living alone.
* fast-paced lifestyle consumers.
* Power of buyers in this industry is high due to easiness of shifting to other suppliers.

Customer Segmentation

Power of Customer

Demand Drive

Product Market Card

1. **Success Factors**
   1. A strong raw material source for frozen French fries, may encourage its local production.
   2. Focus on high quality ingredients.
   3. Balance quality with competitive pricing for different market segments.
   4. Continuously adapt to evolving consumer preferences and market dynamics.
2. **International Market Attractiveness of Honey**

|  |
| --- |
| 1. **Global Trade Activity** |

* 1. **Product Description:**

|  |  |
| --- | --- |
| **Product Name** | French Fries |
| **HS Code** | 200410 |
| **HS Description** | Vegetable preparations: potatoes, prepared or preserved otherwise than by vinegar or acetic acid, frozen |

* 1. **Trade Activity:**

**1.2.1 Top Net Importers**

The following table shows the global net Importing activity (value) for French Fries during the years 2020-2022. It highlights the top 10 net importing countries for each year. Analyzing this data provides insights on the targeted market and in evaluating the product's international trade.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2020** | | | **2021** | | | **2022** | | |
| **Country** | **(US $) million** | **Country** | | **(US $) million** | **Country** | | **(US $) million** |
| United Kingdom | 497 | Japan | | 475 | United Kingdom | | 900 |
| Japan | 440 | United Kingdom | | 473 | Japan | | 642 |
| Brazil | 302 | Brazil | | 315 | Italy | | 377 |
| Italy | 235 | Italy | | 290 | Brazil | | 374 |
| Saudi Arabia | 224 | Saudi Arabia | | 266 | USA | | 344 |
| France | 195 | Mexico | | 219 | Mexico | | 295 |
| Mexico | 185 | Rep. of Korea | | 166 | Rep. of Korea | | 224 |
| Rep. of Korea | 159 | Spain | | 156 | Philippines | | 210 |
| Spain | 122 | France | | 154 | Spain | | 207 |
| Philippines | 118 | USA | | 149 | France | | 160 |
| **Total of top 10 net importers** | 2,477 |  | | 2,663 |  | | 3,733 |
| **Total of World** | 4,562 | 5,188 | 6,617 |
| **% Top 10 to World** | 54% | 51% | 56% |

Data Source: UNcomtrade (https://comtradeplus.un.org/)

* 1. **Visualizations:**

Trade Activity for the Top Importing Countries of French Fries

Share of Top 10 Net Importers Compared to Other Countries during (2020-2022)

1. Top 10 Exporters of French Fries (2020-2022)
   1. **Insights:**

* During 2020-2022, **Top 10 net importers** represent 53% of the positive global net imports of total import trade **for French Fries.**
* **4 countries** out of the **top 10** global exporters are among the highest importers.
* The top 10 contributors to global exports represent about 95% of the global exports for French Fries**, led by** Belgium **at 27%** of exports.