

Food Logistics in the GCC: Recent Trends, Implications and Opportunities

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Agenda



Why is Food
Logistics
Important in the
GCC region?



Current
Approaches and
Developments



Implications for
Food Supply Chain
& Logistics



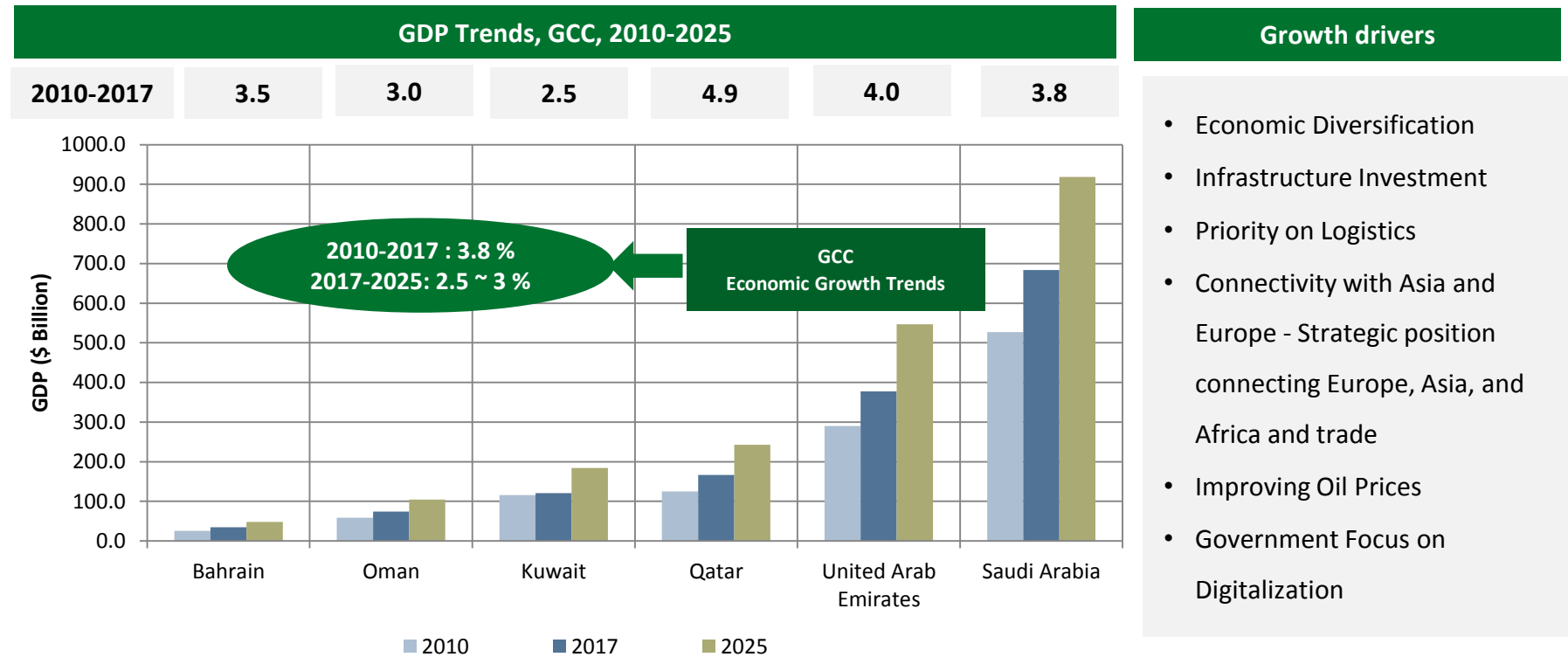
Emerging
Growth
Opportunities



Why is Food Logistics important in the GCC region?

Economy: GDP Growth Trends

Revival in oil market is expected to support economic diversification initiatives



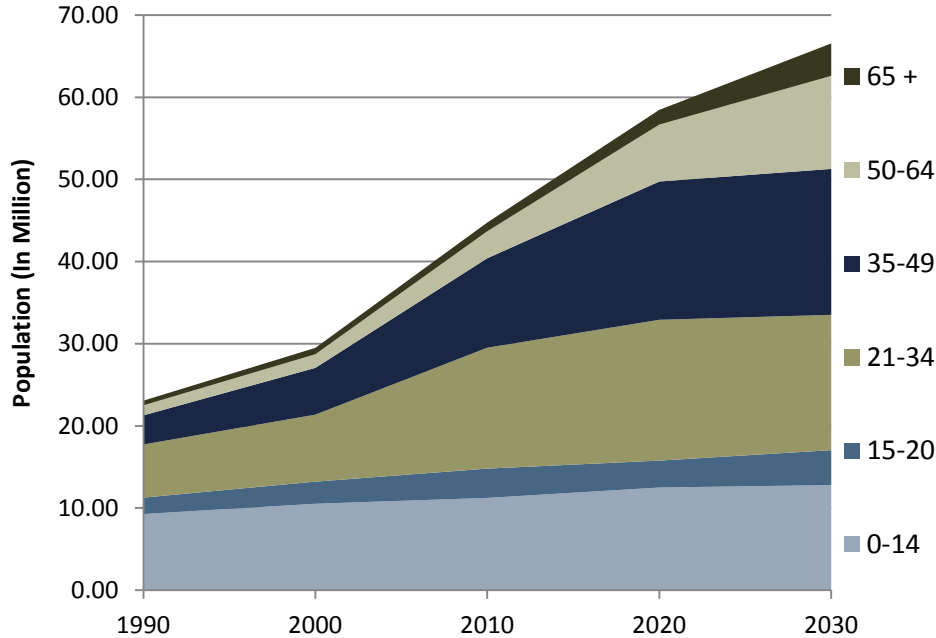
Note: Numbers in the boxes indicate GDP growth rates for 2010-2017

Source: IMF, Analysis by Frost & Sullivan

Demography: Structure of Population

Shifts in demographic composition likely to alter food consumption pattern

Age Structure of Population, GCC, 1990-2030



Share of people below 35 is expected to be 50 % by 2030.

2 → 6

Silent Generation

7 → 17

Baby boomers

24 → 27

Generation X

33 → 25

Millennials

8 → 6

Generation Z

25 → 19

Digital Kids

Note: Numbers in the boxes indicate changes in the share of population

Source: United Nations, Analysis by Frost & Sullivan

National Development Plans

Master plans to focus on industrialization and infrastructure development

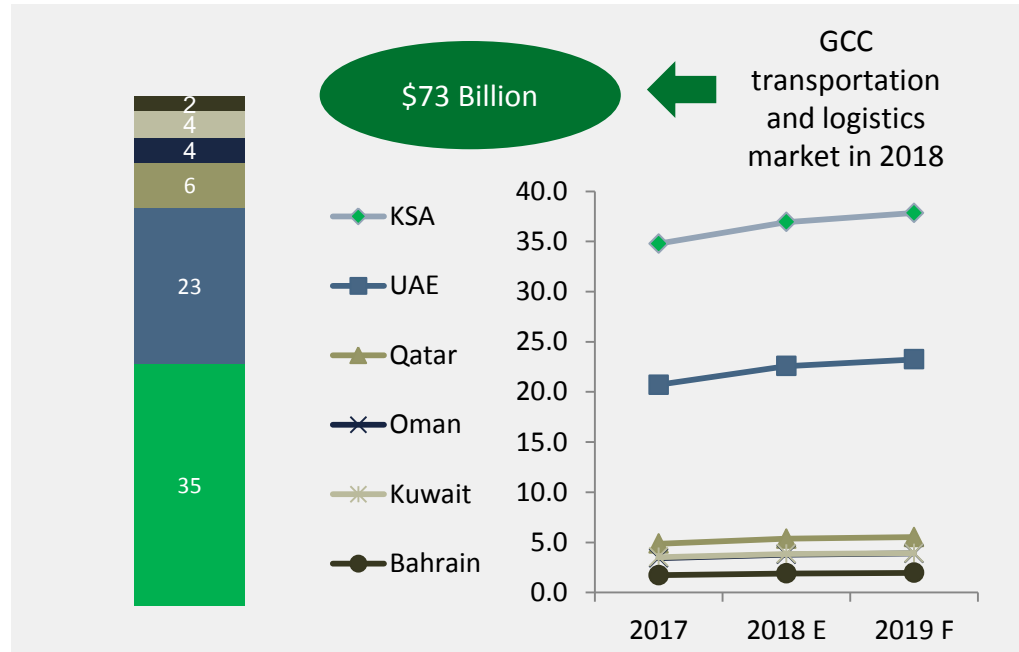
Saudi Arabia	UAE	Oman	Focus Areas
 <p>رؤية VISION 2030 المملكة العربية السعودية KINGDOM OF SAUDI ARABIA</p>	 <p>VISION 2021 الإمارات العربية المتحدة UNITED ARAB EMIRATES عاشرة السنين TENTH ANNIVERSARY YEAR 2021</p>	 <p>عمان 2040</p>	<ul style="list-style-type: none">• Industrialization and High End Manufacturing and Food Processing• Infrastructure Development and Digitalization• Economic Diversification
Qatar	Bahrain	Kuwait	Focus Areas
	 <p>2030 البحرين BAHRAIN</p>	 <p>كويت جديدة NEWKUWAIT</p>	<ul style="list-style-type: none">• Economic Diversification• Knowledge Economy• Logistics and Transshipment Hub• Public-Private Partnership

Source: National Sources, Analysis by Frost & Sullivan

Transportation and Logistics Industry Size in GCC

Significant logistics cost due to fragmented nature of logistics network

Transportation and Logistics industry size by Country, GCC, 2018

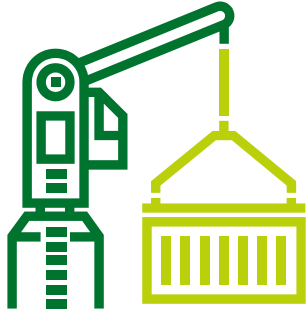


Note: E: estimated; F: forecasted

Food Logistics Trends, GCC, 2018

- Strong and established distribution network in UAE, but fragmented in other GCC countries.
- Large importers usually integrate with logistics and distribution companies.
- Role of unorganised channels in food retailing is significant.
- Increasing Investment in local food processing likely to increase logistics demand.

Source: Industry sources, and Frost & Sullivan Analysis



Current Scenario and Developments

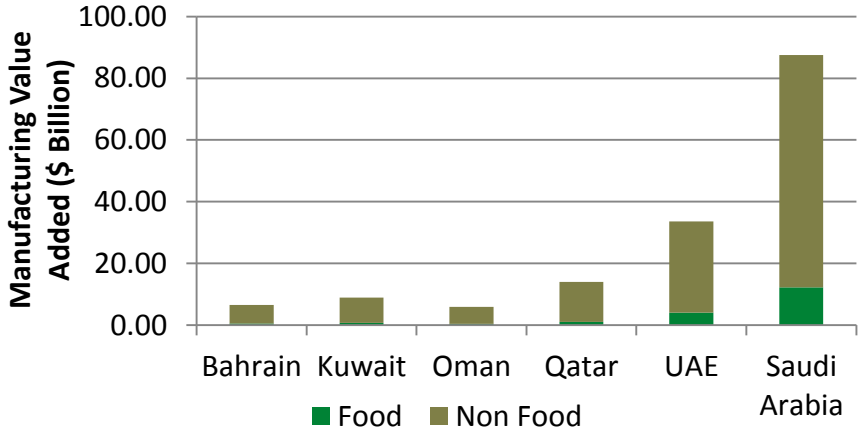
Food and Beverages Market in GCC

Reliance on food imports expected to continue in both KSA and UAE



Food and Beverages Manufacturing , GCC, 2017

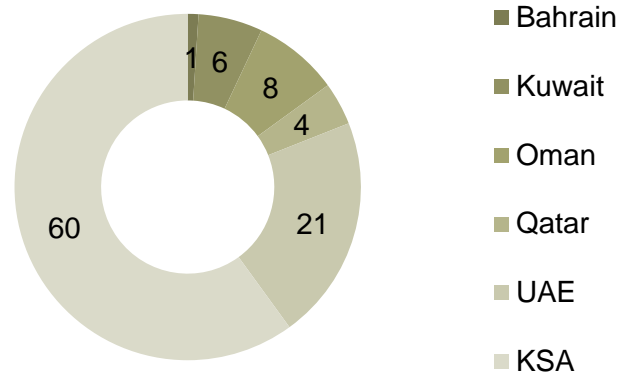
Food and Beverages Manufacturing ~\$ 19 B



Saudi Arabia and United Arab Emirates Accounted for 85 percent of GCC food production in 2017

Food and Beverages Consumption , GCC, 2017

Food and Beverages Consumption ~\$ 100 B



Saudi Arabia and United Arab Emirates Accounted for 81 percent of GCC food consumption in 2017

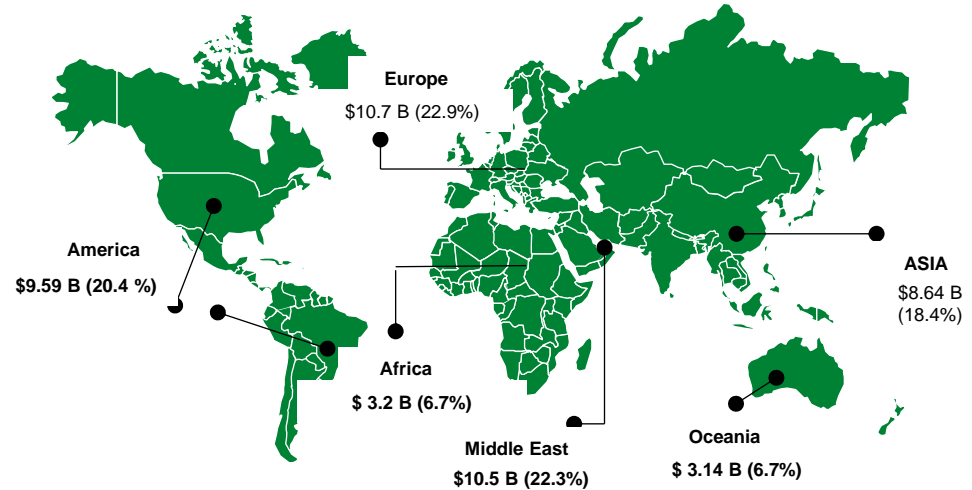
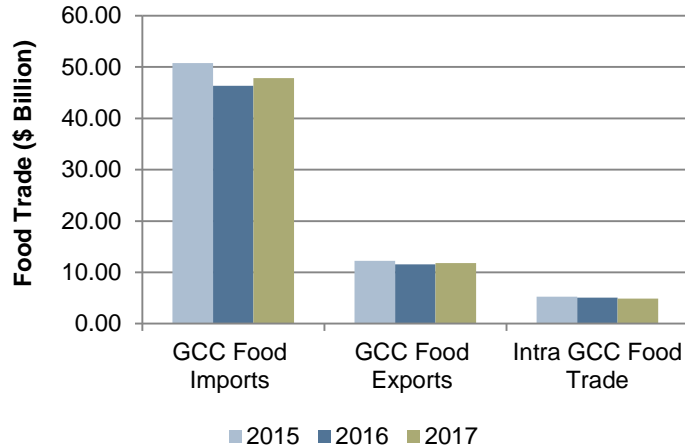
Note: Estimates based on value addition of Food and Beverages from National Accounts statistics

Source: National Statistical Agencies and Frost & Sullivan Analysis

Food Imports and Major Suppliers

Strong linkages with oil price trends, diverse suppliers spread across Europe, Africa and Asia

Food Imports and Major Suppliers, GCC, 2010-2017



Key Features

- Drop in food imports in 2016
- Processed food products exports is duty-free within the GCC region
- Common external tariff of 5 % is applicable to food imports from other countries
- Asia, Africa and Europe are Major Suppliers of Food Products to the GCC region

Source : UNCTAD and Frost & Sullivan Analysis

Concentration of Population in Major Urban Centers in the GCC

Connectivity and storage facilities in ports and consumption centers is key for food logistics

Major product categories



Fruits & Vegetables



Meat Products



Dairy Products



Beverages

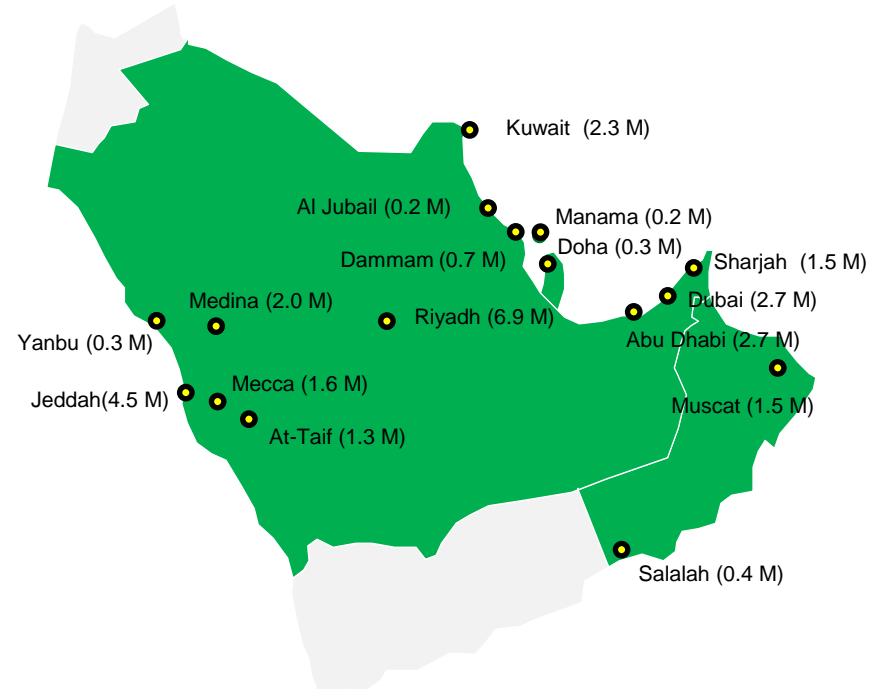


Processed Food

- Urbanization rate is more than 80 percent among the GCC countries.
- About 80% of the products sold in retail outlets are imported as processed food / ready-to-eat food products
- Fresh fruits and vegetables, chilled beef, and dairy products are imported from countries such as Egypt, Pakistan, India, and the United Kingdom in containers.

Image source: flaticon.com

Major consumption centers in the GCC

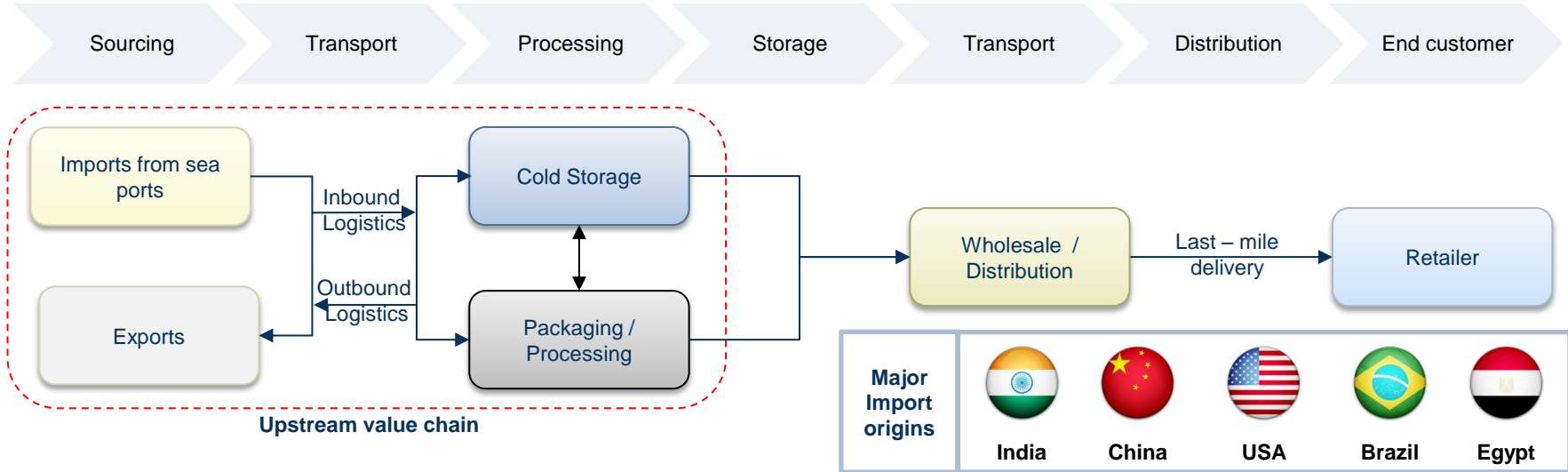


Source: Industry sources and Frost & Sullivan analysis

Food and Beverages Value Chain Market in GCC

Most of the food imports into GCC is through sea

Given the increasingly globalized nature of food markets and the importance of year-round supply to GCC food markets, international collaboration between producers is essential at every stage of the supply chain



Sourcing:

From multiple geographies due to unfavorable local food production climate.

Processing:

The imported goods are transported to cold storage or to the processing centers for further processing.

Distribution:

Processed and semi processed food products are transported mostly by road to the distribution centers .

End customer:

Goods are transported from the distribution centers to the retailers for sale.

Source: Frost & Sullivan Analysis

Logistics Performance Not on Par with Advanced Economies

Key challenges to be addressed include regulatory reforms and connectivity

Logistics Performance Index 2018

Rank	Country
11	UAE
30	Qatar
43	Oman
55	Saudi Arabia
59	Bahrain
63	Kuwait

National Logistics Development Initiatives



Saudi Arabia

- Nine Point Strategy for Transforming Logistics Sector
- Infrastructure Enhancement and reforms in the logistics market segments such as road, rail, air and Sea



Oman

- Logistics Strategy SOLS 2040 - Ideal location for redistribution hub for South Asia and East Africa
- Oman Logistics Group created to develop logistics sector with focus on market development



Qatar

- Transport Master Plan - (2006-2026) - Road and maritime Sector Reforms with integrated and effective transport system.
- Development of multi purpose Hamad Port and FIFA 2022 Infrastructure and Connectivity.



UAE

- Dubai Transportation Plan 2030-
- Dubai 2021 -economic component that aims for the city to become one of the top five logistics centres in the world.



Kuwait

- Integrated Transport Infrastructure Master Plan.
- Kuwait is investing in the related supply chain as well as making efforts to boost local farming and commodity processing.



Bahrain

- Transportation master plan to improve the road transportation network with new highways, bridges and overpasses.
- Bahrain Airport Modernization Program.

Source : Industry Sources and Frost & Sullivan Analysis

Key Challenges for Food Logistics

Last-mile delivery within short timelines and lower costs still remain a challenge

Focus Areas

- Logistics regulations and policies
- Innovations and Technology Adoption
- Transportation and Storage Infrastructure
- Industrialization and Food Processing
- Online Food Sales and Last Mile Delivery

Key Food Logistics Industry Challenges, GCC, 2018



Development Initiatives

- Food security measures
- Foreign Investment and Technology Transfer



Industrialization and Food Processing

- Short of raw materials for domestic manufacturing of processed food
- Conversion of re-exports to value added exports



Consumer Demand and Retail

- Shifts in consumer preference and demand
- Disruptions in modern retailing and increasing online retail sales



eCommerce and Last Mile Delivery

- Logistics start ups and ecommerce companies
- Increasing adoption of app based food delivery solutions



Connectivity and Multimodal Logistics

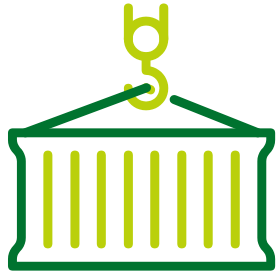
- High import reliance with sea transport as major transportation mode, domestic food distribution is done by road



Digitization

- Increased adoption of robotics and automation in grain storage and warehousing

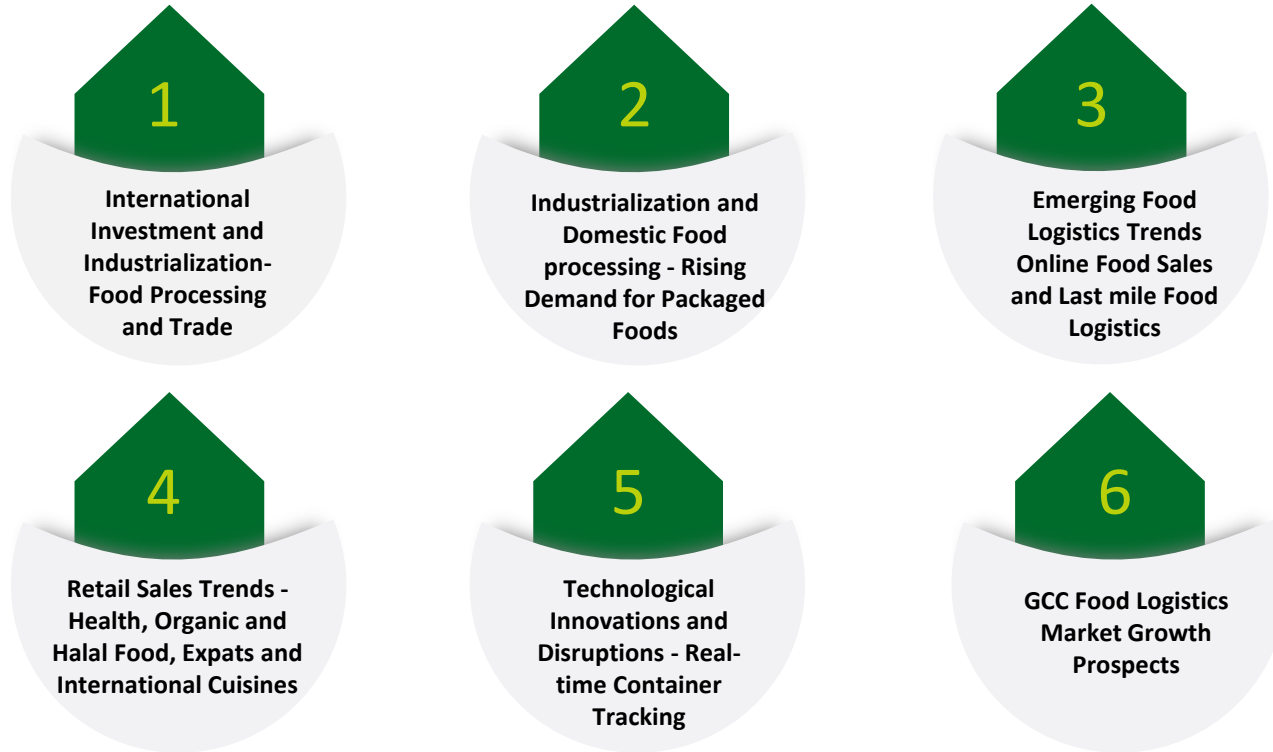
Source: Frost & Sullivan



Implications for Food Supply Chain & Logistics

Implications for Food Supply Chain and Logistics

Six Broad Areas Expected to Drive Transformational Changes



Source: Frost & Sullivan Analysis

Farm Outsourcing and International Investment

Africa emerges as key destination for Agriculture Investment by UAE and KSA

Farm Outsourcing and International Investment in Agriculture by GCC Countries, 2017



- ✓ Food value chain to be strengthened from these major supplying countries
- ✓ Investment in key stages of value chains: FDI, Joint ventures, contract farming, grower schemes, and creation of regional food storage facilities
- ✓ Imports of processed food expected to increase from these destinations driven by investments

Source: Frost & Sullivan Analysis

Industrialization and Local Food Manufacturing

Food and Beverages Given High Priority As Part of Development Plans

Adoption of advanced farming methods, increased use of smart irrigation systems, farm outsourcing, development of domestic food processing are some of the areas being focused by GCC countries to improve food security situation

Food and Beverages Focus Areas



Investments relating to the economic diversification efforts are driven by strategic government plans, food processing is attracting investment from other countries such as India

Imports of raw materials for manufacturing of food products . Outsourced Agriculture emerging as a key source for food production in leased land in other regions such as Asia, Africa and Latin America.

Free Zones have been established across the GCC. These free zones facilitates easy setting up of food manufacturing plants. Dedicated food import terminals planned to handle increasing volume of food trade.

Food Sectors



Meat and Poultry



Dairy, Poultry and Eggs



Vegetables, Fruits and Beverages



Food Processing



Fish And Aquaculture



Packaged Food



Smart Farming- Hydroponics



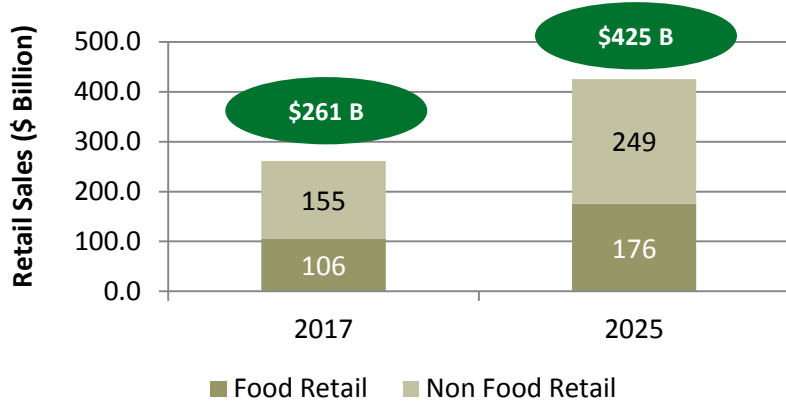
Halal Food

Source : Industry Sources and Frost & Sullivan Analysis

GCC Retail Sales Trends

Food Sales major component of retail sales driven by Disposable Income and Tourism

GCC Retail Sales, 2017-2025



Source : Industry Sources and Frost & Sullivan Analysis

Innovations and Technological Disruptions

Drones, Robotics, Real-time Tracking and Online Delivery Services

TECHNOLOGICAL DISRUPTIONS AND ITS IMPACT ON THE FOOD LOGISTICS INDUSTRY



Drones and Delivery Robots

- Package deliveries
- Last mile deliveries



Robotics

- With more automation, robotics would enable the companies to replace workforce with robots.



Real-time Tracking of Perishables

- Cold chain logistics allows shippers to track consignment real-time



Online delivery services

- Purely data-driven business model
- Aids on-demand last mile food delivery services



Disruption in Logistics

Emergence of New Types of Business Entities

Online Food Stores and Logistics Start ups with Focus on Food Delivery

Cloud Infrastructure Service Providers

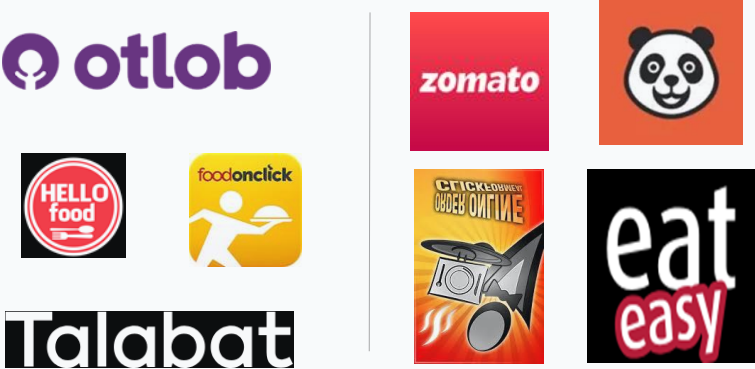
Delivery Automation Robots and Drone based Last Mile Delivery

Source : Industry Sources and Frost & Sullivan Analysis





Last-mile Delivery - online food delivery marketplace

Shifts in food buying pattern likely to accelerate online sales growth

Market size GCC online food market is expected to reach \$ 2.6 billion by 2025, driven by growing online shoppers base

Country	2017 (\$B)	2025 (\$B)	online food delivery solutions	Food Delivery Trends
UAE	0.5	1.2		<ul style="list-style-type: none"> ✓ Drone based Last Mile Delivery Service Providers ✓ GPS tracking of delivery vehicles for real-time order tracking ✓ Big Data analytics to help reduce TAT and forecast customer demand
KSA	0.3	1.0		
Other GCC nations	0.2	0.4		
Total GCC	1.0	2.6		

Key product segments

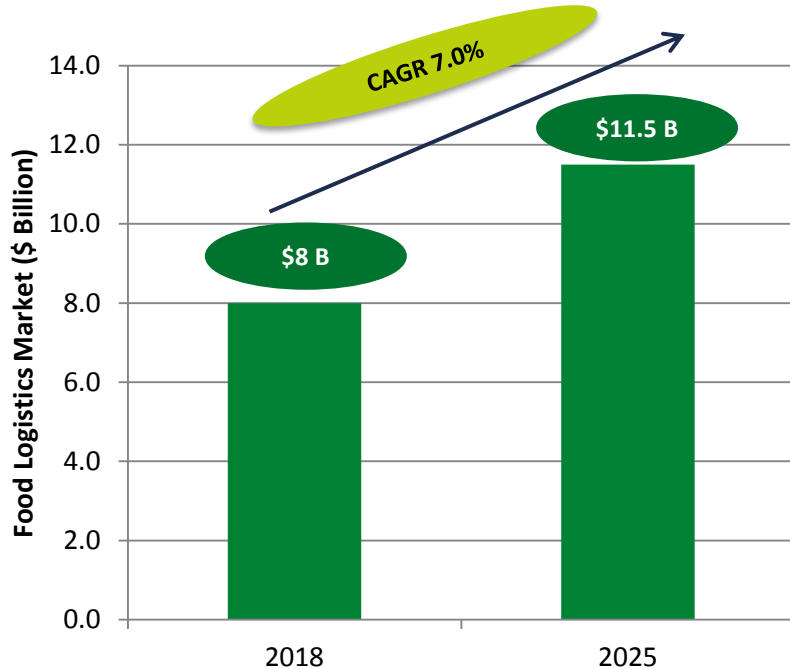
-  Packaged Food
-  Fresh Vegetables and Fruits
-  Grocery and FMCG
-  Dairy and Milk Products

Source : Industry Sources and Frost & Sullivan Analysis

Food Logistics Industry in GCC

Need for improving transportation, storage infrastructure at both sea and airports

GCC Food Logistics Market, 2018-2025



Key Features of Food Logistics Market

- High cost of food logistics, with nearly 10 to 15 % food market revenue attributed to infrastructure constraints in regional trade routes and in rural areas
- Innovation is the need of the hour in the GCC, increasing demand for quality food is expected to drive indoor vertical farming, hydroponics, aquaponics, halal food and organic food
- UAE and KSA account for the largest share of the Cold Chain Logistics Market within the GCC. UAE is a key transshipment hub in the region and acts as a centre for re-exports
- Intelligent food logistics is expected to gain momentum to maximize asset utilization and minimize food wastages in the region

Source : Industry Sources and Frost & Sullivan Analysis



Growth Opportunities

Growth Opportunities in Food Logistics



**FOOD
MANUFACTURING**

- Government initiatives and development plans to help in steady private and foreign investment in food processing in the region.
- Food imports likely to remain major source of food supplies



**WAREHOUSE AND
COLD CHAIN
LOGISTICS**

- Storage and warehousing demand for food logistics expected to accelerate.
- Online retail sales, demand for fresh fruits and vegetables expected to support cold chain warehousing.



**INTERNATIONAL
AGRO INVESTMENTS**

- GCC nations are set to invest in Agro Food Projects in other regions such as Africa, Asia and Latin America.
- Investment in food logistics infrastructure likely to be driven by both domestic and international food companies



**INTRA REGIONAL
FOOD TRADE**

- The trade relation between GCC and Africa to become stronger as GCC nations rely on Middle East and African food suppliers.



**RETAIL FOOD SALES
TRENDS**

- With increase in disposable income, food consumption is expected to grow by over 6 to 7 percent between 2018 and 2025.
- Increasing number of service providers in food delivery space .



E-COMMERCE

- The rapid growth of online food sales would grow to reach \$2.6 billion by 2025.
- Network of ready to eat food suppliers with delivery service providers are likely to open with new opportunities across major urban centers in the GCC region

Source : Industry Sources and Frost & Sullivan Analysis



















THANK YOU
ANY QUESTIONS ?

What does Global Transportation & Logistics Program in Frost & Sullivan Cover?



The Transportation & Logistics Practice of Frost & Sullivan covers entire spectrum of Supply Chain and Logistics.

Supply chain services 	Contract Logistics Services 	Transportation 	Supply Chain Technologies 	Forwarding, Express and Support Services 
Maritime 	Infrastructure 	Equipment 	Services 	
Freight, infrastructure and facilities 	Air 	Ocean 	Land 	
Rail & urban transportation 	Solutions & Systems 	Aftermarket 		

- Addressing Trends & Issues
- Growth Partnership Services
- Process Improvement & Audits
- Customer Satisfaction Surveys
- Growth Coaching & Workshops
- Product/Service Concept Testing
- Training
- M&A Analysis
- Best Practices
- Growth Strategy
- Business Planning
- Customer Assessment
- Technology Benchmarking
- Competitive Benchmarking
- Market Opportunity Analysis