Required Report: Required - Public Distribution **Date:** August 17, 2022

Report Number: TC2022-0007

Report Name: Retail Foods

Country: United Arab Emirates

Post: Dubai

Report Category: Retail Foods

Prepared By: Fayrouz Zghoul and Lucas Blaustein

Approved By: Valerie Brown

Report Highlights:

In the past ten years the food retail segment in the United Arab Emirates has grown rapidly, with the openings of large-scale hypermarkets, supermarkets, convenience stores, online retailers, and home delivery services all catering to an expanding population. The general retail landscape is well established in urban areas with extensive malls and world-leading shopping centers. Food retail caters to a tech-savvy international population and e-commerce food and drink grew by 25 percent in 2021 to reach $515 million and is expected to increase over 23 percent in 2022 due to further innovation. These trends offer great opportunities for U.S. exporters to expand market share in the UAE, where the United States is already the fourth largest supplier of consumer-oriented products.

SECTION I. MARKET SUMMARY

The UAE has always been at the center of global trade because of its geographic position as a nexus between East and West, and the Middle East and North Africa (MENA). In the last thirty years it has built a diverse economy with state-of-the-art air and seaports, a trade friendly regulatory environment, low duties, and extensive free trade zones. These advantages result in the UAE being one of the world's leading annual re-export hubs.

The UAE is a reliable importer of agricultural products due to limited local production. In the past ten years the food retail segment has grown rapidly, with the openings of large-scale hypermarkets, supermarkets, convenience stores, online retailers, and home delivery services all catering to an expanding population. The general retail landscape is well established in urban areas with extensive malls and world-leading shopping centers. UAE residents frequently use hypermarkets and supermarkets in malls due to easy access, car parking availability, the variety of products, and of course attractive in-store promotions. In 2021, the market witnessed high levels of growth in online food retail; E-commerce sales in the UAE reached $4.8 billion, a 17.6 percent increase from 2020.

The UAE retail industry targets customers from four major groups: the local Emirati population, Arab expats, Westerners, and Asians. Retailers must meet the needs of a diverse population with varying income levels by closely monitoring consumer attitudes and trends.

Grocery retail industry sales exceeded $24 billion in 2021, up 7.6 percent from the previous year[1]. Imports of consumer-oriented agricultural products increased to $10.8 billion in 2021, an over 16 percent increase from 2020 due to the UAE's economic recovery, control of the novel coronavirus pandemic, the return of the tourists, and strong hiring. Because the UAE is highly developed and has limited domestic manufacturing consumer-oriented food products make up the bulk of all agricultural imports, at 61 percent by value in 2021[2].

In 2021, 8.3 percent ($899 million)[3] of the consumer-oriented agricultural imports came from the United States. UAE consumers generally recognize the United States as a trusted origin for quality products and demand a wide variety of U.S. goods, including tree nuts, dairy, poultry meat, fresh fruits, beef and beef products, bakery goods, cereals, pasta, soups and food preparations, spices, chocolates, and fresh vegetables.

The global inflationary pressures, increase in fuel prices, supply constraints, and persisting pandemic related threats caused significant challenges to the UAE retail industry. Prices of consumer-oriented products increased by nearly 40 percent. The only products that the UAE government did not allow to be included in this price increase were baby food and short shelf-life products like dairy and meat. Costs for shipping and freight, materials, and other operating costs increased dramatically over the past year. Consumers are now generally paying more attention to prices than quality. The shipping and freight costs for products coming from the United States were considered higher than others before these factors came to play.

---

[1] Source: Euromonitor

[2] Source: Trade Data Monitor

[3] Source: FAS Global Agricultural Trade System (GATS)

Based on reviews from local retailers, some U.S. suppliers are not showing interest in the UAE despite its potential. The UAE government continues to monitor food stocks and place an emphasis on food security, boosting demand for retail goods.

In February 2022, fuel prices in the United Arab Emirates increased by 10 percent. Over the next five years, the inflation rate is expected to rise in the United Arab Emirates reaching 2 percent annually by 2026, remaining elevated compared to historic rates due to increases in housing, transportation, and global food prices.

The future of grocery retailing will be increasingly online, this is noticeable in the growing investments in logistics that is going far beyond Dubai and Abu Dhabi. For example, Amazon, one of the leading online retailers in the region, selected Abu Dhabi as the base for its highly developed logistics hub in the Middle East. This hub is expected to open in 2024 and occupy over 175,000 square meters.

The food retail market remains dominated by several retailers with the majority of the UAE's market share. Starting in 2018, these powerful players forced change across the retail chain to survive the above-mentioned challenges. Sourcing, transportation, and storage solutions were all changed to minimize costs and defend market share. As a result, U.S. suppliers faced more trade term restrictions and amended delivery methods.

Table 1:

Advantages	**Challenges**
American products are considered high quality by UAE consumers.	Lack of supply especially after COVID, high shipping, and freight costs. Suppliers are showing less interest in supplying for this market.
New ideas and trends are eagerly tried and accepted. High incomes create demand for diverse and high-quality food.	The market is saturated and highly competitive. With 195 nationalities living in the UAE, consumers are biased toward their home country products.
U.S. suppliers enjoy well established trade relationship with major UAE retailers. Several UAE retailers have U.S. sourcing offices.	Unwillingness of U.S. suppliers to provide small product quantities due to the limited size of the UAE market.
Product visibility through market promotion is widely available.	Suppliers often required to bear the cost of market promotions.
USA brand recognition is prevalent among consumers.	Competitors dedicate significant resources for product branding and marketing.
Expanding online retail sector for food products.	International food brands and local products are available at competitive prices.
UAE is a modern transit hub for the broader MENA region and supportive of trade.	Specialized labeling and restrictive shelf-life requirements.
Import regulations are transparent and non-complex.	New regulations and rules are common, and subject to change without prior notice.

SECTION II. ROAD MAP FOR MARKET ENTRY

II-1. Entry Strategy:

The best way to enter the UAE market is to identify a reliable business partner with a strong understanding of consumer demand, import regulations, and local business practices. This partner could be an importer, distributor, wholesaler, retailer or a combination thereof. UAE retailers rely heavily on independent importers or distributors for food products. However, leading UAE retail companies also have direct import channels with U.S. suppliers. In the past five years, major retail companies have opened consolidation offices and facilities in the United States to import directly from U.S. suppliers.

For assistance in reaching out to established UAE import distributors and food retail buyers, please contact the U.S. Department of Agriculture's Regional Office of Agricultural Affairs (OAA) in Dubai. The office maintains a regional importer directory to help guide U.S. suppliers and offers various marketing tools and trade facilitation assistance. For additional information on market entry tools and strategies for the UAE, please refer to the following:

- United Arab Emirates Exporter Guide: food market sector overview, market structure, food import trends, exporter business tips and market entry guidance.
- United Arab Emirates FAIRS Report: UAE government regulations and standards on imported food and agricultural products.
- UAE Country Commercial Guide: published by the U.S. Commercial Service, this provides important information on the UAE market including import tariffs, customs regulations, trade barriers, etc.

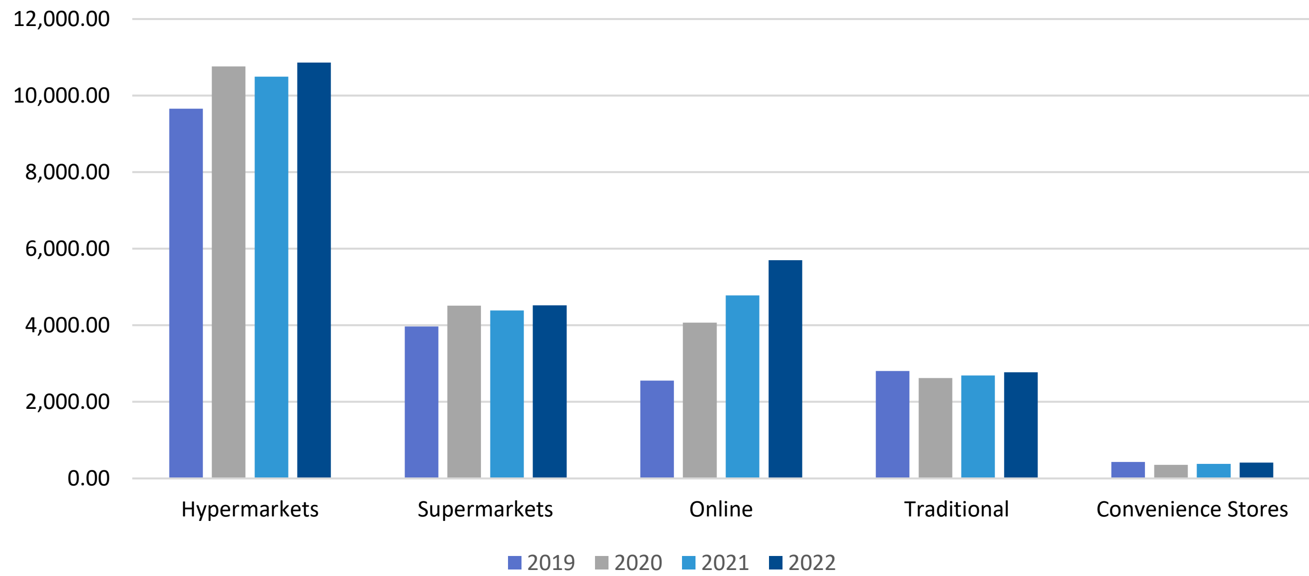
II-2. Market Structure:

Food retail holds the largest share of the UAE retail market, and it is expected to continue to be the dominant market sector in the future. Grocery retailers are classified into two major groups in the UAE: modern and traditional trade. Modern trade includes hypermarkets, regional grocery chains, express markets, specialty grocers, convenience stores and online grocers. Modern trade dominates the market especially in the emirates of Dubai and Abu Dhabi. Traditional trade includes direct trading services and standalone small grocers (baqala in Arabic) focusing on immediate household needs and high turnover grocery products; they accept phone-in orders and offer free and immediate delivery with no minimum order. Traditional trade is more popular in the older part of Dubai and the Northern Emirates (Sharjah, Ras al Khaimah, Fujairah, Umm al Quwain, and Ajman). Grocery sales make up 44.4 percent of the retail market in the UAE at $24 billion, with the overall retail market valued at $55 billion in 2021.

VIVA is the only bulk discount store in the UAE, offering prices 30 to 45 percent lower than average supermarkets, most of its SKUs fall between $2 to $4. Since its market entry in 2018, it has growth tremendously, with a retail value of $64 million in 2021, a growth rate of 67 percent since just 2020. They currently have 49 outlets spread throughout the busy residential communities in Dubai and the Northern Emirates.

Table 2:				
Retail Value Excluding Sales Tax ($ millions)				
Segment	**2019**	**2020**	**2021**	**2022**
Hypermarkets	9,655.92	10,761.05	10,492.01	10,859.22
Supermarkets	3,973.5	4,510	4,388.1	4,524.13
Online	2,557.51	4067.54	4,782.64	5,705.39
Traditional	2,805.12	2,625.63	2,688.66	2,772
Convenience Stores	430.24	352.78	379.95	416.05
Total	18,731.28	19,421.57	22,152.55	23,441.8

Graph 1: Shifts in Sales by Retail Industry Segment (2019 - 2022)



Source Table 2 and Graph 1: Euromonitor International

There is no doubt that COVID-19 helped expand online retail forcing consumers to adopt new behaviors. However, once consumers tried online, they valued its convenience pushing further growth in the segment. In 2021, e-commerce sales in the UAE reached $4.8 billion, a 17.6 percent increase from 2020. Based on Euromonitor data, foods and drinks remained the third largest category in the UAE e-commerce market in 2021, at 10.8 percent or $515 million. This growth is influenced by high income, high internet penetration, developed logistical networks, modern digital payment systems, and a growing tech-savvy youth population. Some of the major online based grocery retailers are: Kibsons, Farzana, Good Basket, NRTCfresh, and Farmbox. Most of the conventional retail chains have an online option, for example: Carrefour, Lulu, Spinneys, and Choithrams, as well as organic and specialty shops such as Organic Foods and Café and Ripe. Some retailers sell online through third party sites such as Noon, Instashop, El Grocer, and Amazon.

Cash on delivery used to be the preferred payment method, but post pandemic contactless and non-cash transactions are the norm. In 2021, retailers in the UAE continue to adjust to the changes in consumer behaviors, with consumers being both more price conscious and shifting spending online, offering various solutions such as cashless payments and click and collect to provide consumers with both safety and convenience. According to a recent study published by The Kearney, "The e-commerce market is driven by high internet penetration – nearly 100 percent in 2020 – and well-developed digital payment and logistics ecosystems. The UAE leads the MENA region in terms of household spending on e-commerce, which stood at $2,554 per household – twice the global average of $1,156 and four times the MENA average of $629."

Table 3

Major Hypermarkets in 2021

Company/ Brand	# of Stores	Chain Type	Market share	Website
Carrefour (Majid Al Futtaim Hypermarkets LLC)	+100	National/ International owned	38.4	https://www.carrefouruae.com
Lulu Hypermarket (Lulu Group International LLC)	98	Regional	26.6	https://www.luluhypermarket.com/en- ae/
Union Co-operative Society	23	National	17.1	https://www.unioncoop.ae
Abu Dhabi Cooperative Society	40	National	5.2	https://abudhabicoop.com
Sharjah Co-operative Society	35	National	3.5	https://www.shjcoop.ae/?lang=en

Major Supermarkets in 2021

Company/ Brand	# of Stores	Chain Type	Market share	Website
West Zone	150	National	18.7	http://westzonefresh.com/
Al Maya Supermarket	51	National	13.2	https://www.almaya.ae/supermarket.php
Carrefour Market	+100	Regional	13.1	https://www.carrefouruae.com
Spinneys	51	Regional	9.8	https://www.spinneys.com
Al Madina Supermarket	49	National	9.6	https://www.almadinahypermarket.com
Safeer group (Buy N Save)	27	National	8.5	http://www.safeergroup.com/BuyNSave.aspx
Waitrose	8	Regional	7.5	https://www.waitrose.ae
Choithrams	43	Regional	5.3	https://www.choithrams.com
LuLu Supermarket	28	Regional	1.9	https://www.luluhypermarket.com
Megamart (Abu Dhabi Cooperative Society)	5	National	1.8	

Source: Euromonitor International

Table 3 Cont.'d				
Major Convenience Stores in 2021				
Company/ Brand	# of Stores	Chain Type	Market share	Website
Zoom	245	National	19.2	https://www.enoc.com/our-businesses/other-businesses/convenience-stores/zoom
Fresh Plus		National	12.1	https://www.emarat.ae/individuals/service-stations/convenience-stores/freshplus/
Spinneys	65	Regional	12.0	https://www.spinneys.com
All Day Minimart	51	National	8.3	http://alldayuae.com/stores/
Emarat / Emarat Plus	80		7.7	https://www.emarat.ae
LuLu Express		Regional	5.4	https://www.luluhypermarket.com
Carrefour City		International	5.2	https://www.carrefouruae.com
Spar Express	21		5.2	https://spar-international.com/country/united-arab-emirates/
Circle K	13		4.5	https://www.facebook.com/circlekarabia
ADNOC Oasis 365	101		2.7	https://www.adnocdistribution.ae/en/fueling/convenience-stores/adnoc-oasis/
All Day Advantage	58		1.2	https://www.allday.ae/app/w/e/STPV2%20P_AboutUs.htm
7-Eleven	11		0.5	
Others			16.0	

Major Online Retailers in 2021				
Company/ Brand	# of Stores	Chain Type	Market share	Website
Amazon	N/A	National	15.7	https://www.amazon.ae
Noon		National	5.3	https://www.noon.com/uae-en/
Instashop/ 3rd party merchants		National		https://instashop.com
Careem Box/ 3rd party merchants		Regional		https://www.careem.com
ElGrocer / 3rd party merchants		National		https://elgrocer.com
Kibsons		National		https://kibsons.com
Good Basket		National		https://www.goodbasket.com
Farzana		National		https://farzana.ae/
Ripe Online		National		https://ripeme.com/ripe-organic-shop/

Organic Grocery Stores				
Company/ Brand	# of Stores	Chain Type	Market share	Website
Organic Foods and Café	8	National		https://organicfoodsandcafe.com/
Biorganic Store	1	National		https://www.biorganicstore.com/
Ripe Organic	1 + multiple pop-up stores	National		https://ripeme.com/

Source: Euromonitor International

Top Five Retailers in the UAE:

Carrefour: This French brand is the largest hypermarket chain in the UAE. It opened the first hypermarket in Dubai in 1995 and through the years has expanded to over 100 stores split between hypermarkets, supermarkets, and express markets serving over 300,000 customers a day. Carrefour offers food, non-food, and household goods with year-round deals and promotions. It has a private label called "First 1" and a Carrefour Bio range offering affordable quality organic products. Majid Al Futtaim (MAF) is the exclusive franchisee operating over 320 Carrefour stores in 16 countries across the Middle East, Africa, and Asia. Several stores in the UAE are located in MAF shopping malls.

Lulu Hypermarkets: Founded in 2000 and managed by EMKE group, Lulu is an Indian multinational brand operating a chain of hypermarkets and retail companies headquartered in Abu Dhabi. It is considered the second largest food retail chain in the UAE with 98 stores split between hypermarkets, supermarkets, Lulu express, and Lulu webstore. Lulu serves over 240,000 customers a day with total annual food sales in excess of $150 million and forecasts a 15 percent annual growth rate in food retail over the next year. Lulu imports 75 percent of its food products and has consolidation offices in the United States.

Union Cooperative Society: The largest consumer cooperative in the UAE offering a wide range of food, non-food, and household appliances. It operates 23 retail stores and two malls (Al Barsha Mall and Etihad Mall). It was established after a ministerial decree to serve the local community. Union Coop has also launched mini stores under the brand (Coop) as well as an online store. It offers a loyalty card called "Tamayaz" for both shareholders and non-shareholders and provides discounts through promotional campaigns and special deals.

Abu Dhabi Cooperative Society: Established in 1980, the Abu Dhabi Cooperative Society operates three major hypermarkets, supermarkets, and convenience store brands in the country: Abu Dhabi Coop, SPAR, and Megamart. With more than 40 stores in the UAE, it serves 350,000 customers every week and offers an exclusive range of private labels.

Sharjah Cooperative Society: Founded in March 1977 as the first cooperative society in the UAE, it has around 35 branches in the emirate of Sharjah equipped with modern shopping facilities. It has its own private label called "Sharjah Coop." Their e-commerce site is Sharjah Co-op and it offers free delivery across Sharjah City.

SECTION III. COMPETITION

The UAE retail food market is extremely competitive and overly saturated with local, regional, and international products. Proximity to other food supplying countries in the Middle East, Asia, and Europe allows easier and, in most cases, faster access to cheaper consumer-oriented products with good quality. Please see the UAE's top 10 consumer-oriented products and supplying countries in (graph 3). Global exports of consumer-oriented products to the UAE in 2021 reached **$10.8 billion**.

In general, there is ample diversity of food products in the UAE market across all categories, but there is potential for dairy especially cheeses, fresh fruits, animal proteins (beef and chicken meat). Based on retailers' reviews and market observations, there is an increasing demand for fresh food, milk and meat plant-based alternative products, kosher, natural, organic, and free-from products. Consumers are looking for healthier and natural products over processed foods. This change is driven by good disposable incomes, consumer awareness, global food trends, and government initiatives to lower obesity rates. The demand for Kosher products bolstered after the signing of the Abraham Accords.

Merchants and consumers prefer recognized brands. Therefore, U.S. potential suppliers need to think long term, be persistent, and focus on marketing activities both in the digital and traditional space to acquire brand recognition and shelf position.

Table 4

Global Exports of Consumer Oriented Products to the UAE

Rank	Country	Exports 2019	Exports 2020	Exports 2021	% Market Share 2021
1	EU	2,193,918,927	1,989,579,888	2,203,172,566	20.4
2	India	1,050,176,504	993,946,795	1,265,246,548	11.7
3	Brazil	911,122,344	675,660,973	1,038,257,451	9.6
4	United States (Consumption/Domestic)	958,658,165	731,262,659	899,041,000	8.3
5	Saudi Arabia	776,692,885	688,195,557	737,795,332	6.8
6	New Zealand	432,920,193	424,945,892	480,910,909	4.5
7	China	381,456,055	361,754,728	436,065,760	4.0
8	United Kingdom	379,663,815	301,425,975	394,308,624	3.7
9	Australia	373,160,971	325,312,453	383,661,856	3.6
10	Turkey	266,979,559	272,714,309	343,077,934	3.2
Global exports of consumer-oriented products to the UAE		10,238,186,954	9,273,067,746	10,791,222,193	

Source: Trade Data Monitor LLC

SECTION VI. KEY FAS/ USDA CONTACTS AND FURTHER INFORMATION

USDA Foreign Agricultural Service Regional Office of Agricultural Affairs
Address: U.S. Consulate General in Dubai, 8 Al Seef St - Umm Hurair 1 - Dubai Telephone: +971 4 309 4000 Fax: +971 4 354 7279
E-mail: AgDubai@USDA.gov

Host Country Government:
Please check the UAE Exporter Guide for contact details.

USDA Cooperators, SRTGs, AMCHAM, Chambers of Commerce and Industry in Dubai and Abu Dhabi:

[U.S. State Regional Trade Groups (SRTGs)]

[American Business Council of Dubai and the Northern Emirates]

[Abu Dhabi Chamber of Commerce and Industry]

[Dubai Chamber of Commerce and Industry]

Appendix 1: Top Consumer Oriented Products; Source: Trade Data Monitor LLC