



**MARKET ACCESS SECRETARIAT
Global Analysis Report**

Bakery Products

United Arab Emirates

April 2015



EXECUTIVE SUMMARY

- The United Arab Emirates (UAE) is estimated as the 66th-ranked bakery products market worldwide, with an estimated US\$682.9 million worth of retail value sales in 2014. This represents an increase in ranking from 2013 when the UAE was 67th in the world (Euromonitor International, 2014).
- Three of the top five international bakery companies in the world in 2014 sold products in the UAE. These three companies were the number one ranked Mondelez International Inc., the number three ranked Kellogg Co, and the number four ranked PepsiCo Inc (Euromonitor International, 2014).
- The baked goods subsector is the largest of the three subsectors within the bakery products category and made up 66.4% of overall value sales in 2014. (Euromonitor International, 2014).
- The Gulf Cooperation Council's (GCC) Common External Tariff (CET) is 5% and is also considered the most-favourable-nation (MFN) rate (Canadian Trade Commissioner Service, 2014).

CONTENTS

Executive Summary1

Positioning Bakery Products in the World2

Consumer Attitudes and Economic Drivers3

Retail Environment.....3

Subsector Analysis.....5

 Baked Goods.....5

 Biscuits6

 Breakfast Cereals.....7

Market Conditions8

Conclusion.....9

For More Information.....9

Resources10



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POSITIONING BAKERY PRODUCTS IN THE WORLD

Top 5 Bakery Companies Worldwide in 2014, US\$*

Company	International Sales	Sales in the UAE
1. Mondelez International Inc	\$17.5 billion	\$39.3 million
2. Grupo Bimbo SAB de CV	\$14.7 billion	-
3. Kellogg Co	\$13.6 billion	\$35.1 million
4. PepsiCo Inc	\$4.9 billion	\$1.1 million
5. Yamazaki Baking Co Ltd	\$4.5 billion	-

Source: Euromonitor International, 2014

* Fixed 2014 Exchange Rate

Top 10 Bakery Products Markets Worldwide in 2014, US\$ *

Country	Retail Sales
1. USA	\$77.5 billion
2. Brazil	\$35.4 billion
3. China	\$31.9 billion
4. Mexico	\$27.2 billion
5. Japan	\$26.4 billion
6. France	\$23.8 billion
7. Italy	\$23.7 billion
8. Germany	\$22.7 billion
9. United Kingdom	\$18.4 billion
10. Turkey	\$16.8 billion
66. United Arab Emirates	\$0.68 billion

Source: Euromonitor International, 2014; Global Trade Atlas, 2014 * Fixed 2014 Exchange Rate

The Bakery Products** Market in the UAE, US\$*

Indicator	Value
Retail sales, 2014	\$682.9 million
Imports of bakery products** from the world, in 2013	\$10.2 million
Exports of bakery products** to the world, in 2013	\$263.7 million
Dependence on imports	1.5%

Top 10 Importers of Bakery Products** Worldwide in 2013, US\$

Country	Imports US\$ billions	Top Suppliers & Market Share			Canada's Share
		1	2	3	
1. United States	3.98	Canada 48.0%	Mexico 20.6%	Germany 3.5%	48.3%
2. United Kingdom	2.69	Germany 21.6%	France 17.7%	Netherlands 11.3%	0.91%
3. France	2.62	Germany 25.2%	Belgium 21.1%	Italy 16.4%	0.04%
4. Germany	2.40	France 15.1%	Netherlands 15.0%	Belgium 12.5%	0.01%
5. Canada	1.88	United States 81.0%	Germany 2.7%	United Kingdom 2.6%	100.00%
6. Belgium	1.30	France 33.1%	Netherlands 24.3%	Germany 17.8%	0.12%
7. Italy	1.16	Germany 31.7%	France 18.2%	Austria 10.6%	0.00%
8. Netherlands	1.06	Belgium 34.3%	Germany 28.8%	France 10.2%	0.04%
9. Spain	0.89	France 24.1%	Germany 23.9%	Italy 11.1%	0.00%
10. Austria	0.76	Germany 60.7%	Italy 9.6%	France 4.7%	0.00%

Source: Global Trade Atlas, 2014

**Note: For the purposes of this report, "bakery products" was defined using the following HS codes: 1904, 1905



Although Canada exported over US\$2.0 billion worth of bakery products to the world in 2013, the majority went to the United States. However, Canada did export over US\$1.6 million worth of bakery products to the UAE in 2013. More specifically, as flour is a main ingredient in bakery products, and Canada's top export commodity to the world in 2013 was cereals, Canadian grain producers could focus on increasing their exports of wheat flour to the UAE.

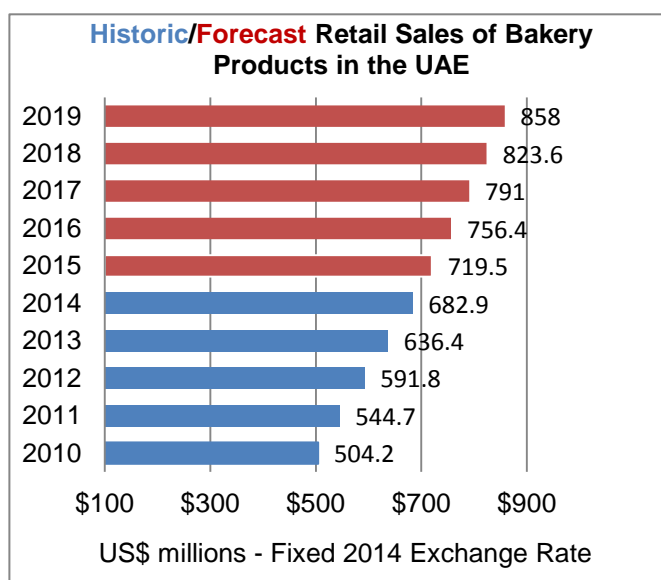
CONSUMER ATTITUDES AND ECONOMIC DRIVERS

As Emirati consumers become increasingly aware of health issues, health and wellness (HW) bakery products such as whole wheat, reduced-sugar and gluten-free are expected to become of greater importance and popularity. In addition, on-the-go consumption of HW bakery products is also expected to increase as a result of this consumer awareness. These trends are affecting all three subcategories (baked goods, biscuits, breakfast cereal) within bakery products (Euromonitor International, 2014).

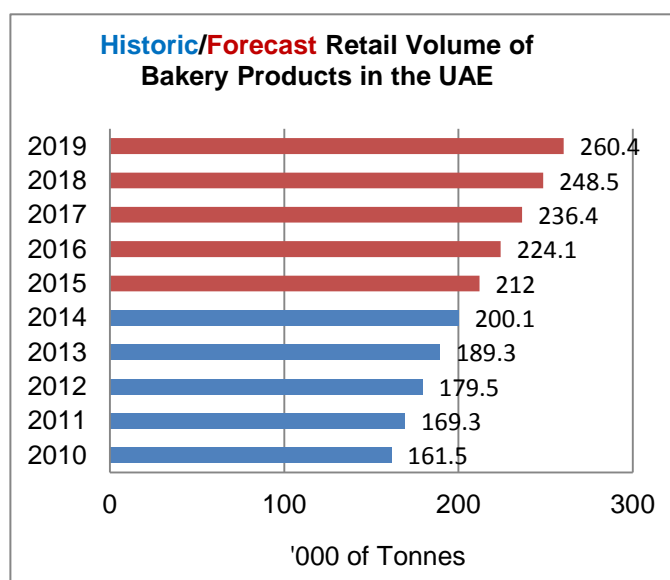
RETAIL ENVIRONMENT

In the UAE, the distribution of bakery products is done mainly through grocery retailers, with 88.0% of total value sales coming from modern grocery retailers, followed by 60.5% from hypermarkets and 24.7% from supermarkets (Euromonitor International, 2014).

Overall, the UAE bakery industry saw value and volume sales growth from 2010 through 2014, rising to US\$682.9 million and 200,100 tonnes. As seen in the charts below, for the forecasted period of 2015-19, bakery value and volume sales are both expected to increase slightly. In addition, as Emirati consumers have become more health conscious over the years, HW bakery saw a compound annual growth rate (CAGR) of 6.9% from 2010-14 and also contributed to just under 20% (US\$132.6 million) of total bakery values sales in 21014 (Euromonitor International, 2014).



Source: Euromonitor International, 2014



Source: Euromonitor International, 2014



**Historic Retail Value Sales of Bakery Products in the UAE, in US\$ Millions and Period Growth (%),
Current Prices – Fixed 2014 Exchange Rates**

Categories	2010	2011	2012	2013	2014 ^E	2010-14 CAGR* %
Bakery	504.2	544.7	591.8	636.4	682.9	7.9
Baked Goods	336.5	364.1	397.2	424.1	453.3	7.7
Biscuits	105.9	114.8	124.1	137.7	150.9	9.3
Breakfast Cereals	61.8	65.8	70.4	74.6	78.7	6.2

*CAGR: Compound Annual Growth Rate.

E: estimate based on partial year data

**Forecast Retail Value Sales of Bakery Products in the UAE, in US\$ Millions and Period Growth (%),
Current Prices – Fixed 2014 Exchange Rates**

Categories	2015	2016	2017	2018	2019	2015-19 CAGR* %
Bakery	719.5	756.4	791.0	823.6	858.0	4.5
Baked Goods	476.5	499.9	521.2	541.3	560.9	4.2
Biscuits	161.2	171.0	180.5	189.0	199.7	5.5
Breakfast Cereals	81.8	85.5	89.3	93.4	97.4	4.5

Source for both: Euromonitor International, 2014

*CAGR: Compound Annual Growth Rate.

Historic Retail Volume in Tonnes ('000) of Bakery Products Subsectors in the UAE

Subsectors	2010	2011	2012	2013	2014 ^E	2010-14 CAGR* %
Bakery	161.5	169.3	179.5	189.3	200.1	5.5
Baked Goods	138.3	144.9	154.0	161.7	170.6	5.4
Biscuits	16.2	17.1	18.0	19.8	21.5	7.4
Breakfast Cereals	7.0	7.2	7.5	7.8	8.0	3.3

*CAGR: Compound Annual Growth Rate.

E: estimate based on partial year data

Forecast Retail Volume in Tonnes ('000) of Bakery Products Subsectors in UAE

Subsectors	2015	2016	2017	2018	2019	2015-19 CAGR* %
Bakery	212.0	224.1	236.4	248.5	260.4	5.3
Baked Goods	180.4	190.4	200.5	210.5	220.3	5.1
Biscuits	23.3	25.2	27.0	28.8	30.6	7.0
Breakfast Cereals	8.3	8.6	8.9	9.2	9.5	3.5

*CAGR: Compound Annual Growth Rate.

Top Five Bakery Products Company Shares in the UAE - Retail Value Sales % Breakdown

Companies	2010	2011	2012	2013	2014 ^E
Modern Bakeries LLC	7.0	6.9	6.9	6.9	7.2
Mondelez International Inc	-	-	4.3	5.1	5.8
Kellogg Co	5.5	5.4	5.2	5.1	5.1
Almarai Co Ltd	-	0.7	2.1	3.1	4.4
Yildiz Holding AS	1.2	0.7	0.7	0.6	3.8

Source for all: Euromonitor International, 2014

E: estimate based on partial year data



The UAE bakery products industry is led by one local company (Modern Bakeries LLC), who in 2014 was estimated to hold 7.2% of the available market share. However, the top five companies only account for 26.3% of the market combined which indicates that the UAE bakery sector is very fragmented and would allow possible opportunities for Canadian companies.

SUBSECTOR ANALYSIS

Baked Goods

Baked goods subsector is the largest of the three subsectors within the bakery category and has seen consistent and steady growth from 2010 through 2014, reaching value sales of US\$453.3 million or 66.4% of total bakery values sales by the end of 2014. As seen in the chart on page 4, the sector is forecasted to continue this steady growth, albeit at a slower rate than the previous years, with a compound annual growth rate (CAGR) of 4.2% through 2019 (Euromonitor International, 2014).

Bread is the dominate category within baked goods and looks to maintain this position through 2018. Although bread maintained its retail volume percentage, it did see a slight decrease in value growth in 2013, down to 6% from 7% the year before. This is an indication of the maturity of the category along with the increase in competition from the savoury biscuits and HW varieties (Euromonitor International, 2014).

Historic Retail Volume in Percentage* (%) of Baked Goods Categories in the UAE

Categories	2009	2010	2011	2012	2013
Bread	94.9	94.9	95.0	95.0	95.0
Cakes	0.9	0.9	0.9	0.9	0.9
Pastries	4.2	4.1	4.1	4.1	4.1

Forecast Retail Volume in Percentage* (%) of Baked Goods Categories in the UAE

Categories	2014	2015	2016	2017	2018
Bread	95.0	95.0	95.0	95.0	95.0
Cakes	0.9	0.9	0.9	0.9	0.9
Pastries	4.2	4.1	4.1	4.1	4.1

Source for both: Euromonitor International, 2014

Note: Percentage calculation done by AAFC based on data from Euromonitor International*

UAE's baked goods sector is led by domestic player Modern Bakeries LLC and their brand of Modern Bakery. Three of the top five baked goods companies are domestic players such as Modern Bakeries LLC, Golden Loaf Est, and Al Arz Automatic Bakery LLC, but only make up 13.3% of the market combined. The UAE baked goods market is highly fragmented which is also further indicated by the fact that the top five companies only account for 22.6% of the total market.



Top Five UAE Baked Goods Companies and Market Shares – Retail Value Sales % Breakdown

Companies	2010	2011	2012	2013	2014 ^E
Modern Bakeries LLC	10.5	10.3	10.3	10.4	10.8
Almarai Co Ltd	-	1.0	3.1	4.7	6.6
Americana Group	2.4	2.6	27.	2.7	2.7
Golden Loaf Est	1.4	1.4	1.3	1.3	1.3
Al Arz Automatic Bakery LLC	1.2	1.2	1.2	1.2	1.2

Source: Euromonitor International, 2014

E: estimate based on partial year data

Two trends have impacted the baked goods category within the UAE market over the last year; the first being an increase in consumer awareness for healthier eating which will have a positive impact on healthier baked goods and the second being an increase in the consumption of on-the-go or snack-sized items. In addition, another trend affecting the UAE market is that consumers are choosing fresh alternatives over packaged products (Euromonitor International, 2014).

Biscuits

Of the three subsectors within bakery products, biscuits was the best performing and saw the highest CAGR from 2010-14 with 9.3%, reaching estimated value sales of US\$150.9 million in 2014, albeit a relatively small category in comparison to baked goods. In 2013, 89.2% of total biscuit value sales came from sweet biscuits which include cookies, filled and plain biscuits (Euromonitor International, 2014).

The charts on page 4 show that the UAE biscuit sector is forecasted to continue to grow by a CAGR of 5.5% from 2015-19. Its percentage of total bakery market share will also increase from 21.0% in 2010 to 23.3% by 2019 (Euromonitor International, 2014).

As seen in the charts below, the biscuit subsector is comprised of savoury biscuits and crackers and sweet biscuits. Over the last five years, sweet biscuits made up around 89% of the total retail volume, while savoury biscuits and crackers hovered around 10.5%. Euromonitor forecasts that this percentage split will hold through 2018.

Historic Retail Volume in Percentage* (%) of Biscuits Categories in the UAE

Subsectors	2009	2010	2011	2012	2013
Savoury Biscuits and Crackers	10.4	10.3	10.3	10.8	11.3
Sweet Biscuits	89.6	90.3	89.7	89.2	89.2

Forecast Retail Volume in Percentage* (%) of Biscuits Categories in the UAE

Subsectors	2014	2015	2016	2017	2018
Savoury Biscuits and Crackers	11.3	11.7	12.1	12.0	12.3
Sweet Biscuits	88.7	88.3	87.9	87.6	87.2

Source for both: Euromonitor International, 2014

Note*: Percentage calculation done by AAFC based on data from Euromonitor International

Three of the top five UAE biscuit companies are international players; however, two are domestic players and combine to represent 21.4% of the market share. These companies are IFFCO Group with their



brand of Tiffany's, and Strategic Food International Co LLC with their brand of Nutro Digestive (Euromonitor International, 2014). The top five biscuit companies represent 65.7% of the overall UAE biscuit market and are represented by international and local companies.

Top Five UAE Biscuit Company's and Market Shares – Retail Value Sales % Breakdown

Companies	2010	2011	2012	2013	2014 ^E
Mondelez International Inc	-	-	19.7	21.6	23.1
Yildiz Holding AS	4.5	2.5	2.4	2.1	16.5
IFFCO Group	15.2	16.0	15.9	16.1	16.1
Strategic Food International Co LLC	5.9	5.8	5.7	5.3	5.3
Bahlsen GmbH & Co KG	4.0	3.9	3.8	4.0	4.7

Source: Euromonitor International, 2014

E: estimate based on partial year data

Breakfast Cereals

Breakfast cereals is the smallest subsector within the bakery category in the UAE and has been increasing slightly each year since 2010. The subsector looks to continue this upwards motion through 2019, where sales are estimated to rise to US\$97.4 million (Euromonitor International, 2014). This growth will be further perpetuated by Emirati consumers consuming more cereal as part of a healthier lifestyle (Euromonitor International, 2014).

The breakfast cereals subcategory is broken down into three main categories, children and family breakfast cereals, and hot cereals. Family breakfast cereals hold around 68% of retail volume within this category, followed by children's breakfast cereals at almost 27%, and hot cereal hovers just under 5%.

Breakfast cereals have not traditionally been a part of the daily routine in the typical Arab household; however, Western emigrants and foreign workers are driving the category and slowly encouraging daily consumption among locals (Euromonitor International, 2014).

Historic Retail Volume in Percentage* (%) of Breakfast Cereals Categories in the UAE

Categories	2009	2010	2011	2012	2013
Children's Breakfast Cereals	26.9	26.9	26.9	26.7	26.8
Family Breakfast Cereals	68.6	68.4	68.4	68.4	68.4
Hot Cereal	4.5	4.6	4.7	4.9	4.8

Forecast Retail Volume in Percentage* (%) of Breakfast Cereals Categories in the UAE

Categories	2014	2015	2016	2017	2018
Children's Breakfast Cereals	26.8	26.8	26.8	26.8	26.7
Family Breakfast Cereals	68.4	68.5	68.5	68.5	68.4
Hot Cereal	4.7	4.7	4.7	4.8	4.8

Source for both: Euromonitor International, 2014

Note*: Percentage calculation done by AAFC based on data from Euromonitor International

This subsector is dominated by large multinational companies like Kellogg Co. and Cereal Partners Worldwide SA, who hold a combined 65.9% of the total breakfast cereals market share (Euromonitor



International, 2014). Although dominated by the top two companies, the UAE breakfast cereals market still has many small players. This is shown in the chart below by the remaining three companies accounting for only 3.2% of the remaining market share. (Euromonitor International, 2014).

**Top Five UAE Breakfast Cereals Company's and Market Shares,
Retail Value Sales % Breakdown**

Companies	2010	2011	2012	2013	2014 ^E
Kellogg Co	44.7	45.0	43.3	43.8	44.7
Cereal Partners Worldwide SA	16.1	16.4	18.0	19.8	21.2
PepsiCo Inc	1.0	1.0	1.0	1.0	1.2
Bright Food (Group) Co Ltd	-	-	1.1	1.1	1.1
Weetabix Ltd	2.1	2.1	1.0	0.9	0.9

Source: Euromonitor International, 2014

E: estimate based on partial year data

MARKET CONDITIONS

This section is a direct compilation from information contained on the Canadian Trade Commissioners Service website under the section "UAE Import Regulations". To view the full document, please visit: <http://www.tradecommissioner.gc.ca/eng/document.jsp?did=138476&cid=30G&oid=731>

Exporting to the UAE: Customs Zones and Free Trade Zones

The UAE market may be classified as Customs Zones or Free Trade Zones with the distinguishing factors outlined below:

- **Duty:** In general, goods destined for the UAE's Customs Zones are subject to duty under the [Gulf Cooperation Council's \(GCC\) Common Customs Law](#) while goods destined for Free Trade Zones are exempt from duty.

The UAE operates at least thirty-six specialized Free Trade Zones. For a detailed list, please visit www.uaefreezones.com. In addition to imports into Free Trade Zones being exempt from duty, re-exports from UAE Free Trade Zones bound for third market destinations beyond the GCC Customs Zones are also exempted from duty.

- **Market Access:** Exporters with products destined directly for Customs Zones are generally required to appoint a distributor with some local content, or at least 51% local ownership. Companies whose products enter the Customs Zone via the Free Trade Zone must appoint a local distributor, a 100% local agent. The Trade Agencies Law sets the legal framework for this relationship. For more information on the Trade Agencies law, please see the Trade Commissioner Services [guide to doing business in the UAE](#).

Tariffs

The UAE is part of the GCC and its import regulations are set out by the GCC's Common Custom Laws. This means that GCC member states are considered single points of entry. Imports into the UAE or any other GCC state and destined for another GCC country are subject to customs duty only at the first port of entry into the GCC market.

In general, an external tariff of 5%, the GCC's Common External Tariff (CET), is levied on all imports to the GCC market. No tariff quotas, nuisance rates or additional duties and taxes on imports are applied. This rate is levied on goods entering the GCC's customs zones including the UAE's customs zones and



excludes the free trade zones. The CET of 5% is also the most-favoured-nation (MFN) rate and the UAE will grant, with some exception, MFN treatment to its trading partners.

Abu Dhabi and Dubai are the principle ports of entry into the UAE; they both employ the Harmonized Systems (HS) when classifying exports, and offer customs service's electronically.

Packaging and Labelling

The Gulf Standards Organization (GSO), aligned with international norms for standards and other technical requirements, sets the framework for the UAE's packaging and labeling requirements. GSO's technical requirements for food exports stipulate that all UAE food imports provide information in Arabic either as part of the packaging or as an affixed label, detailing the:

- products and brand name;
- lot identification;
- production and expiry dates;
- country of origin;
- manufacturers name;
- net content weight in metric units; and
- list of ingredients and additives in descending order of proportion.

While no other technical requirements are in place to regulate the UAE's packaging industry, exporters are encouraged to consider cultural norms and values when designing and developing product packaging. A best practice would include consulting local contacts for context and current information when developing labels and packages.

Certifications

UAE import products require a certificate of origin. Certificates of origin must be provided by the original exporter and recognized by a duly authorized representative in Canada. Also, in determining the origin of an import, the UAE generally uses value-added content criterion. For example, an import would be said to originate from a particular country should it be wholly produced or contain at least 40% in value-added transformation from that country.

CONCLUSION

The UAE bakery products market will continue to see growth over the next five years and could be a potentially larger export market for Canadian products. More specifically, as flour is a main ingredient in bakery products, and Canada's top export commodity to the world in 2013 was cereals, Canadian grain producers could focus on increasing their exports of wheat flour to the UAE.

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in the UAE**
<http://www.tradecommissioner.gc.ca/eng/offices-united-arab-emirates.jsp>



- **Find a Trade Commissioner**
www.tradecommissioner.gc.ca/eng/find-trade-contacts.jsp

For additional intelligence on this and other markets, the complete library of Global Analysis reports can be found under *Statistics and Market Information* at the following link, arranged by sector and region of interest:

- ats-sea.agr.gc.ca

For additional information on Gulfood 2015, please contact:

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RESOURCES

Euromonitor International, 2014.

Euromonitor International, February 2014. *Baked Goods in the UAE*

Euromonitor International, February 2014. *Biscuits in the UAE*

Euromonitor International, February 2014. *Breakfast Cereals in the UAE*

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Bakery Products: United Arab Emirates

Global Analysis Report

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