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# Dubai Future Economy Strategy

Dubai's Food & Beverage Sector,  
2017 – Outlook and Trends



## The F&B sector is turning to be significant as the Dubai Government plans to enhance its exports and reduce its import dependency



Source: Dubai Statistics Centre; Frost & Sullivan





## Farm suppliers are few in number considering the harsh climatic conditions in the Emirate

- Farm supplies such as animal feed and seeds are mostly imported and only agricultural equipment's and fertilizers are manufactured in Dubai
- Farm suppliers in Dubai are involved in agribusiness; specialising in the cultivation, production and trading essential human food commodities such as rice, flour, fruits and vegetables
- Companies such as Al Dahra have witnessed growth fuelled by an active foreign investment strategy with specialised food and food producers worldwide.
- Need of the hour in Dubai to grow this market is large land bank, forage pressing, production plants and milling plants.

### FARM SUPPLIERS



Seed Suppliers



Fertilizer Companies



Day-old Hen Suppliers



Fish-Egg Suppliers



Animal Feed



Farm Equipment Suppliers

Source: DTCM; Frost & Sullivan





## Dubai's increasing demand for quality food combined with its arid climate has made farm production more innovative

- Dubai has a vibrant dining and hospitality culture wherein restaurants are popping up at almost every corner, yet most of the food served on the table is imported
- With the country's arid environment that makes it not conducive for farming, it is estimated that more than 80 percent of UAE residents' food requirements comes from abroad, travelling thousands of miles before it reaches the plate.
- Methods like vertical indoor farming can reduce the carbon footprint dramatically and leafy greens that are fresher, tastier can be delivered from farm to table within hours.
- The GCC's first indoor vertical farm is now in operation in the Al Quoz area of Dubai.
- In order to tackle the issue, the Government of Dubai is spending a lot on modern techniques such as Hydroponics and Aquaponics to boost the domestic produce.
- Farm growers are covered by Laws that concern exploitation, conservation, and development of Living Aquatic Resources in the UAE.

Staple Growers	Fruit Growers	Fish Farms	Animal Farms
Vegetable Growers	Poultry Farms	Dairy Farms	Organic Farming

Source: Frost & Sullivan





## Dubai offers a competitive advantage to set up F&B processing owing to developed infrastructure and markets

### Categories of food processors in Dubai

Sea food processing

Fruit and vegetable processing

Grain and mill product processing

Confectionery products

Spices processing

- Since the 1980s, local manufacturers have been in operation and are set up on the basis of an Emirati partnership where one or more Emirati national has to hold at least 51% of the stocks in a firm's capital.
- Although these industries have been present in Dubai for a long time, they haven't shown any significant growth. It is only after the MNC investments, F&B sector started growing.
- Dubai strengths in F&B manufacturing
- Developed capabilities in transportation and storage with bulk shipments registering 17% year on year growth rate
- F&B industry in Dubai has seen strong FDI inflows with international players like Fonterra, Mars establishing in Dubai.
- Access to wider MENA region and a growing demand for F&B.
- Dubai has a highly mature and sophisticated retail industry that could provide support introduction of niche high end products.

Source: Government of Dubai; Frost & Sullivan





## MNCs play a major role in the F&B food processors segment with significant investments in the Free zones

- The MNCs play a major role in the F&B sector in Dubai. It is only after the advent of the MNCs that the sector has shown significant levels of growth.
- Dubai is a major exporter and re-exporter in the F&B sector mainly due to its business-friendly environment, infrastructural facilities such as transportation and storage facilities, and geographical position at the centre of major markets such as the European Union, India, the GCC, and Africa.
- The Dubai Chamber forecasts for a 6.9% compound annual growth rate (CAGR) for the sector in the lead-up to a \$1.6trn total by the next fiscal year.
- The increasing focus on sharia compliant halal foods and proposed Dubai Industrial City (DIC), a 6m-sq-foot halal cluster is expected to capitalize the food processing market in Dubai.



Source: Government of Dubai; Frost & Sullivan





## Dubai has established itself as one of the major Food logistics hub due to its strategic location and excellent infrastructure

- Logistics operations in Dubai play a major role in the F&B sector as Dubai imports almost 80% of its F&B products
- The UAE is the major trade partner for the US in the processed food category.
- Dubai was one of the first countries to offer sea-air freight service from Asia to Europe.
- With the development of Sea air logistics corridor, the Jebel Ali Port (Middle East's largest port) and Dubai World Central-Al Maktoum Airport (world's largest airport) embedded in one customs free zone, where no customs bond is required for goods in transit arriving by ocean and departing by air.
- The Dubai Sea-Air Logistics Corridor features e-services hosted by Dubai Trade which integrate services of DP World, JAFZA, Dubai Customs & Dubai Commodities Centre – essentially, no paper work is involved.
- The proposed GCC rail network is expected to ease the transport of food products within the GCC countries.

Source: Frost & Sullivan





## Dubai is focusing on intelligent food logistics to maximize asset utilization and minimize food waste and costs

### Sub segments of food logistics

Non-finished Food Packaging / Bulk Packing

Food — Land/Sea/ Air Transport

Ware houses

Cold chain

- UAE appeared on the list of food-secure nations in the Global Food Security Index of the Economist Intelligence Unit for the first time during 2014 – this triggered the need to manage food logistics effectively
- Dubai is the third-largest re-exporter in the world having several established food manufacturing companies due to its strategic location.
- Logistics requirements in Dubai are complicated and challenging for fleet operators as the supply chain is very sensitive with several factors in play such as time, freshness of products, and regulation standards, which have to be maintained in order to export and re-export the products
- It is estimated that of more than ten million tonnes of food mobilized within the UAE each year, including imports and local production about 3.27 million tonnes is wasted.
- Dubai is focusing on intelligent food logistics to maximize asset utilization and minimize food waste and costs

Source: Government of Dubai; Frost & Sullivan





## Food consumption in the UAE is expected to grow at 4.4% till 2021 – Healthy organic foods and other niche products to see rise in demand

### Major Supermarkets in Dubai

- Spinneys
- Waitrose
- Carrefour
- Choithrams
- Lulu

### Dubai Food Park (DFP)

- The project is expected to cost ~AED 5.5 billion and will cover an area of 48 million sq.ft.
- It will feature a wholesale market, and other facilities serving the food industry in Dubai and the surrounding region.



- The F&B retail segment is very important and has evolved over the years.
- From mini marts to supermarkets and hypermarkets, several foreign as well as domestic players play a key role in Dubai's food retail market.
- It is due to the huge potential as a result of the growing population, high income and per capita spending of the consumers. Also, due to increasing awareness amongst consumers regarding F&B products and health consciousness, there is an increasing demand for organic food products and other products that are rich in protein.
- In the GCC, food consumption level is expected to grow at a CAGR of 4.2% between 2017 and 2021.
- The UAE is expected to become the second-fastest growing food market at a CAGR of 4.4% during the same period in the GCC.
- In 2016, the UAE registered total food sales of AED 1.2 Trillion and amounted to 48 million tonnes.
- It is expected that the total food consumption in the UAE will reach 60 million tonnes by 2021.
- The per capita spending is AED 8,800 per annum and the average food consumption of a resident in the UAE is 862.2 Kg.

Source: Government of Dubai; Frost & Sullivan





## Large expat population and Government's initiatives to meet the future demand to result in more F&B outlets with innovative concepts

### Major Supermarkets in Dubai

- Pierchic
- Margaux
- Eauzone
- Majlis Al Bahar
- Al Mahara
- Verre
- Zuma
- Roberto's

### Dubai Food Festival

- It is a citywide food festival and is held annually.
- The objective of the festival is to celebrate Dubai's emergence as a gastronomic destination and highlights Dubai's food taste and dining experiences.

**Enigma restaurant** in Dubai has come with the new dining concept where it plans to change its menus, chefs and concepts four times a year.

**Tawasy Group** has launched four dining concepts which are for customer orders on phone and online, catering and distribution of ready and semi-ready food products.

- Owing to the large expatriate population, Dubai is home to over 4,250 restaurants offering different cuisines from across the world.
- The EXPO 2020 alone is expected to bring 25 million visitors to Dubai over a period of six months and also expects 20 million tourists by 2020.
- Due to this the Government plans to open 1,600 more F&B outlets by 2018 to meet the future demand.
- Dubai's appetite for fine dining has witnessed many world-class restaurants setting up operations in Dubai in a short span of time.
- New and innovative concepts such as floating restaurants have become popular in Dubai, which further drives the upward trend.
- Zomato and other food-related apps have facilitated consumers to make their choices with plenty of options available.
- Dubai Municipality has started the Eat healthy, Live Healthy campaign, through which the Food Safety Department of the DM ensures if the outlets meet the standards and certify them. This is expected to ensure people get healthy options to eat.

Source: Frost & Sullivan





## Dubai's vision to become the global capital of the Islamic economy and increasing awareness for halal foods globally to boost the halal food industry

- There is increasing awareness of the halal F&B products amongst Muslim consumers, who are about 25% of the world population.
- Due to the quality procedures followed in the manufacturing process of the halal products, there is an increasing demand for it from non-Muslim population around the world as well.
- The largest halal food consumers are Indonesia, Turkey, Pakistan, and Egypt, followed by the other countries.
- The Halal World Food Exhibition in Dubai, which is a part of Gulfood, draws investments in the halal food sector from around the world every year.
- Members of the GCC are expected to import halal food products worth USD 53.1 Billion by 2020, while the UAE alone is expected to import halal food products worth USD 8.4 Billion by 2020.
- The Government of the UAE, in order to achieve its goal to become the global capital of Islamic economy, has established a halal cluster at a land area of 6.7 million square feet in the Dubai Industrial City to tap the huge potential for growth in the halal food industry.

Source: Frost & Sullivan



# Dubai Government's initiatives strive to promote its food and beverage sector; Key objective to promote products and services and connect to global consumers and reduce import dependency

## 1 Gulfood

- Gulfood is an annual event and is the largest food exhibition in the Middle East, which connects food suppliers and nations, opening distribution channels for industry-related business.
- The Halal World Food exhibition is a part of the Gulfood event.

## 2 Hydroponics

- Hydroponics is a technique where plants are grown in enclosed spaces without soil and water.
- Farms using the technique harvested 1,000- 1,200 tonnes of fresh produce per annum per hectare (30 times greater than the conventional farming methods).
- Government of Dubai provides the farmers with a 50% price discount for training on the Hydroponics technique.

## 3 Halal Food Industry

- 25% of the world's population are Muslim's.
- The global halal food market is expected to grow to AED 6 Trillion by 2018 at a compound annual growth rate (CAGR) of around 6.9 %
- The halal F&B market includes a range of products, such as raw chicken and beef, processed foods, and cold drinks
- Halal food sector is of considerable importance, especially since halal food is a key pillar in the Dubai Capital of Islamic Economy initiative launched in 2013
- A halal cluster at a land area of 6.7 Million square feet has been established in the Dubai Industrial City.

## 4 Food Consumption

- Per capita spending of a resident in the UAE is AED 8,800 per annum.
- Average food consumption of an individual in the UAE is 862.2 kg.
- The UAE is expected to become the second-fastest growing food market at a CAGR of 4.8% by 2019 in the GCC.

## 5 EXPO 2020

- The Expo 2020 is one of the most anticipated events in Dubai's Tourism industry.
- Under the theme of "Connecting Minds, Creating the Future", the Expo will bring together 25 million visitors from 180 nations.
- Officials estimate that staging the event would boost the Dubai economy by USD 23 billion, equivalent to approximately 24.4% of Dubai's GDP
- The F&B sector is expected to get a boost directly and indirectly from the planned projects and future demand

## 6 Dubai Industrial Strategy

- Aims to develop Dubai as a global platform and destination choice for international companies seeking growth and sustainability.
- Revenue expected from the strategy- AED 165 Billion by 2030.

Source: Government of Dubai; Frost & Sullivan



# Glossary and Definitions

Abbreviation	Expansion
AED	United Arab Emirates Dirham
CAGR	Compound Annual Growth Rate
DCCI	Dubai Chamber of Commerce and Industry
DED	Department of Economic Development
DEDCA	Dubai Export Development Corporation
DIC	Dubai Industrial City
DIFC	Dubai International Financial Centre
DM	Dubai Municipality
DSC	Dubai Statistics Center
DWTC	Dubai World Trade Centre
ESMA	Emirates Authority for Standardization and Metrology
F&B	Food and Beverage
FBMG	Food and Beverage Manufacturing Business Group
FDI	Foreign Direct Investment
FVBG	Fruits and Vegetables Business Group
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
JAFZA	Jebel Ali Free Zone Area
MENA	Middle East and North Africa
NAFL	National Association of Freight and Logistics
NFPC	National Food Products Company
RBG	Retailers Business Group
SCLG	Supply Chain and Logistics Group
SME	Small and Medium Enterprises
UAE	United Arab Emirates
US	United States
USD	United States Dollar

Definition	
Middle East	Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, the United Arab Emirates and Yemen
Gulf Cooperation Council	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
United Arab Emirates	Emirate of Abu Dhabi, Emirate of Ajman, Emirate of Dubai, Emirate of Fujairah, Emirate of Ras al-Khaimah, Emirate of Sharjah, and Emirate of Umm al-Quwain

