

UAE

Market report **HORECA and Food & Beverage**

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February 2010

Macroeconomic country data

| | |
|---|--|
| Population, million | 2008: 4.7 2009: 4.7 (e) 2010: 4.8 (f) 2011: 5.0 (f) |
| Gross Domestic Product (GDP nom.), US\$ billion | 2008: 245.5 2009: 230.6 (e) 2010: 266.3 (f) 2011: 291.1 (f) |
| GDP per capita, US\$ | 2008: 52068 2009: 49410 (e) 2010: 55946 (f) 2011: 58796 (f) |
| Real GDP growth, % change y-o-y | 2008: 7.4 2009: -2.9 (e) 2010: 2.8 (f) 2011: 5.2 (f) |
| Consumption growth, % | 2008: 10% |
| Unemployment, % of labour force | 2008: 4% 2009: 4.5% |
| Inflation Rate | 2008: 12,3% 2009: 1.56% 2010: 2.5% (f) |
| Prime rate, % (16.02.2010) | 1,00% |
| Change AED/US\$ (16.02.2010) | 3.6720 |
| Change AED/EUR (16.02.2010) | 4.9948 |
| Salary, monthly average for Emiratis, EUR | 2009: 7.775 |
| Household income, monthly average, EUR | 2009: 3.894 |
| Goods Exports, US\$ billion | 2008: 239.2 2009: 189.5 (e) 2010: 223.1 (f) 2011: 243.2 (f) |
| Exports, % change y-o-y | 2008: 30.7 2009: -20.8 (e) 2010: 17.7 (f) 2011: 9.0 (f) |
| UAE Exports (non-oil) to Italy, in thousand AED. and kg | 2008: 102,899,641 (Weight) 2008: 477,278,020 (Value) |
| Imports, US\$ billion | 2008: 176.3 2009: 149.8 (e) 2010: 157.3 (f) 2011: 169.9 (f) |
| Imports, % change y-o-y | 2008: 33.4 2009: -15.0 (e) 2010: 5.0 (f) 2011: 8.0 (f) |
| UAE Imports from Italy, in thousand AED and kg | 2008: 845,357 (Weight) 2008: 21,759,907(Value) |
| Trade balance, US\$ billion | 2008: 62.9 2009: 39.7 (e) 2010: 65.8 (f) 2011: 73.3 (f) |
| FDI, growth annually, % | 2008: 29% |

e: estimated f: forecast

Source: IMF, UAE Central Bank, Ministry of Economy

The United Arab Emirates (UAE) is made up of seven emirates and is part of the Cooperation Council for the Arab States of the Gulf (GCC). The fallout from the economic crisis is also felt in the business environment, although the impact should be largely positive in the long term. After a precipitous drop in economic growth from 7.4% in 2008 to an estimated -2.9% in 2009, real GDP growth is projected to climb to 2.8% in 2010 and 5.2% in 2011. In 2009 the UAE had a GDP of US\$ 245.5 billion, composed by the following sectors: Agriculture (1.1%), industry (48.6%) and services (50.2%). Main trade partners of the UAE are China, India, USA, Japan, Germany, Italy, UK, and Saudi Arabia.

Sector definition

This report provides a comprehensive overview of the HORECA and food & beverage sector in the UAE. Horeca is a business term which refers to the sector of the food service industry, to establishments which prepare and serve food and beverages. The term is a concatenation of the words **Hotel/Restaurant/Café**. The key information on target contacts in the market for Italian HORECA and food & beverage suppliers will be supported in this report by findings from secondary literature research and selected face-to-face-interviews.

This report focuses on the following sub sectors:

| HS Code | Product |
|-------------------------|--|
| Coffee | |
| 090111 | Coffee, not roasted or decaffeinated |
| 090112 | Decaffeinated coffee, not roasted |
| 090121 | Roasted coffee, not decaffeinated |
| 090190 | Coffee substitutes containing coffee; coffee husks and skins |
| Rice | |
| 100610 | Rice in the husk (paddy or rough) |
| 100620 | Husked (brown) rice |
| 100630 | Semi-milled or wholly milled rice |
| 100640 | Broken rice |
| Cheese | |
| 040610 | Fresh cheese, incl. whey cheese & curd |
| 040620 | Grated or powdered cheese, of all kinds |
| 040630 | Processed cheese, not grated or powdered |
| 040640 | Blue-veined cheese |
| 040690 | Other cheese |
| Bread and sweets | |
| 190510 | Bread, crispbread, croissant |
| 190531 | Sweet biscuits |
| 190532 | Waffles & wafers |
| 190540 | Rusks, toasted bread & similar tasted products |
| Olive oil | |
| 150910 | Virgin olive oil & fractions |
| 150990 | Olive oil & fractions (exc. virgin) |
| Vinegar | |
| 2209 | Vinegar & substitutes for vinegar from acetic acid |
| Pasta | |
| 190211 | Uncooked pasta containing eggs not stuffed or otherwise prepared |
| 190219 | Other uncooked pasta not stuffed or otherwise prepared |
| 190220 | Stuffed pasta, whether or not cooked or otherwise prepared |
| 190230 | Other pasta |

| Truffles and mushrooms | |
|-------------------------------|--|
| 200310 | Mushrooms of the genus Agaricus, not prepared or preserved by vinegar or acetic acid |
| 200320 | Prepared truffles otherwise than by vinegar or acetic acid |
| 200390 | Other mushrooms, prepared or preserved otherwise than by vinegar or acetic acid |
| Tomato products | |
| 200210 | Tomatoes not prepared or preserved by vinegar, whole or in pieces |
| 200290 | Tomato paste not prepared or preserved by vinegar |
| Wines | |
| 220410 | Champagne & sparkling wine |
| 220421 | Wine (not sparkling); grape must with by alcohol in: <=2L containers |
| 220429 | Wine (not sparkling); grape must with alcohol in: >2L containers |
| 220430 | Other grape must other than that of heading 20.09 |
| Confectionary | |
| 1701 | cane or beet sugar & chem. pure sucrose, solid form |
| 1702 | sugars nesoi, incl. chem. pure lactose etc; caramel |
| 1703 | molasses from the extraction or refining of sugar |
| 1704 | sugar confection (incl. white chocolate), no cocoa |

Market size

Local production

The Emirate agriculture and industrial sector is limited, the UAE imports almost 90% of its food products. With the exception of fresh tomatoes used in the production of tomato paste and ketchup and a small quantity of fresh vegetables used in the production of frozen vegetables, almost every ingredient used in locally produced food is imported. Only 15% are locally produced consisting mainly of:

- dairy products
- poultry and eggs
- seafood
- snack foods
- fresh tomatoes
- dates
- some vegetables
- a limited number of supermarket items

In 2009, agriculture made 1.1% of the GDP, this year 2.0 % is predicted. The UAE Government has a keen interest in fostering the development of the food processing industry having invested some US\$1.4 billion since 1994 to develop a value-added food-manufacturing sector to target local and re-export markets. Major food processing plants include vegetable oils, soft drinks and juices, snack foods, pasta, confectionary and dairy products.

In the UAE are 359 manufacturers of food, beverages and tobacco based. In 2008, 32,178 Mio. AED were invested within these existing manufacturing establishments. Further, 30,412 workers are employed by food & beverage manufacturer.

The quality of local produced products is varying. There is a considerable amount of market players in this field which offers their customers excellent products to a lower price, e.g. dried fruits. However, the quality of local produced pasta is insufficient. Besides, all types of pasta (except Lasagna) go by the name of "Macaroni" in most of Arabic speaking countries like the UAE.

Import/export data

The UAE imports almost 90% of its food products. A high percentage of imported products (approximately 50%) are then re-exported to GCC countries, former Soviet states, the Indian subcontinent and Eastern Africa. In 2007, the UAE imported foodstuff, beverages, spirits and tobacco worth 8.763 billion AED from the world, which constituted 16.5% growth over its imports in 2006. In 2008 Italy exported goods and services worth 21.76 billion AED to the UAE (Weight: 845,357 kg). During the same timeframe the country imported non-oil products for an amount of 477 million AED. The UAE re-exported products worth 772 million AED from Italy. Italy is one of the main suppliers of pasta, coffee and tomato products.

Local consumption

The local consumption behaviour within the UAE goes along with the composition of the population. The seven emirates have a large number of expatriates which make up the majority of the population, with UAE nationals comprising only 20% of the total. The largest ethnic group is South Asian – expatriates from India, Pakistan, Bangladesh and Sri Lanka making up 50%. Arabs and Iranians make up 23% of the population with the remainder 8% being Westerners and East Asians. Due to the large expatriate population, a diverse range of food is available. In recent years, there has been a shift in food habits from traditional to Western-style convenience foods. The UAE is predominantly made up of younger generations who eat out more often.

The food service sector is also a particular growth area given the significant expansion of the tourism sector and the large number of new hotels and resorts being opened in the UAE. The UAE is host to over 400 hotels. Due to the current global economic outlook there is a decrease in tourists, however prior to 2009 there was increasing growth in tourism which increased demand for imported food.

As only food and beverage outlets located within certain establishments (primarily hotels) are permitted to apply for an alcohol license, western resident expatriates, and tourists, are more inclined to dine there. Each hotel has a selection of eating places from coffee shops to fine dining and a five star hotel has a minimum of 15 restaurants. With more than 11,000 eating establishments the UAE restaurant sector is a profitable market in terms of margin returns. There are 4,250 food establishments in Dubai, 3,000 in Abu Dhabi, and 2,775 in Sharjah. These restaurants serve multinational cuisine including traditional Arabic, European, American, Chinese, Thai, and Indian among others.

In 2008, UAE restaurants purchased US\$800 million worth of food and beverages, an increase of 12% over the previous year. By 2012, food and drink purchases by UAE restaurants are expected to reach US\$1.2 billion. Dining out is very fashionable in the UAE and new dining facilities are opening at a rate of approx. 500 per year to meet the demand. As a result of the economic downturn consumers had cut back on eating out. But still most consumers have retained their desire for quality.

The UAE is the highest consumer per capita of bottled water. Local consumption of dairy products is high, including fresh milk, labneh and laban. The market for dairy food increased at a compound annual growth rate of 5.9% between 2003 and 2008. The yogurt category led the dairy food market in the UAE, accounting for a share of 32%. The leading players in the dairy food market include Almarai Co., Al Ain Dairy Farm and Groupe Danone.

There is an increasing awareness of health issues and diet in the UAE. But still, there is a very small market for organic food because of its higher price. The market for Pasta & Noodles increased between 2000-2005, growing at an average annual rate of 3%. The leading company in the market in 2005 was Perdigao. The second-largest player was Barilla Holding Società per Azioni with National Food Co in third place. The confectionery market increased between 2001-2007, growing at an average annual rate of 7.2%. The leading company in the market in 2006 was Mars, Inc.. The second-largest player was Nestle.

The market for canned food increased between 2000-2005, growing at an average annual rate of 0.1%. The leading company in the market in 2005 was Senaco Foods Corporation. The second-largest player was General Mills, Inc. with Bolton Group in third place. The market for Bakery and Cereals in United Arab Emirates increased between 2000-2005, growing at an average annual rate of 8.2%. The leading company in the market in 2005 was Modern Bakery. The second-largest player was Al Jadeed Bakery L.L.C with Kellogg Company in third place.

It should be noted that restaurants not attached to hotels are legally not allowed to serve alcohol. Therefore, Wine is a restricted product. Alcohol is only sold in two designated stores: African Eastern and MMI. The market for wine increased at a compound annual growth rate of 9.1% between 2003 and 2008. The still wine category led the wine market in the UAE, accounting for a share of 51.9%. The leading company in the market in 2006 was Moet Chandon. The second-largest player was Laurent-Perrier.

The total consumption of food and food products is estimated at almost US\$4 billion and in the food service market 50% is estimated to be food consumption in the luxury hotel industry. With this growth the demand for imported food will continue to rise, as climate and soil conditions the UAE prevents mass farming and product production, however secondary production such as value-added processing and manufacturing is increasing. The main growth area of food processing are dairy products, reconstituted juice, biscuits, meat and snacks.

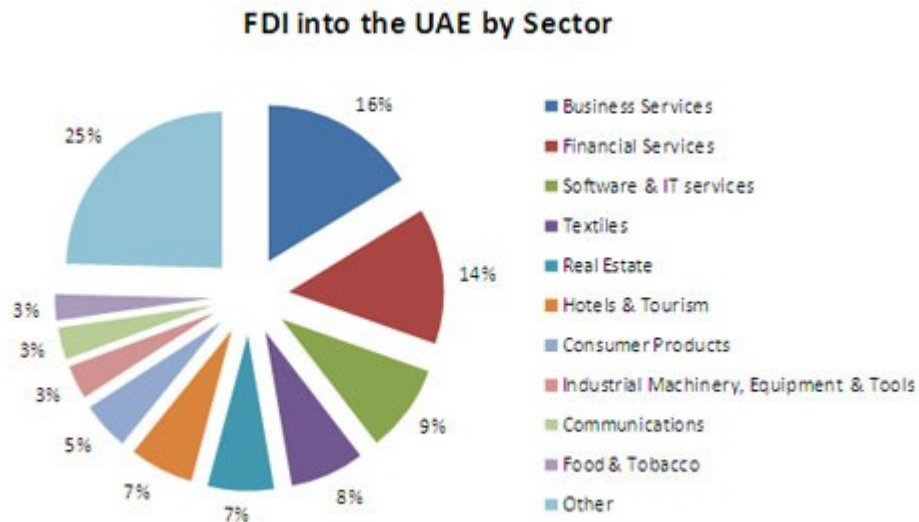
| \$US | Food and Beverage | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|---|-------------|-------------|-------------|-------------|-------------|
| UAE (population 4.7 million) | Food and Beverage Market Value (\$US in billions) | 2.73 | 2.92 | 3.11 | 3.32 | 3.55 |
| | Food only Market Value (\$US in billions) | 1.96 | 2.12 | 2.28 | 2.46 | 2.64 |
| | Food and Beverage Expenditure per Capita (\$US) | 698.78 | 715.15 | 730.92 | 748.11 | 768.95 |
| | Food only Expenditure per Capita (\$US) | 502.66 | 520.39 | 536.73 | 554.1 | 573.16 |

Foreign direct investments

The UAE is after Saudi Arabia the main recipient of foreign direct investment in the Gulf region. The UAE received \$66.2 billion of FDI from 1998 to 2008, representing 19% of total foreign investment in the region. In 2008, the UAE accounted for around 14.2% of the total FDI of about US\$96.48 billion pumped into the Arab World. Gulf countries have remained the main source of inter-Arab investments. In 2009 and 2010 the FDI flow is expected to decline due to several factors, including the slowdown or contraction in the economies of industrial nations, which have been a major source of FDI for Arab states over the past few years.

In the six year period from 2003 to 2008, the UAE experienced the largest rise in 2008 in terms of both FDI project numbers and capital investment, with a 70% rise on project figures compared to 2007. In 2008, the UAE attracted 480 FDI projects consisting of \$4.8 billion of capital investment and the creation of over 87,000 jobs. This accounted for a third of all project numbers, capital investment and job creation in the UAE between Jan 2003 and Jan 2009.

Figure 5: FDI Project No's into the UAE by sector, 2008



Source: fDi Intelligence from the Financial Times (www.fdiintelligence.com)

Graphic production, imports and exports of foodstuff, beverages, spirits and tobacco UAE

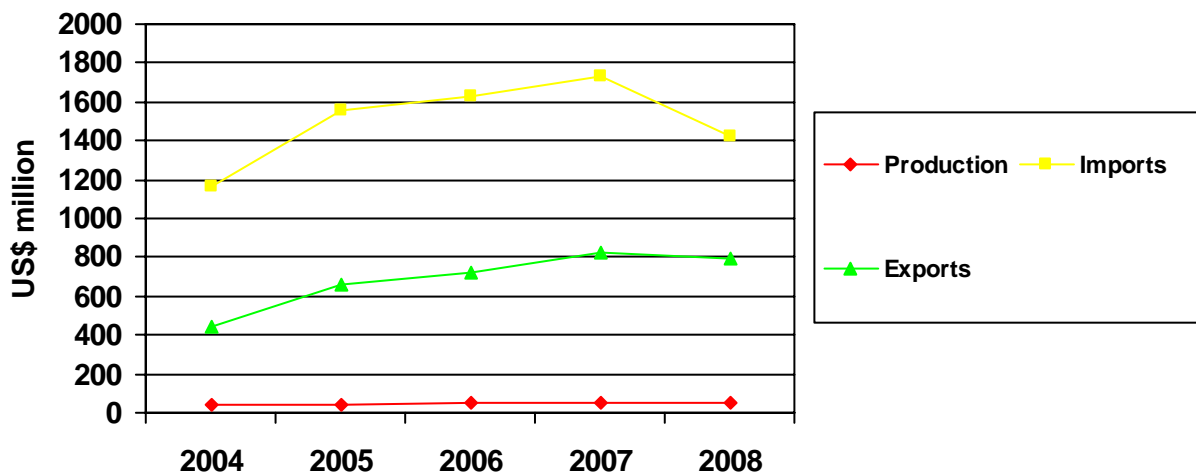
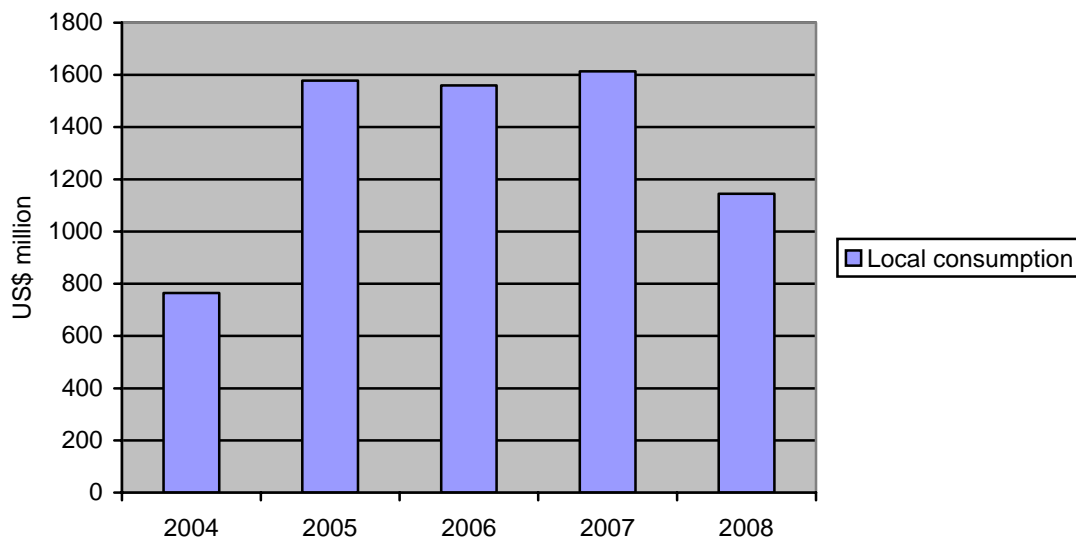


Table local consumption of foodstuffs, beverages, spirits and tobacco UAE

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------|----------|----------|----------|----------|----------|
| Production (US\$ million) | 37.28 | 43.51 | 47.59 | 50.33 | 54.14 |
| Imports (US\$ million) | 1,697.50 | 2,191.70 | 2,230.60 | 2,387.90 | 1,886.60 |
| Exports (US\$ million) | 438.56 | 656.89 | 718.03 | 824.08 | 796.73 |
| Re-Exports (US\$ million) | 531.45 | 637.82 | 601.45 | 658.66 | 459.67 |
| local consumption (US\$ million) | 764.77 | 1578.32 | 1560.16 | 1614.15 | 1144.01 |

Source: Ministry of Economy UAE

Graphic local consumption of foodstuff, beverages, spirits and tobacco UAE



Competition and Italy's market standing

Although the premium hotel sector (along with top end retail) demands quality fresh produce, the UAE is a price-driven market. Food suppliers from all over the world vigorously compete for market share. American, Asian and other European products pose the greatest competition to Italian products. Besides there exist a strong price/quality relationship, products that are sufficiently differentiated on a quality base can command a higher price if supported by the chef. Although country of origin is perceived as being related to quality and Italian products are generally regarded as high quality, this alone is insufficient to justify higher pricing. The difference in quality between Italian and local made fresh pasta and bread (manufactured in luxurious 4- and 5-star hotels) has decreased significantly in recent years. Italy, through long association with pasta, rice and olive oil, is positively regarded and this assists with a clean (disease free) and premium quality positioning that can be used in pitching, particularly with food service buyers, against other major suppliers. However, any price premium will require some other unique selling points to secure interest and suppliers must have a firm value proposition.

The US dominates the high quality snack market. European companies, under license from American manufacturers, dominate the cereals market. Australia is one of the major suppliers of beef and lamb with strong competition from USA, Holland and the India subcontinent. France, Australia, the UK and Holland dominate the market for cheese. The main importer of grated or powdered cheese (HS: 406200) is Saudi Arabia with a monthly average import value of approx. 3 million AED. Much of fresh produce entering the UAE is sourced from Holland.

The following statistics are unfortunately only for Abu Dhabi available. Morocco is the main importer of truffles with a value of 93,300 AED in the first quarter of 2009. Mushrooms are mainly imported by the US and Thailand. Main importers of not decaffeinated coffee (HS 090121) are India, USA and Italy. The import of Italian not decaffeinated coffee has totaled 406,513 AED (9,898 kg) in January 2009. Italy is the main trader of decaffeinated coffee (HS 090111) with a value of 771,356 AED (20,000 kg) in the first quarter of 2009. Rice in the husk (HS 100610), husked brown rice (HS 100620) and milled rice (HS 100630) is mainly imported by Pakistan, India and USA. Syria is the biggest exporter of virgin olive oil (HS 150910). In the first half year of 2009, Abu Dhabi imported virgin olive oil worth 234,361 AED from Italy. France is the biggest exporter of sparkling wine (HS220410) to Abu Dhabi with a value of 3,473.23 AED in the first half year of 2009. During the same timeframe, Italy exported sparkling wine for an amount of 54.401 AED; grape wine (HS 220421) had a value of 98,173 AED. Confectionary products are mainly imported by Saudi Arabia, UK, Luxembourg and Switzerland. In the first half year of 2009, Italy exported cocoa products of concentrated liquid with co worth 323,664 AED. Biggest import countries of pasta (HS 190211 Macaroni) are Saudi Arabia, Kuwait and Asian countries like Malaysia and Thailand. Saudi imported pasta had a value of 446,569 AED in the first half of 2009. Italians pasta products had a value of 18.732 AED. Saudi Arabia is also the biggest importer of other pasta not stuffed (HS 190219) and other pasta (HS 190230). Other pasta imported by Italy had a value of 481.776 AED. Italy is the biggest importer of tomatoes (HS 200210) with a total value of 96.236 AED in the first half of 2009. Tomato paste (HS 200290) is mainly imported by Saudi Arabia.

Face-to face interviews conducted by Sesam Business Consultants have shown that marketing activities of Italian food and beverage suppliers leave a lot of room for improvement and almost all interviewees wish for a more streamlined approach and also more variety of Italian food and beverages products.

Distribution channel

Import and land distribution of food products is carried out by the private sector. Government intervention is limited to health regulations and labeling requirements. Many importers in Oman, Qatar, Bahrain and Kuwait buy food items via the UAE, since individual orders from these countries tend to be less than the minimum required by suppliers. Thus, container-sized loads are shipped to the UAE and broken down into smaller quantities for transshipment to these countries.

Local distributors play a large role when it comes to the distribution channel and are preferred by most buyers. Specialized importers are the main source of food products for the food supply chain. In many cases importers act as wholesalers and distributors in addition to their sales to wholesalers. The HORECA sector typically relies on importers and distributors for sourcing their product needs rather than importing directly. There are a few volume buyers (such as airlines and supermarkets) who may request direct supply, wherefore a special license is required. In most cases a local distributor is preferred. Distributor margins vary from 10 to 50%, depending on marketing involved and whether the item is ambient or chilled. Foodservice distributors generally command 15 to 30% margin. Large importers are often integrated with logistics and distribution companies, who supply to wholesalers and retailers. Some of the large importers and distributors run their own retail outlets as well.

Most of the distributors carry a wide range of products. Hotels and restaurants prefer to deal with more than one source to benefit from the competitive environment and to secure a range of products. In the UAE are about 250 local dealers. Main local distributors for Italian products are Emirates Snack Food, Chef Middle East, Classic Fine Food Middle East, Fresh Express, and Green House.

Interviewees stated that they are less satisfied with the work of local distributors. They often have to be slow in response and not very forthcoming in fixing of problems. Punctuality, placing a order, lack of knowledge of high quality products, less variety, incorrect stocking are further obstacles. Many Italian manufactures have lost substantial market share due to the poor performance of their local distribution partners.

All luxurious hotels in the UAE are buying Italian products, especially wines, pasta, cheese and coffee. Fresh pasta and bread are often self-made by hotels and restaurants. Other main sourcing countries are USA, Australia, India, China, Thailand, and other European countries.

It is estimated that the contribution of the average hotel's food service facilities to the establishment's revenues at 40-50%, depending on the class of the hotel. Hotels mostly buy their requirements from the local market which makes them prime customers for food and beverage importers and distributors. The executive chefs of the hotels have a predominant voice in the selection of food products which are consumed in the hotels. They decide what is in the kitchen needed. Discussion with purchasing department arises about prices. In Dubai, the most exclusive hotels have Italian chefs. In total, there are 30 Italian chefs working in Dubai. The global economic downturn has meant that retailers and foodservice operators are changing their current purchasing method to a more centralized approach and with this increased single source suppliers and a reduction in the cost of products.

Food items enter the UAE primarily via seaports with free trade zones situated in all the Emirates, e.g. the Jebel Ali port in Dubai. There are also cargo handling facilities attached to the international airport, called cargo 'villages'. Dubai Cargo Village handles more air cargo than any other airport in the region, much of it coming into Dubai by sea and going out by air mainly to Europe. High freight costs associated with small sea freight shipment, coupled with market entry costs, can be prohibitively expensive for new products whose success in the market has yet to be proven. The UAE experiences high temperatures (30 to 50°C) and humidity for much of the year. Port and airport facilities are generally equipped to deal with this, as are most reputable distributors, but temperature-sensitive products should be protected for the lowest common denominator eventuality.

The UAE regulates that food and beverage items imported into the country are subject to a 5% import duty. As a restricted item, alcohol is subject to higher duties up to 50%. No alcohol can be used as an ingredient or additive. Import of pork and pork products are permitted but are very strictly regulated. No food labels can have pictures or recipes listing pork or alcohol. Alcoholic beverages are available in the UAE but their import is strictly restricted to licensed importers who source wine and spirits from around the world. A health certificate attesting that the product is fit for human consumption, must accompany all imported food items.

Labeling is one of the most important issues for food exporters. This includes production and expiry dates, which needs to be printed on the original package or label. Arabic labeling is mandatory and can be printed on sticker. The following list comprises of mandatory labeling requirements on food pre-packages:

- Specific name of the food
- Ingredients in descending order of proportion
- Additives using their 'E' numbers (group names are also accepted)
- The origin of all animal fats
- Net contents in metric units
- Production and expiry date embossed on the package
- Country of origin
- Manufacturers' name and address
- Lot identification

- Special storage and preparation instructions, if any
- The expiry date must be printed in the following order depending on the shelf life: day, month and year for products having a shelf life of six months or less; or month and year for products with a shelf life more than six months. Production and expiration dates must be clearly printed, embossed or engraved; and shall be difficult to erase. It is also prohibited to write such dates manually or indicate them on a sticker (even on the sticker used for Arabic translation). Double dates are not allowed (such as indicating more than one production or expiration dates).

With few exceptions, all food items are required to have at least half of their shelf life remaining at the time of import. Frozen meat and poultry products must be imported within four months of their date of production irrespective of their shelf life. A halal certificate issued by a UAE approved Islamic centre in Italy is mandatory for exporting any meat, poultry products or products containing gelatin. This documentation may also require attestation by the Italian Arab Chamber of Commerce and UAE Embassy. All institutional size containers or products shipped in bulk also have the same labeling requirements.

Sector related media and trade fairs

a) Media

| | |
|---------------|--|
| Title | Hotelier Middle East |
| Frequency | Monthly |
| Distribution | 11,158 copies |
| Target groups | Hotel and Hospitality sector |
| Topics | F&b, leisure, business, hotels, hospitality |
| Website | www.hoteliermiddleeast.com |

Hotelier Middle East is the region's leading monthly trade publication for the hotel and hospitality industry and has developed a strong following since its inception in 2003. Hotelier Middle East communicates industry-specific intelligence to a targeted audience of hoteliers Middle East-wide and provides updated information on products and services provided by key industry suppliers. Regular features include interviews, analysis from industry professionals, monthly index tracking room rates, and destination reports.

| | |
|---------------|--|
| Title | Hospitality and Catering Directory |
| Frequency | Yearly |
| Distribution | 10,000 copies |
| Target groups | Hospitality and catering sector |
| Topics | 3 key sections: namely classified, brands, company profiles |
| Website | www.hospitalityandcateringdirectory.com |

Updated and published annually, the directory is separated into master categories and multiple subsections with contact details for over 4,000 hospitality and catering related contractors, suppliers and service providers operating in the GCC. It is broken down into three key sections, namely classifieds, brands and company profiles which provide easy reference for readers and professionals that need a reference tool to any aspect of the hospitality sector.

Trade section of the Italian embassy

| | |
|---------------|--|
| Title | Caterer Middle East |
| Frequency | Monthly |
| Distribution | 6,566 copies |
| Target groups | Chefs, restaurant manager, sous chefs, bartenders |
| Topics | News, culinary trends, product reviews |
| Website | www.caterermiddleeast.com |

Caterer Middle East is a dedicated food & beverage management magazine delivering news, culinary trends and product reviews for the Middle East's fast growing catering industry. The magazine's readership covers food and beverage professionals and managers.

b) Trade fairs

| | |
|----------------------------|--|
| Title | Gulfood Middle East |
| Place | Dubai |
| Frequency and next edition | Yearly fair, 21.-24.02.2010 |
| Short description | Gulfood is the Middle East's leading food, hotel & equipment trade exhibition and incorporates the Emirates International Salon Culinaire. The event is the most regional marketing platform and meeting point for manufacturers and buyers and since its first edition in 1987 has achieved the status of being the largest and most attended event in the Middle East. This year, approx. 3,300 companies will be participating. |
| Website | www.gulfood.com |

| | |
|----------------------------|--|
| Title | Middle East Food Abu Dhabi |
| Place | Abu Dhabi |
| Frequency and next edition | Yearly fair, 26.-28.04.2010 |
| Short description | Fair for buyers and suppliers in the food industry. The show is a crucial sourcing opportunity for the latest products and services and is an essential date-in-the-diary for buyers, operators and decision makers from the HORECA sector |
| Website | www.middleeastfood.com |

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|----------------------------|--|
| Title | Hotelshow |
| Place | Dubai |
| Frequency and next edition | Yearly fair, 18.-20.05.2010 |
| Short description | The Hotel Show is the region's most important and established supply, fit-out and service exhibition for the hospitality market. The fair is organized by DMG World Media. In 2009, the Hotel Show attracted over 9,788 key industry decision makers and one in four visitors came from outside the UAE. Visitors were predominantly Senior Hotel Management staff, Interior designers, Architects, Fit Out contractors, Developers and Owners. In total, 758 exhibitors from 41 countries participated. |
| Website | www.thehotelshow.com |

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|----------------------------|---|
| Title | Gourmet Abu Dhabi |
| Place | Abu Dhabi |
| Frequency and next edition | Yearly fair, 15.-19.02.2010 (Debut 2009) |
| Short description | Gourmet Abu Dhabi is presented by Abu Dhabi Tourism Authority and focus on fine food. |
| Website | www.gourmetabudhabi.ae |

| | |
|----------------------------|--|
| Title | Taste Dubai |
| Place | Dubai |
| Frequency and next edition | Yearly fair, 17.-20.03.2010 (Debut 2008) |
| Short description | Taste Dubai is a yearly fine food and drink festival and presents unmatched opportunity to enjoy the best in gourmet ingredients, specialty foods, beverages and live entertainment. |
| Website | www.tasteofdubaifestival.com |

c) Other marketing activities

Prospective suppliers should be aware that the UAE is a very competitive market. The UAE has a multitude of traders of varying quality and influence. The selection of a distributor is critical and must fit the positioning, target market, and desired pricing of the product. Prospective exporters should gain a clear understanding of potential representatives, including their reputation, product range, key customers and relationships, before engaging with them. As a rule of thumb, most distributors will claim to supply “the five-star hotels” but this should be validated prior to commitment.

The Middle East is a relationship market and personal visits to customers are important. They will help to both gain an understanding of the market also display commitment to the market to distributors and buyers. A visit around an event like Gulfood is a good way to establish what is in the market already and what competitors are looking to position.

Dubai in particular is a “showcase” market for the region and success in Dubai can be leveraged over a two to five-year period to other surrounding countries – aggregating to substantial volume potential. Markets such as Qatar and Bahrain are investing heavily in their tourism and commerce sectors, and product that is successful in Dubai has a good chance of success in these markets in the medium term. While more conservative in its development, Saudi Arabia is the largest market in the GCC and its retail and foodservice sectors are similarly increasing in sophistication.

Market forecast

Despite the economic downturn, the UAE has retained its status as an attractive market for food and drink investors in search of near-term returns with a high potential. As one of the most globally-linked business sectors, the food & beverage industry make up a fast paced and constantly evolving business in the UAE.

New F&B products will be affected by hot and spicy flavourings, one of the trends of 2010. Spice is even featuring in the beverage sector where the added flavour is being added to teas, coffees and colas. There is also a growing trend for more complex and sophisticated flavour combinations influenced by bitter, warm and earthy notes. An emerging trend in HORECA sector is the renewed enthusiasm for food products that are perceived to be traditional and local. Ethnic cuisines, in particular, are becoming increasingly popular, from premium restaurants to roadside fast-casual food stands. Frozen products are also becoming more important, since the majority of food is

imported. The fact that 50% of the population demographic is under the age of 25 requires a completely different focus in the food and beverage sector, with snack and convenience foods offering strong opportunities for market growth.

Consumer demand is increasing for food and beverages that include inherent health benefits, from anti-oxidants to probiotics and beyond.

An increasingly important pillar of the trade, halal products and services are demonstrating strong growth potential around the world. Currently estimated at US\$ 2.1 trillion annually, the global halal market is not limited to Muslim consumers but is also poised to gain increasing acceptance among non-Muslims.

Within the F&B sector, Shariah-compliant hotels are becoming a growing trend. These specialized hotels are run and operated on Islamic principles, which means they are alcohol-free and serve halal food. One factor driving the growth of Shariah-compliant hotels is the increasing number of Arab and Muslim travelers and their growing purchasing power. Rezidor Hotel Group has recently estimated that the Sharia-compliant hospitality market will grow by staggering 20% per year over the next decade. There are more than 50 existing Sharia-compliant hotels in the UAE (e.g. Tamani Hotels & Resorts, Almula Hospitality, Shaza Hotels).

Sources

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