

# CHEESE

## INVESTMENT OPPORTUNITY SCORECARD

### FOOD PROCESSING

JANUARY 2021



# FOOD PROCESSING CHEESE

Public / متاح

High Potential

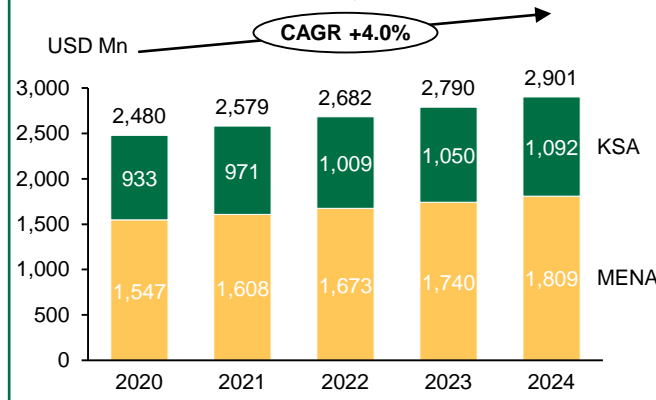
Moderate Potential

Low Potential

**OPPORTUNITY'S DESCRIPTION:** Opportunity to establish a facility for cheese products in KSA to serve local and regional markets

## DEMAND

### MARKET SIZE, USD MN



### INVESTMENT HIGHLIGHTS

- Average investment size for cheese products' facility is approximately USD 14.65 Mn
- Expected IRR: 13%
- Expected payback period: 9.2 years
- Investment model: 100% private investment

## INVESTMENT OVERVIEW

### VALUE PROPOSITION

- Catering contractors serving food to government institutions (hospitals, schools, universities) are mandated to use more than 70 percent local content
- Opportunity to capitalize upon the government's effort to increase dairy productivity in the Kingdom through various supportive regulatory measures and financial support
- KSA has a mature dairy market with a large number of domestic and foreign players and has logistics in place to export products to the neighbouring GCC countries and the wider MENA region

### KEY DEMAND DRIVERS

- Saudi Arabia's population reached 34.1 Mn in 2019 and is expected to grow at 2.0% p.a., exceeding 38 Mn by 2025, creating sustainable demand for milk and milk-based products
- KSA has the highest volume of cheese and curd consumption in the region, with 377k tonnes consumption and 11 kg per capita consumption in 2018
- Increased consumption of cheese by quick service food service outlets and adoption of western food choices which use cheese as an ingredient in broad range of recipes including pizza, burgers, pasta, and sandwiches will lead to its increased demand
- Busy work schedules and higher number of working women are driving demand for ready to eat food and convenience dairy products including cheese

## MARKET OVERVIEW

### MARKET READINESS AND COMPETITOR ANALYSIS

- Currently KSA cheese market served by select global and local players

### COMPETITOR ANALYSIS



### GLOBAL TRENDS

- Global cheese market is expected to reach USD 112.8 Bn by 2025, growing at a CAGR of 8.4% for 2020-2025
- Growth of organized retail sector and improvements made along the value chain, such as logistics infrastructure and storage facilities, has led to increased consumption of cheese in developing economies in recent years
- Cheese market is fragmented with the presence of several large and regional manufacturers competing in terms of price and quality creating tough competition and high market entry barriers especially for smaller players

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## SUPPLY

### SCALABILITY AND LOCALIZATION

Grade: Low Medium High

- Easy access to labor, approval of foreign suppliers, and an expedited process for licenses and permits will allow for quicker localization of the industry
- KSA has production capacity of more than 2 Bn litres of cow milk in its specialized cow farms
- KSA has strong logistics infrastructure and supportive regulatory ecosystem to enable export of cheese products globally

### IMPORT DEPENDENCY

- In 2019, KSA imported cheese products worth ~USD 533 Mn

Country	% of Saudi imports in 2019
USA	65.2%
Hungary	13.1%
Denmark	11.1%
Others	23.7%

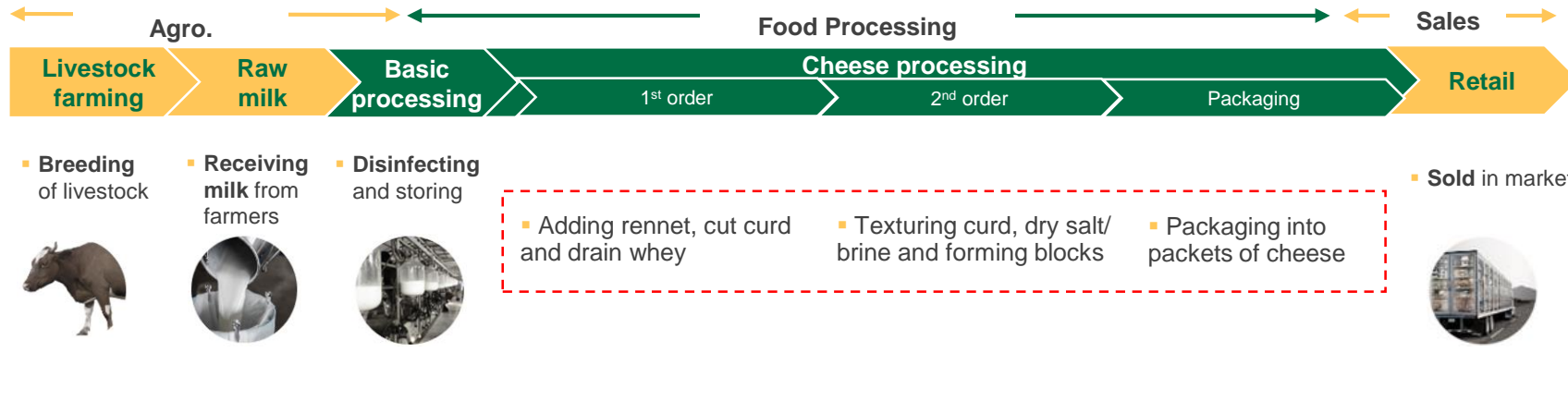
Source: UN COMTRADE

## ENABLING FACTORS

### ENABLERS

- Government supporting low financing cost ~75% of capex
- Low corporate income tax (20%) on profits only
- 100% foreign direct ownership allowed
- Subsidies for interest-free loans and other incentives offered under National Industrial Development Centre (NIDC)

### VALUE CHAIN ANALYSIS



### COST OF DOING BUSINESS IN KSA

Factor	Ranking Amongst Regional Peers
Electricity tariffs for industrial players	\$48 /MWh
Productivity adjusted wages	\$3.3 /hour
Logistics Performance Index (1 – 5)	3.2
Customs Clearance Index (1 – 5)	2.7
Ease of getting credit (0 – 100)	50

### KEY STAKEHOLDERS



# DEFINITIONS

#	SCORECARD SECTION	DEFINITIONS
1	Market size	Size of market in value/volume in KSA and/or Region (MENA/GCC) covering future projections based on available estimates from published /government sources
2	Demand drivers	A select number of factors that will influence future demand for the related product/service
3	Investment highlights	An overview of key financial metrics summarizing the investment opportunity along with the expected return based on the suggested investment size
4	Value proposition	Summary of key differentiators that position KSA as a strategic choice over other regional/global peers
5	Market readiness	An overview of KSA market structure, market maturity and level of participation by local and global players
6	Competitor analysis	List of the local & international players manufacturing the underlying product in Saudi Arabia and their market share
7	Global trends	Latest business developments within the sector/product category
8	Scalability and localization	Ease of scaling the business across the value chain or into new adjacent products or geographies that would maximize the opportunity's investment returns and the ability and potential to locally manufacture the product and its components
9	Import dependency	An overview of the countries from which Saudi Arabia is importing the product and their value/volume and share in total imports
10	Value chain analysis	The process or activities that would potentially need to be carried out to deliver the underlying product or service
11	Key stakeholders	Government institutions, organizations, and/or authorities that participate or influence the market for the underlying product/service
12	Enablers	Factors that enable investment in the underlying opportunity
13	Cost of doing business in KSA	Key factors that position KSA as a competitive destination for investment in the region. Productivity adjusted wages do not include cost of \$1.23/hour towards annual recurring charges including work permit, resident identity (iqama) and health insurance

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