

FRESH FRUITS AND VEGETABLE CUTS

INVESTMENT OPPORTUNITY SCORECARD

FOOD PROCESSING

APRIL 2021

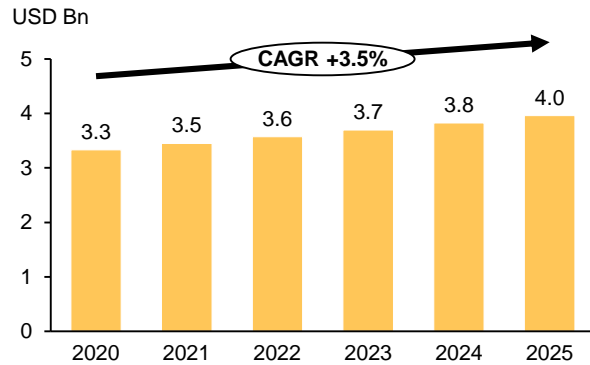


FRESH FRUITS AND VEGETABLE CUTS

OPPORTUNITY'S DESCRIPTION: Opportunity to supply fresh fruits and vegetables to various consumer segments including food processors, retail outlets and supermarkets in KSA

DEMAND

KSA MARKET SIZE, USD BN



INVESTMENT HIGHLIGHTS

- Current investment opportunity to supply fresh fruits and vegetables in KSA is ~USD 40 Mn
- Expected IRR: 19%
- Expected payback period: 9.1 years
- Investment model: 100% private investment

INVESTMENT OVERVIEW

VALUE PROPOSITION

- High dependency upon imports raises prospect of significant import-substitution opportunities within KSA food industry
- KSA's strategic location and favorable trade agreements (eg: GAFTA) offers potential for local manufacturers to serve emerging markets like Africa and South Asia as well as matured markets like Europe
- Opportunity to leverage recent FDI measures to motivate private sector participation in KSA food industry

KEY DEMAND DRIVERS

- One of the major demand drivers is the Kingdom's strategic move towards innovative farming techniques such as hydroponics¹ and aquaponics² in order to cope with the water scarcity of arable land and reuse of wastewater
- High consumption of fruits and vegetable is also, driven by preference for healthy lifestyles and foods rich in vitamins, minerals, fiber, and antioxidants, which have been shown to protect against chronic diseases and cancer
- Growing size of local food processing and packaged food industries that need fresh fruits and vegetables
- Additionally, increasing number of restaurants, juice centres and hotels further scale the consumption of fruits and vegetables

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Fresh fruits and vegetable is highly fragmented market with many local, small-scale players. Select large players dominate the import market
- ~60% of the market is served through modern trade channels

GLOBAL TRENDS

- Global fresh fruits and vegetable market was valued at USD 1.2 Tn (vegetables – USD 631 Bn, fruits – USD 562 Bn) in 2021 and expected to grow at 3.4% p.a. until 2025
- Global fresh fruits & vegetables market is set to experience favorable growth driven by factors such as rising middle-class population, upsurge in disposable income, rapid urbanization, changing consumer lifestyles and rise in veganism
- The major trends observed in this market include increased share of fresh segment, rise of branding, technological advancements and advent of online grocery shopping

COMPETITOR ANALYSIS



¹Hydroponics: process of growing plants in sand, gravel, or liquid, with added nutrients but without soil

²Aquaponics: a system of aquaculture in which the waste produced by farmed fish or other aquatic creatures supplies the nutrients for plants grown hydroponically, which in turn purify the water

Source for global trends: Market Research, Statista



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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
- Saudi Arabia has an established F&B industry that benefits from state-of-the-art technologies and highly advanced packaging, cold chain facilities and distribution networks to enable efficient distribution of products across the country
- Continued efforts in innovation and initiatives to support use of advanced technology to help in enhancing production efficiency

IMPORT DEPENDENCY

(Fruits) Country	% imports	(Veg.) Country	% imports
Ecuador	28.2%	India	20.5%
USA	17.3%	Jordan	18.3%
Philippines	9.0%	Netherlands	18.0%
Egypt	8.1%	Oman	8.2%
Others	37.4%	Others	35.0%

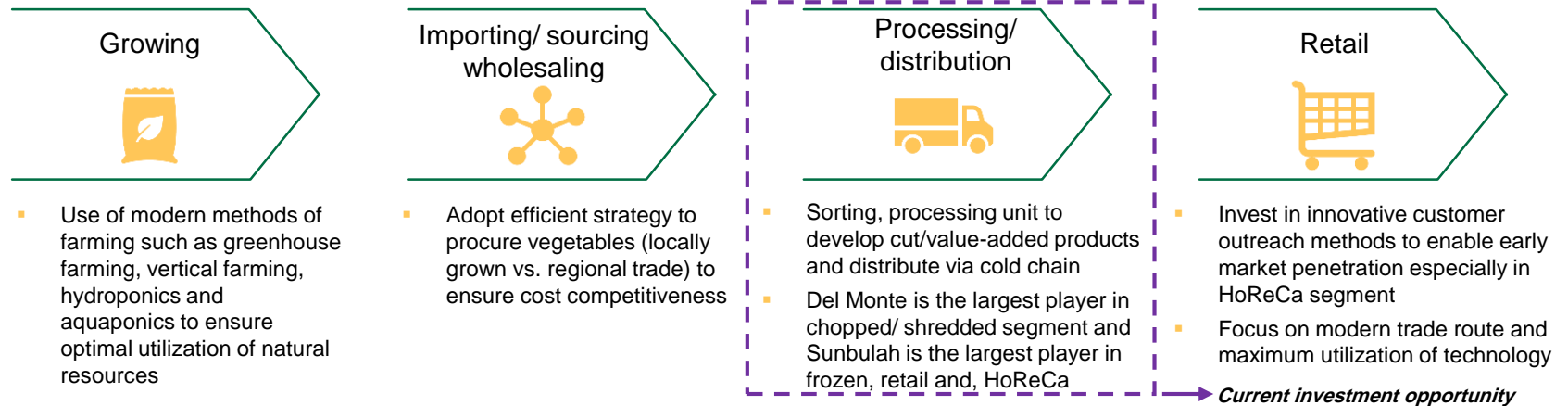
Source: UN COMTRADE, 2019

ENABLING FACTORS

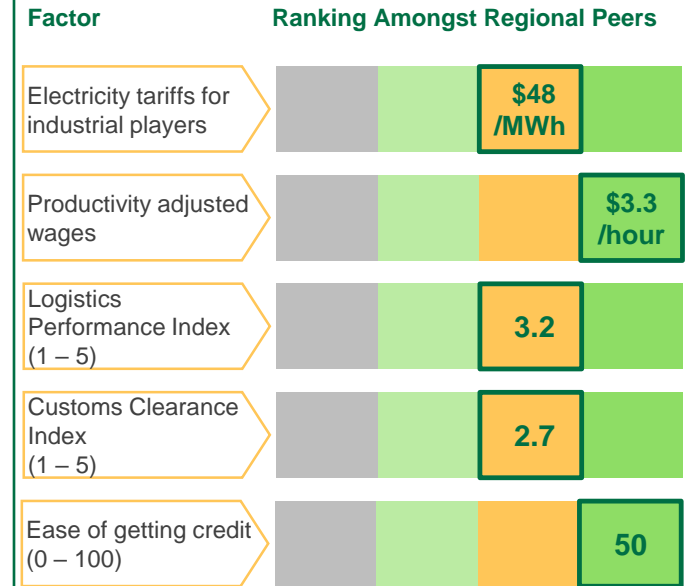
ENABLERS

- Government supporting low financing cost ~75% of capex
- Low corporate income tax (20%) on profits only
- Protection against imports of low-priced finished goods from neighboring countries
- 100% foreign direct ownership allowed

VALUE CHAIN ANALYSIS



COST OF DOING BUSINESS IN KSA



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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