

FROZEN FRUITS AND VEGETABLES

INVESTMENT OPPORTUNITY SCORECARD

FOOD PROCESSING

APRIL 2021



FOOD PROCESSING

FROZEN FRUITS AND VEGETABLES

Public / متاح

High Potential

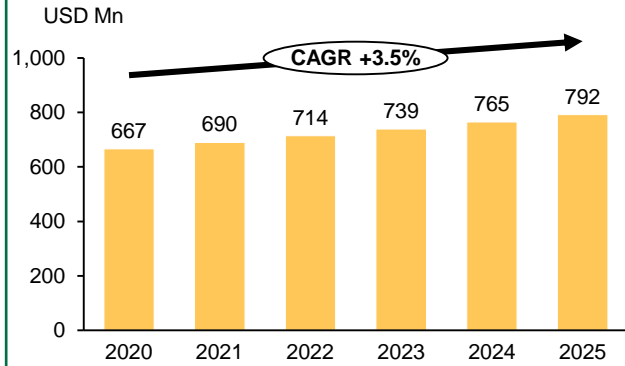
Moderate Potential

Low Potential

OPPORTUNITY'S DESCRIPTION: Opportunity to establish a facility to produce frozen fruits and vegetables to cater local demand

DEMAND

KSA MARKET SIZE, USD MN



INVESTMENT HIGHLIGHTS

- Current investment opportunity to setup facility to produce processed fruits and vegetables is ~USD 16 Mn
- Expected IRR: 10%
- Expected payback period: 9.3 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
- Sustainable Agricultural Rural Development Program launched in 2019, aims at boosting production, processing and availability of locally produced food items
- Opportunity to leverage recent FDI measures to motivate private sector participation in KSA food industry

KEY DEMAND DRIVERS

- One of the major demand drivers for processed food is the strategic shift of the industry from traditional factors such as preservation and stabilization, to enhancing health aspects, flavor and taste, nutrition, sustainable production and food security
- Owing to busy lifestyles and increase in number of working women, the demand for convenience foods that requires less cooking time is on the rise
- Factors such as increasing disposal incomes and growing population are expected to support continued growth in demand for processed fruits and vegetables in the Kingdom
- Additionally, increasing number of restaurants and hotels further scale the consumption of processed food items

MARKET OVERVIEW

MARKET READINESS AND COMPETITOR ANALYSIS

- Top 3 players capture nearly 50% of the market share, rest demand is served by fragmented low-scale local/regional players
- ~60% of the market is served through modern trade channels

COMPETITOR ANALYSIS



GLOBAL TRENDS

- Global market for processed food reached USD 3.1 Tn in 2020 and expected to grow at 6.5% p.a. until 2025. The sector is highly fragmented, with vendors competing for innovation, pricing, and distribution
- Processed food needs to be stored at a very low temperature to maintain the quality, which requires high capital investment
- Some of the key players globally include ConAgra Foods Inc., Grupo Bimbo SAB de CV, Mondelez, Hormel Foods Corp., PepsiCo, Nestle, General Mills among others

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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 manufacturing technology to help in enhancing production efficiency

IMPORT DEPENDENCY

(Fruits) Country	% imports	(Veg.) Country	% imports
USA	17.6%	Netherlands	32.4%
UAE	16.5%	Belgium	30.7%
Canada	9.2%	USA	19.3%
Lebanon	6.8%	France	7.9%
Others	49.9%	Others	9.7%

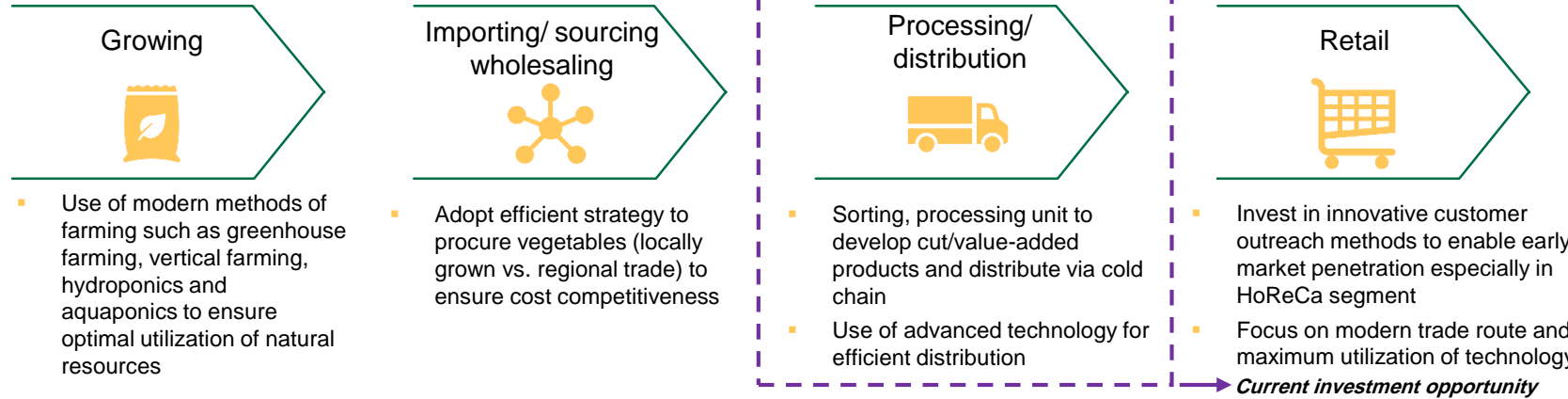
Source: UN COMTRADE

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

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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