

Saudi Arabia Dairy Market By Type (Drinking Milk, Cheese, Yogurt, Ghee & Butter, Others), By Sales Channel (Supermarkets/Hypermarkets, Departmental Stores, Online, Others) By Region, By Competition Forecast & Opportunities, 2018-2028F

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Abstracts

Saudi Arabia Dairy Market has valued at USD 6219.39 million in 2022 and is anticipated to project robust growth in the forecast period with a CAGR of 5.76% through 2028. Saudi Arabia's dairy industry has experienced remarkable growth and transformation in recent years. Traditionally reliant on imports to meet its dairy needs, the country has made substantial investments in domestic dairy production, striving for self-sufficiency and food security. This shift has been driven by various factors, including a rapidly growing population, changing dietary preferences, and government initiatives to reduce dependence on imports.

Saudi Arabia's dairy sector encompasses a wide range of products, including milk, yogurt, cheese, and other dairy derivatives. Major players in the industry include Almarai, the largest integrated dairy company in the region, and other prominent local and international brands.

Government support and investment have been instrumental in boosting the local dairy industry. Initiatives such as the King Salman Program for Agricultural Development and the privatization of dairy farms have facilitated expansion and technological advancement in the sector. Additionally, modern dairy farms and processing facilities, equipped with cutting-edge technology, have contributed to increased productivity and product quality.

The Saudi government's commitment to achieving self-sufficiency in dairy production

aligns with its broader vision for economic diversification and sustainability. As the industry continues to evolve, it presents significant opportunities for both domestic and foreign investors interested in contributing to the country's dairy production and supply chain.

Key Market Drivers

Government-Led Self-Sufficiency Initiatives

One of the primary drivers of change in the Saudi Arabian dairy industry is the government's commitment to achieving self-sufficiency in food production, including dairy. The country has traditionally relied on imports to meet its dairy needs, but this dependence on foreign sources became a concern for food security. To address this issue, the Saudi government launched several initiatives aimed at boosting domestic dairy production.

The 'King Salman Program for Agricultural Development' is a key initiative that provides funding and support to local farmers and agribusinesses. It includes subsidies, low-interest loans, and technical assistance to encourage investment in modern farming practices and dairy production. Through this program, the government aims to increase the country's self-sufficiency in dairy products and reduce its reliance on imports.

Additionally, the government has taken steps to privatize dairy farms and encourage investment in the sector. This has attracted both domestic and international investors, resulting in the establishment of modern dairy farms equipped with advanced technologies and improved infrastructure.

Rising Domestic Demand

The rapid population growth in Saudi Arabia has driven an increase in domestic demand for dairy products. As the population continues to expand, so does the need for dairy products, such as milk, yogurt, and cheese. Additionally, changing dietary preferences and a growing awareness of the nutritional benefits of dairy consumption have contributed to the rising demand for these products.

To meet this increasing demand, the Saudi dairy industry has had to expand and modernize its production capabilities. Local dairy companies have invested in new processing facilities and technology to ensure a stable supply of high-quality dairy products to the growing consumer base.

Technological Advancements and Modernization

Technological advancements have played a crucial role in driving the growth and modernization of the Saudi Arabian dairy industry. Local dairy companies have adopted state-of-the-art equipment and practices to enhance the efficiency of dairy production, from farming to processing and packaging.

Modern dairy farms in Saudi Arabia are equipped with automated milking systems, advanced cooling and storage facilities, and improved herd management techniques. These technologies not only increase productivity but also ensure the health and welfare of dairy animals. In the processing sector, there is a focus on maintaining strict quality control standards, which is essential for producing dairy products that meet the expectations of local and international consumers.

The incorporation of technology has also allowed dairy producers to diversify their product offerings. In addition to traditional dairy items, there is an increasing focus on producing value-added products, such as flavored yogurts, fortified milks, and lactose-free alternatives. These innovative products cater to changing consumer preferences and provide opportunities for growth in the industry.

Export Opportunities and Economic Diversification

Saudi Arabia's dairy industry has recognized the potential for export growth, and this realization has become a key driver for industry development. The government's focus on economic diversification, as outlined in its Vision 2030 plan, includes a strong emphasis on expanding non-oil sectors. Dairy production is considered a promising sector for both domestic consumption and export.

By enhancing the quality and safety of dairy products, Saudi Arabia can tap into regional and international markets. Neighboring countries in the Gulf Cooperation Council (GCC) are natural export destinations, and Saudi dairy companies have been exploring opportunities to establish a regional presence. These exports contribute to economic diversification and revenue generation, aligning with the government's broader goals.

To facilitate exports, Saudi dairy companies are working to meet international quality and safety standards, such as HACCP (Hazard Analysis and Critical Control Points) and ISO certification. These certifications improve the industry's competitiveness in

global markets and provide a valuable selling point for export opportunities.

In conclusion, the Saudi Arabian dairy industry is undergoing a significant transformation, with various drivers pushing it toward self-sufficiency, modernization, and export orientation. Government-led initiatives, rising domestic demand, technological advancements, and export opportunities all play a crucial role in shaping the industry's current landscape and future prospects. As the industry continues to evolve and adapt to these drivers, it presents promising opportunities for investors, both within the country and abroad, and contributes to the country's broader goals of economic diversification and food security.

Key Market Challenges

Water Scarcity and Feed Supply

Saudi Arabia's arid climate and limited water resources pose a significant challenge to the dairy industry. Water is a critical resource for both the cultivation of animal feed and the hydration of dairy cattle. The cultivation of water-intensive crops, such as alfalfa, used for cattle feed, has put immense pressure on water resources. As the country strives for self-sufficiency in dairy production, the need for sustainable water management practices and alternative feed sources becomes increasingly urgent.

To address this challenge, the Saudi government has initiated efforts to reduce water usage in agriculture and promote more efficient irrigation techniques. Additionally, there is a growing emphasis on researching and adopting drought-resistant crops and alternative animal feeds that require less water.

Quality and Safety Standards

Meeting international quality and safety standards is crucial for the Saudi dairy industry's growth and export potential. While there have been significant advancements in technology and practices, maintaining consistent quality and safety can be challenging. Ensuring that dairy products meet strict quality standards is essential for domestic consumption and export to international markets.

The industry must address issues related to quality control, food safety, and traceability throughout the supply chain. This includes addressing concerns about the use of hormones and antibiotics in dairy farming and maintaining high standards in dairy processing and packaging. Compliance with global standards like HACCP (Hazard

Analysis and Critical Control Points) and ISO certification can be demanding but is necessary to enhance the industry's competitiveness and reputation in international markets.

Market Competition and Pricing

The Saudi dairy market is highly competitive, with both local and international brands vying for consumer attention. Local companies like Almarai, the largest integrated dairy company in the region, have established strong market positions, but they face competition from international giants and smaller local players. This intense competition affects pricing and market share.

The challenge lies in balancing the need to maintain affordable prices for consumers with the necessity to ensure profitable operations for dairy companies. Fluctuations in raw material prices, such as feed and energy, can impact production costs, making it challenging to offer competitive prices while maintaining quality standards.

Saudi Arabia's move toward economic diversification and privatization has led to an influx of investments in the dairy sector, which can lead to market oversaturation if not managed carefully. Finding the right pricing strategies and market positioning in this competitive landscape is a continuous challenge.

Climate Change and Sustainability

Climate change poses a long-term challenge to the Saudi dairy industry. Rising temperatures, extreme weather events, and shifting weather patterns can impact dairy production. Heat stress on dairy cattle can reduce milk production and compromise animal health, requiring additional resources for climate mitigation.

Sustainability is becoming an increasingly important concern. The dairy industry's carbon footprint, water consumption, and waste management practices need to align with global sustainability goals. Saudi Arabia, like many other countries, is under pressure to reduce its environmental impact and contribute to a greener future.

Efforts to address this challenge include the implementation of sustainable farming practices, the use of renewable energy sources, and reducing greenhouse gas emissions from the dairy sector. However, transitioning to more sustainable practices may require significant investment and adaptation.

In conclusion, the Saudi Arabian dairy industry faces several significant challenges, from water scarcity and feed supply issues to quality and safety standards, market competition and pricing, and the long-term effects of climate change. Successfully addressing these challenges is crucial for the industry's sustainability, competitiveness, and continued growth. Government support, technological innovation, and industry collaboration will be essential in overcoming these hurdles and ensuring the long-term success of the dairy sector in Saudi Arabia.

Key Market Trends

Health and Wellness Products

A prominent trend in the Saudi Arabian dairy industry is the growing demand for dairy products that are perceived as healthier and more beneficial for consumers. This trend is driven by an increasing awareness of the nutritional value of dairy and the desire for products that address specific health needs.

Consumers are seeking dairy products with reduced fat, sugar, and calories, as well as those with added functional ingredients like probiotics and prebiotics for digestive health. Additionally, lactose-free and plant-based dairy alternatives have gained popularity among those with dietary restrictions or seeking dairy-free options.

Local dairy companies have responded to this trend by introducing a variety of low-fat, reduced-sugar, and functional dairy products, catering to the health-conscious segment of the population. The emphasis on health and wellness aligns with global dietary trends and is expected to continue shaping the product offerings in the Saudi dairy market.

Sustainable and Environmentally Friendly Practices

Sustainability is a growing trend in the global dairy industry, and Saudi Arabia is no exception. The focus on sustainability extends to various aspects of the dairy supply chain, including farming practices, energy consumption, waste management, and packaging.

Sustainable farming practices aim to reduce the environmental footprint of dairy production. This includes improving the efficiency of water and resource use, reducing greenhouse gas emissions, and adopting more eco-friendly livestock management practices.

Energy-efficient and environmentally friendly production facilities are also becoming more common, with dairy companies in Saudi Arabia increasingly turning to renewable energy sources, such as solar power, to meet their energy needs.

Sustainable packaging solutions, including reduced plastic use and improved recyclability, are being explored as a means of addressing environmental concerns. The Saudi dairy industry recognizes the importance of sustainability, and as consumer awareness of environmental issues grows, companies are making efforts to adopt more sustainable practices.

Online Retail and E-commerce

The rise of e-commerce and online retail has had a significant impact on the distribution and marketing of dairy products in Saudi Arabia. With the increasing availability of high-speed internet and the widespread use of smartphones, consumers are increasingly turning to online platforms to purchase dairy items.

Online retail offers the convenience of home delivery, allowing consumers to access a wide range of dairy products with ease. This trend has been accelerated by the COVID-19 pandemic, as people sought to limit in-person shopping and embraced online grocery shopping.

Dairy companies in Saudi Arabia are adapting to this trend by expanding their online presence and partnering with e-commerce platforms to reach a broader customer base. E-commerce offers opportunities for direct-to-consumer sales and marketing, as well as enhanced consumer engagement through online promotions, product information, and reviews.

Premium and Artisanal Dairy Products

There is a growing interest in premium and artisanal dairy products in Saudi Arabia. Consumers are increasingly willing to pay a premium for high-quality, niche, and specialty dairy items that offer unique flavors and experiences.

Artisanal and locally produced dairy products, such as specialty cheeses, traditional desserts, and premium ice creams, have gained popularity. These products are often perceived as more authentic and of higher quality, appealing to consumers looking for distinct and unique tastes.

This trend aligns with a broader global movement towards supporting local and small-scale producers and valuing the craftsmanship and heritage associated with artisanal dairy items. Local dairy companies have recognized this trend and are expanding their product portfolios to include premium and artisanal offerings.

In conclusion, the Saudi Arabian dairy industry is witnessing several significant trends, including a growing demand for health and wellness products, increased focus on sustainability and environmentally friendly practices, the rise of online retail and e-commerce, and a surge in the popularity of premium and artisanal dairy products. These trends reflect changing consumer preferences and global industry developments, and they present opportunities for dairy companies to innovate, diversify their product lines, and meet the evolving needs of consumers in the Saudi market. Staying attuned to these trends and embracing them is essential for the continued success of the dairy sector in Saudi Arabia.

Segmental Insights

Type Insights

Yogurt has emerged as the fastest-growing segment in the Saudi Arabian dairy industry, driven by shifting consumer preferences and increasing health consciousness. The surge in demand for yogurt is attributed to its reputation as a healthy and convenient dairy product.

Consumers in Saudi Arabia are increasingly opting for yogurt due to its probiotic benefits, which support digestive health. Furthermore, the availability of a wide range of yogurt flavors, including traditional Middle Eastern varieties and innovative international options, has broadened its appeal.

Local dairy companies have responded to this trend by introducing various yogurt products, often fortified with vitamins and minerals, to cater to evolving consumer preferences. The yogurt segment's rapid growth is a reflection of the industry's adaptability and its ability to meet the dynamic demands of a health-conscious and diverse consumer base. This trend is expected to continue, with yogurt remaining a pivotal category in the Saudi dairy market.

Sales Channel Insights

Online retail is experiencing exceptional growth in the Saudi Arabian dairy industry,

reflecting changing consumer habits and increased digitalization. With the rapid adoption of e-commerce platforms and mobile applications, purchasing dairy products online has become increasingly popular among Saudi consumers.

The convenience, accessibility, and wide product selection offered by online platforms have driven this trend. Consumers can now browse, compare, and purchase various dairy items with just a few clicks, facilitating a seamless shopping experience.

Local dairy companies have recognized the significance of this trend and are actively expanding their online presence, partnering with e-commerce platforms, and offering home delivery services to reach a broader audience. This transformation has been further accelerated by the COVID-19 pandemic, which pushed more consumers to embrace online grocery shopping.

The online segment's growth is expected to persist, with technology continuing to shape how consumers access and purchase dairy products in Saudi Arabia.

Regional Insights

The eastern region of Saudi Arabia stands out as the dominating and pivotal region in the Saudi Arabian dairy industry. This prominence is attributed to various factors, including favorable climate conditions, a strong agricultural tradition, and extensive infrastructure for dairy production and distribution.

The Eastern Province, in particular, benefits from an arable landscape that supports the cultivation of animal feed, making it a prime location for dairy farming. The region's proximity to key urban centers and ports facilitates efficient distribution and export logistics.

Furthermore, the presence of large-scale dairy companies, such as Almarai, which is headquartered in Al Kharj in the Riyadh region, also contributes to the overall dominance of the eastern region. These companies have invested heavily in advanced dairy farming, processing facilities, and research and development, bolstering the region's status as a dairy industry leader in Saudi Arabia.

Given these advantages, the eastern region is likely to remain at the forefront of the country's dairy production and distribution for the foreseeable future.

Key Market Players

Almarai Company

Al Safi Danone Ltd.

The National Agricultural Development Company (NADEC)

Nada Dairy

Saudia Dairy & Foodstuff Company (SADAFCO)

Danya Foods Ltd.

Forsan Foods & Consumer Products Company Ltd

Modern Dairy Plant Company (Badr Dairy)

Wardat Al Mashreq Food Factory

Ornua Ingredients International

Report Scope:

In this report, the Saudi Arabia Dairy market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

Saudi Arabia Dairy Market, By Type:

Drinking Milk

Cheese

Yogurt

Ghee & Butter

Others

Saudi Arabia Dairy Market, By Sales Channel:

Supermarkets/Hypermarkets

Departmental Stores

Online

Others

Saudi Arabia Dairy Market, By Region:

Western

Northern & Central

Eastern

Southern

Competitive Landscape

Company Profiles: Detailed analysis of the major companies presents in the Saudi Arabia Dairy market.

Available Customizations:

Saudi Arabia Dairy Market report with the given market data, Tech Sci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

Company Information

Detailed analysis and profiling of additional market players (up to five).

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