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Agricultural marketing situation analysis in the Kingdom of Saudi Arabia

(Opportunities and constraints facing smallholders and agri-entrepreneurs in marketing of their produce in Kingdom of Saudi Arabia)

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*Strengthening MoEWA's Capacity to implement its Sustainable Rural Agricultural Development
Programme (2019-2025) (UTF/SAU/051/SAU)*

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List of Acronyms

ADF	Agriculture Development Fund
CF	Contract Farming
CAGR	Compound Annual Growth Rate
FAO	Food and Agriculture Organization of the United Nations
GI	Geographical Indication
KSA	Kingdom of Saudi Arabia
MoEWA	Ministry of Environment, Water and Agriculture
SRAD	Sustainable Rural Agricultural Development Programme

Summary:

The FAO-KSA SRAD Project “Strengthening MoEWA's Capacity to implement its Sustainable Rural Agricultural Development (SRAD) Programme (2019-2025)”, identified problems to be addressed included limited capacity of rural institutions and agricultural cooperatives to provide appropriate support services to small producers, and inadequate access and linkage to markets and insufficient agricultural marketing infrastructure in rural areas, limited capacity of smallholders to access productive resources, services and markets and limited capacity of the public and private sector to develop and promote rural agro-enterprises and create productive and decent rural employment opportunities, particularly among youth and women; this has resulted in underdeveloped agro-enterprises and high unemployment in rural areas.

Hence under the project SRAD Outcome 3: Capacity of the MoEWA and rural agriculture institutions and small producers enhanced for better access to resources, services and markets, a set of activities for developing sustainable agricultural marketing systems for small producers of target commodities are identified for the project output 3.3 (Small agricultural producers and agribusiness entrepreneurs integrated into markets).

The “Agricultural Marketing Situation Analysis” report is prepared under the Agricultural Marketing intervention 3.3.1 *“Undertake comprehensive situation analysis to identify opportunities and constraints facing smallholders and agri-entrepreneurs in marketing of their produce”*.

The report is divided in two sections. Section one covers, (chapter 1), introductory background to the Agricultural Marketing “Ag-Marketing” crosscutting theme; (chapter 2), methodology of the Agricultural Marketing situation analysis study; (chapter 3), Agricultural Marketing “an-overview”; and (chapter 4), Agricultural Marketing in the Saudi context “summary of the study findings”.

Section two of this report covers comprehensive analysis of all the SRAD target commodities, (chapter 5), rose marketing situation analysis; (chapter 6), honey marketing situation analysis; (chapter 7), livestock “small ruminants” marketing situation analysis; (chapter 8), fisheries and aquaculture marketing situation analysis; (chapter 9), rain-fed marketing situation analysis; (chapter 10), Arabic coffee marketing situation analysis; and (chapter 11), subtropical fruits “pomegranates, grapes, figs). In chapter 12, conclusion of the Agricultural Marketing Situation Analysis is provided. Annex part of the report provides some additional information relevant to this study.

SECTION – 1: Introduction, Methodology and Findings of the study

Chapter 1: Introduction to the Ag-Marketing theme

1.1 Background:

The FAO technical cooperation in Saudi Arabia is providing support to MoEWA in implementation of the aforesaid flagship programme through the project “Strengthening MoEWA’s Capacity to Implement the Sustainable Rural Agricultural Development Programme (2019-2025)”. This project is consistent with the national development goals, fits within the Saudi Vision 2030, contributes directly to achievement of the objectives of the National Agriculture Strategy, the National Environment Strategy and supports fully the achievement of the development goal of the Sustainable Rural Agricultural Development (SRAD) Programme (2019-2025). The project is being implemented by FAO through direct implementation modality in full collaboration and partnership with the MoEWA Under-secretariats for Agriculture, Land and Environment. The SRAD project covers nine components covering commodities, rain-fed cereals, subtropical fruits, rose, fisheries, coffee Arabica, beekeeping and honey, and livestock besides components on natural resource management and enhancing value addition from smallholdings and rural activities.

The significance of Agriculture Marketing cross cutting over the commodities in SRAD project is ascertained to address specific problems of limited capacity of rural institutions and agricultural cooperatives to provide appropriate support services to small producers, inadequate access and linkage to markets and insufficient agricultural marketing infrastructure in rural areas and limited capacity of smallholders to access productive resources, services and markets. These were also underlined with the limited capacity of the public and private sector to develop and promote rural agro-enterprises and create productive and decent rural employment opportunities, particularly among youth and women; this has resulted in underdeveloped agro-enterprises and high unemployment in rural areas.

Accordingly, the Outcome 3 of the project is on capacity of the MoEWA and rural agriculture institutions and small producers enhanced for better access to resources, services and markets and aspects of Agriculture Marketing is more specifically seeks output 3.3: Small agricultural producers and agribusiness entrepreneurs integrated into markets.

Under the agricultural marketing crosscutting theme, FAO KSA is supporting the development of sustainable marketing systems for KSA, with focus on SRAD targeted commodities. The “Comprehensive Agriculture Marketing situation analysis: Opportunities and constraints facing smallholders and agri-entrepreneurs in marketing of their produce in Kingdom of Saudi Arabia” is undertaken under the SRAD project Activity 3.3.1 “Undertake situation analysis to identify opportunities and constraints facing smallholders and agri-entrepreneurs in marketing of their produce”. This activity of comprehensive Agriculture Marketing situation analysis study is very important, and the findings and recommendations will help to better implement the designed agricultural marketing interventions “project activities” under the FAO SRAD and REFF projects. The present report provides the findings and recommendations of Comprehensive Agriculture Marketing situation analysis in respect of KSA along with its scope, coverage and methodology, and findings.

1.2 SRAD project target commodities and regions:

Based on the well-defined methodology¹, nine project components have been developed as focus of the SRAD programme (2020-2026) containing selected promising rural agricultural commodities in the eight regions that have been identified as target regions as shown in Table 1 below:

Table 1.1: Selected agricultural commodities and regions² targeted by the Project

Project Component	Target regions
Coffee Arabica	Jazan, Aseer and Al-Baha
Beekeeping and honey industry	Jazan, Aseer, Al-Baha, Makkah, Medina and Hail
Rose and Aromatic Plants	Jazan, Aseer, Al-Baha and Makkah
Subtropical fruits (pomegranates, grapes and figs)	Jazan, Aseer, Al-Baha, Medina, Makkah and Hail
Fisheries and Aquaculture	Jazan, Aseer, Makkah, Medina and Eastern Region
Livestock (small ruminants)	Jazan, Aseer, Makkah, Northern Borders and Eastern Region
Rain-fed cereals (sorghum, millets and sesame)	Jazan, Aseer, Al-Baha and Makkah
Value addition	Jazan, Aseer, Al-Baha, Medina and Makkah
Sustainable management of natural resources	Riyadh, Eastern Region, Tabouk, Najran, Makkah, Aseer and Al Baha

1.3 Agricultural Marketing crosscutting theme:

Agricultural Marketing (Ag-Marketing) crosscutting theme manage some key interventions and activities under outcome 3 and more specifically its output 3.3: Small agricultural producers and agribusiness entrepreneurs integrated into markets. The theme of Agriculture Marketing inter alia aligns with other outputs of Outcome 3 concerning rural institutions for the marketing functions of agricultural commodities notably by cooperatives and associations (Output 3.1).

Table 1. 2: Indicators under outcome 3

Outcome 3 - Indicators	Baseline	End Target
Smallholders' rural agricultural cooperatives established and/or received technical support	0	16
Number of small producers whose capacity to access resources, services, and markets enhanced	0	1200

Table 1. 3: Indicators under outputs 3.3 – linked to Ag-Marketing

Output 3.3 - Indicators	Baseline	End Target	Comments
Number of small agriculture producers integrated into markets	0	500	

¹ More details regarding the methodology used to identify target commodities and region are available in the SRAD project document.

² During the project implementation phase, in consultation with key stakeholders, some changes are brought and expected in future in the target regions for the selected commodities.

Number of marketing centers established in the target regions	0	5	
Number of Commodities for which geographical indicators developed	0	3	Increased to 6
Number of Contract farming models established	0	7	

The Ag-Marketing interventions planned under the output 3.3 could be categorized in specific technical areas such as Contract Farming, Geographical Indications, support the development of Agri-Marketing centers, e-Market Information System (e-AMIS) and capacity building of farmers and stakeholders on Agriculture Marketing. Below listed activities and interventions are leaded by Agri-Marketing theme.

Table 1. 4: List of activities/interventions – leaded by Agri-Marketing crosscutting theme

S. No	Activity number	Description of the activity
1	(3.3.1)	Undertake comprehensive situation analysis to identify opportunities and constraints facing smallholders and agri-entrepreneurs in marketing of their produce
2	(3.3.2)	Support the establishment and development of local livestock marketing centers
3	(3.3.3)	Support the establishment and development of local subtropical fruit marketing centers.
4	(3.3.4)	Support the establishment and development of local fish marketing centers.
5	(3.3.5)	Support the establishment and development of local rain-fed crop marketing centers.
6	(3.3.6)	Support the establishment and development of local honey marketing centers.
7	(3.3.8)	Explore and establish geographical indication and develop effective branding strategies for Arabic coffee
8	(3.3.9)	Explore and establish geographical indication and develop effective branding strategies for rose
9	(3.3.10)	Explore and establish geographical indication and develop effective branding strategies for honey.
10	(3.3.11)	Review and assess current status of contract farming and other direct marketing methods as implemented in Saudi Arabia.
11	(3.3.12)	Benchmark best models and success stories of contract farming regionally and globally.
12	(3.3.13)	Develop appropriate contract farming models and other direct marketing strategies for rain-fed cereals small producers;
13	(3.3.14)	Develop appropriate contract farming models and other direct marketing strategies for small fisheries and rural aquaculture producers;
14	(3.3.15)	Develop appropriate contract farming models and other direct marketing strategies for beekeeping and honey small producers
15	(3.3.16)	Develop appropriate contract farming models and other direct marketing strategies for small scale subtropical fruit growers
16	(3.3.17)	Develop appropriate contract farming models and other direct marketing strategies for Arabica coffee small producers
17	(3.3.18)	Develop appropriate contract farming models and other direct marketing strategies for small livestock herders

18	(3.3.19)	Develop appropriate contract farming models and other direct marketing strategies for rose small growers.
19	(3.3.20)	Develop smallholder-adapted e-market information systems to enable access to useful, timely and transparent market and price information for improved decision making.
20	(3.3.21)	Develop and implement training programme to strengthen business and marketing skills of smallholders of the seven categories of target agricultural commodities in the target regions.

For the implementation purposes, the Agri-Marketing interventions are divided in six (6) categories, which could be also called “technical areas”, such as Contract Farming technical area.

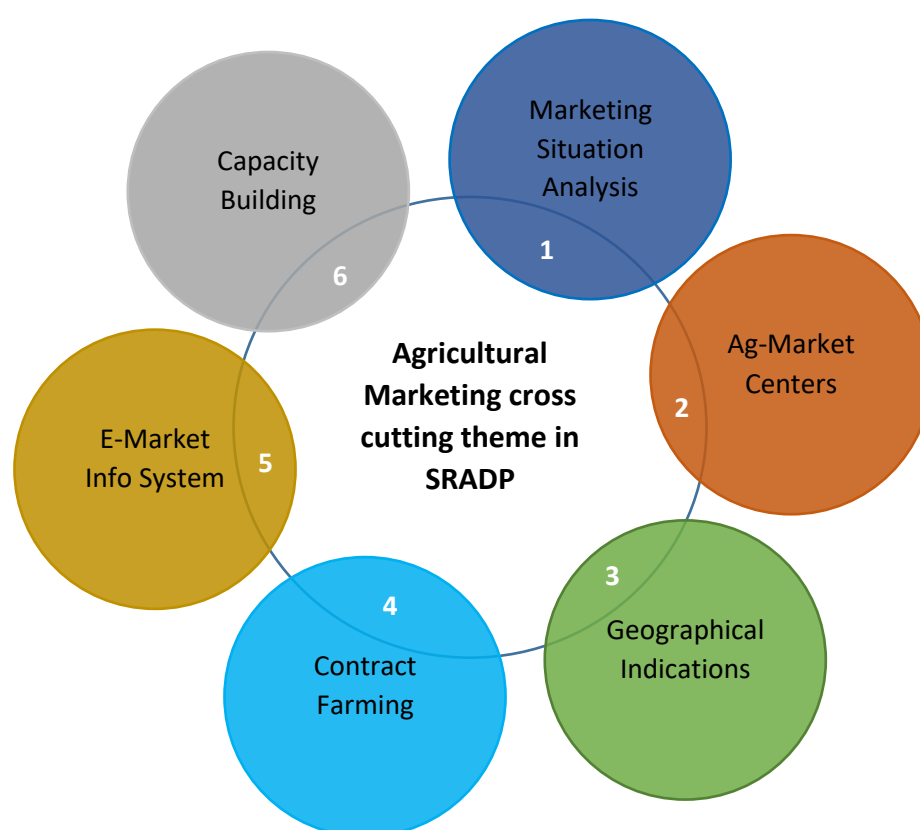


Figure 1.1: Agri-Marketing theme six categories “technical areas”

1.4 Implementation strategy of the Agri-Marketing theme:

A three phases implementation strategy will be followed, to implement the Agri-Marketing crosscutting theme. Under the phase one, a comprehensive market situation analysis will be conducted. The focus of the comprehensive market situation study will be to assess marketing strategies/methods followed by producers and stakeholders “including agri-marketing challenges and opportunities” of each SRAD target commodity. In phase two, an implementation plan will be prepared for each intervention. For example, Contract Farming will follow detailed implementation plan. Phase three will focus on the implementation of prepared implementation plans prepared under phase two. Each phase is explained in details.

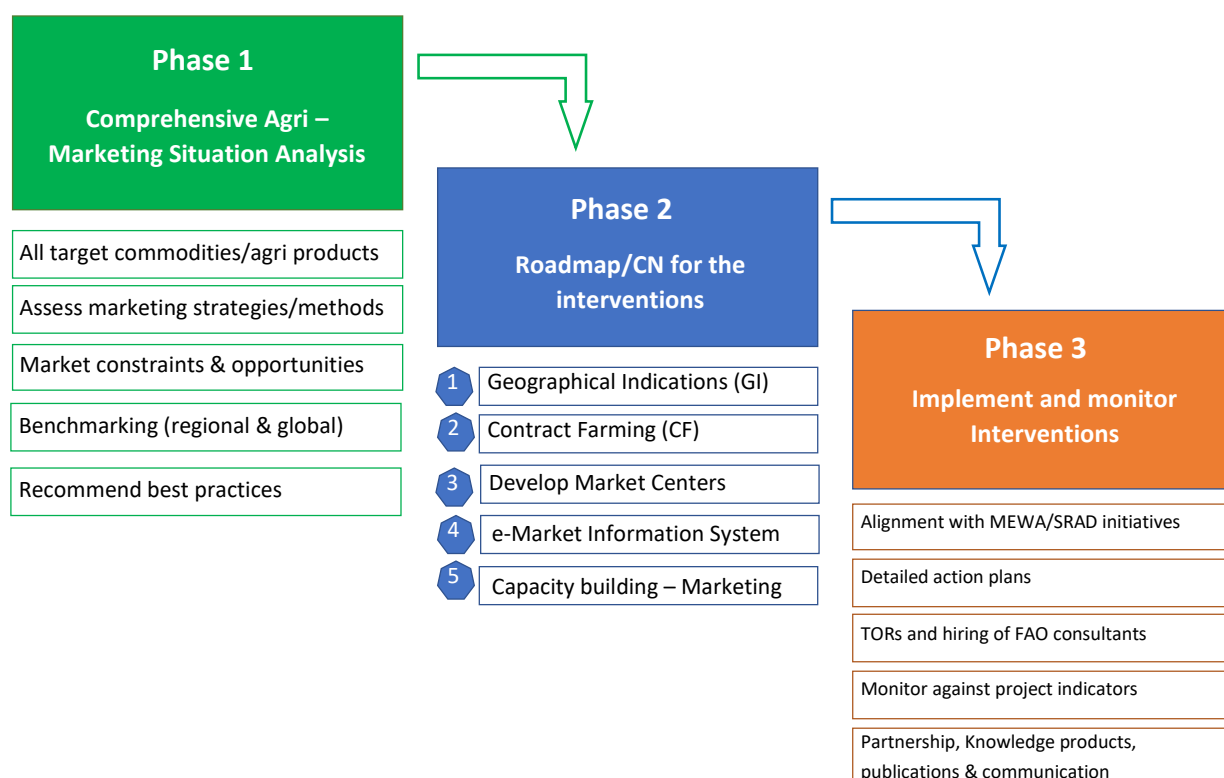


Figure 1.2: Three phases implementation strategy of Agri-Marketing theme (source: author)

Chapter 2: Methodology of the Ag-Marketing Situation analysis study

This chapter present approach and methodology to guide the “comprehensive Ag-Marketing situation analysis” study. The study will follow three Agricultural Marketing analysis approaches namely functional approach, institutional approach and commodity approach. The implementation of the methodology will follow four (4) stages. In stage one, the focus and objectives of the methodology will be explained, in stage two the existing data and information will be reviewed and analyzed. In stage three, additional data and information will be collected and analyzed. In stage four findings and recommendations will be provided, to better design the implementation of the Ag-Marketing interventions under the SRAD project.

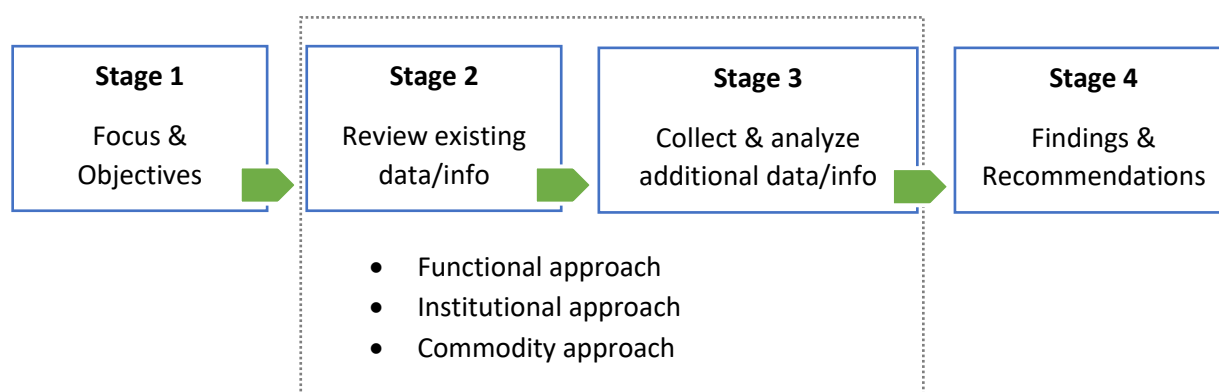


Figure 2.1: Methodology for the comprehensive Ag-Marketing situation analysis study³ (source: author)

2.1 Focus and objectives of the study:

The focus and objectives of this study were defined, based on Ag-Marketing interventions under the SRAD project output 3.3 “Small agricultural producers and agribusiness entrepreneurs integrated into markets”. The collected information will help to better understand the marketing situation of each target commodity. The focus will be to collect detailed information regarding the below topics for each target commodity:

- a. Market status of commodity in both global and national contexts
- b. Demand and supply “local & imported production”
- c. Marketing mix (product, places, prices, and promotion)
- d. Marketing strategies – with focus on marketing and distribution channels “direct & indirect marketing”
- e. Situation of current market centers (linked to the project intervention “Improve and establish market centers”)
- f. Access to market information and Digital-Marketing “linked to the project intervention “E-Market Information System”)
- g. Ag-Marketing Institutions providing services and assistant to the stakeholders of target commodities in KSA
- h. Ag-Marketing Functions in KSA
- i. Need for capacity building on Ag-Marketing “linked to the project intervention “build capacity of smallholders on Ag-Marketing”)
- j. Marketing constraints and opportunities

2.2 Ag-Marketing analysis approaches:

Different institutions and intermediaries provide services and functions to the ag-marketing. The issues and problems of ag-marketing vary from commodity to commodity largely due to the seasonality of production, the variations in its handling, freshness, storage, processing and the number of intermediaries and stakeholders involved in them⁴. Various approaches to study ag-marketing are developed, the major are the functional, institutional, commodity, the behavioral system and the structure-conduct-performance approaches⁵. In this study, functional, institutional and commodity approaches are used. Each approach is briefly explained in this section.

³ Some steps, and approaches in the preparation of the captioned methodology is adopted from **FAO** 1- “Agricultural and food marketing management”, FAO 2- “Developing sustainable fisheries and aquaculture value chains”, FAO KSA 3- SRAD project document, Haramaya University 4- “Module on Agricultural Marketing and Price Analysis” and Moi University - “Agricultural marketing and price analysis”.

⁴ Agricultural marketing and price analysis. Moi University

⁵ Module on Agricultural Marketing and Price Analysis. Haramaya University, 2014

- **Functional analysis approach:**

The functional approach is one of the methods used in classification of activities that occur in the marketing processes by breaking down the processes into functions. It consists list of marketing functions which includes exchange functions (buying and selling), physical functions (storage, transportation, processing etc.) and facilitative functions (banking, risk bearing, market information, standardization, etc.). As the name suggests this approach comprises of the study of various functions performed in the process of marketing of goods and services. It analyses each function in relation to the importance of its performance.

- **Institutional analysis approach:**

The institutional approach examines agencies and institutions which performs various activities and tasks in the marketing process. It focuses on the study of the various institutions, middlemen and other agencies which add utility to the product. These organizations or market participants are those who perform the activities necessary to transfer goods from the producer to consumer, because of the benefit of specialization and scale that exist in marketing. Very often the 'why' of certain marketing practices must be answered in terms of the characteristics of who performed them. Such analysis has the advantage of preventing the personal aspects of marketing from being ignored.

- **Commodity analysis approach:**

The approach follows the commodity along the path between producer and consumer and is concerned with describing what is done and how the commodity could be handled more efficiently. It combines both functional and institutional approaches. It helps to pinpoint the specific marketing problems of each commodity as well to develop the market for the specific commodity. The marketing situation of each commodity chosen for study is examined from such viewpoints as sources and conditions of supply, producer marketing organisations, policies, different middlemen (wholesalers, retailers etc.) who take part in distributing the product. Problems with regard to a particular product are studied in detail under this approach.

2.3 Collect, review and analyze data:

Following stage one, the secondary data from existing information and publications was collected and analyzed. FAO Saudi Arabia has conducted several studies such as value chains studies of the SRAD target commodities, contract farming in the KSA and others. The mentioned documents were studied, and relevant data is used in this study. Some information from the FAO national experts of their respected component also received and added in this paper.

Information and data from the Ministry of Environment, Water and Agriculture of Saudi Arabia (MoEWA) also collected and analyzed, particularly data from the sectors review (components) study also collected, analyzed, and used in this paper.

In stage three, to better understand the situation in the ground, it was essential to involve different stakeholders of each component and conduct field visits and surveys. "Stakeholders' engagement Guide" prepared by FAO KSA was used as a guiding strategy under this stage.

A survey questionnaire was prepared (annex 1) and relevant data was collected from the key stakeholders and beneficiaries (in particular farmers, fishermen, cooperatives, processors, traders, importers and exporters, MoEWA field experts, ADF officials, and others) of each SRAD target commodity. Field trips were organized to the target region such as Al Taif, Jazan, Abha, Al-baha, and field sites in Riyadh.

2.3.1 Stakeholders' engagement

The stakeholders' engagement and involvement were very important to conduct this study. To identify and map key stakeholders and draw out their interests and assess the appropriate way of their participation, stakeholder engagement guide⁶ was followed. Stakeholders' analysis⁷ and management was conducted in a three-step process as follow:

- (i) **Stakeholders' identification**⁸: this step involved identification, listing, and classification producers of the target commodities and major stakeholders in the target regions.
- (ii) **Stakeholders' analysis**: this step contained determining key interests, importance, and assessing influence and level of impact for each stakeholder group.
- (iii) **Stakeholders' engagement**: this step established strategies for approaching and involving stakeholder groups.



Figure 2.2: Methodology for Stakeholders Management (source: FAO KSA)

For each thematic area under the Ag-Marketing such as Contract Farming, Geographical Indications and others, list of stakeholders and their responsibilities were prepared. Some components under the same thematic area had different stakeholders and they were mentioned accordingly. During each field mission, stakeholders were contacted and in some cases survey questionnaires were sent to them.

Table 2. 1: Contract Farming major stakeholders and their responsibilities and spheres of influence (example)

Stakeholders	Interests	Priority
Firms, companies, and Investors	Promote CF, guarantee markets; may advance inputs and technical advice to the contracted growers.	High
Target smallholders and their specialized agricultural cooperatives/lead farmers	Primary producers of CF Better income Secure access to market, inputs, resources, and technical info	High
Ministry of Environment, Water and Agriculture	Major responsibility for the enabling environment for CF.	High

⁶ This guide is prepared by the FAO KSA programme director and is available to all the staff

⁷ Stakeholder analysis is a process of systematically gathering and analyzing qualitative information to determine whose interests should be taken into account when developing and/or implementing a policy or program/project. Stakeholders in a process are actors (persons or organizations) with a vested interest in the intervention being implemented. Stakeholders can be individuals, groups, a community or an institution.

⁸ These stakeholders, or "interested parties," can usually be grouped into primary and secondary stakeholders. Primary stakeholders hold a direct interest in the project and its interventions, while secondary stakeholders do not hold direct interests in the project but can have a reasonable influence over the project interventions.

Agriculture Development Fund (ADF)	Provides finance and promote CF	High
Ministry of Commerce	Responsibility for the enabling environment for CF and promotion of CF	High
Saudi Chamber of Commerce and Industry	Responsibility for the enabling environment for CF.	High
Saudi Cooperative Societies Council	Responsibility for the enabling environment for CF and promotion of CF	High
Extension services	Provided technical advice	High
Financial Institutions (both private and governmental)	Provides finance and general banking services to firms and farmers.	High
Development organizations and NGO	Facilitate / promote CF	High
Consumers and their associations	Purchase the end product. Feedback on product acceptance and future demand.	Medium

A combination of various techniques was identified to be used to involve the identified stakeholder's representatives at various stages of the interventions since each of methods has pro and cons when it comes to engaging with stakeholders.

- (i) **Multi-Stakeholder Focus Groups** were formed to involve representatives from key stakeholders and to obtain quality information and feedback on specific issues/topics in a relaxed environment.
- (ii) **One-On-One Meetings** were conducted with various stakeholders to gain a detailed understanding of the viewpoints and reasoning, or explain issues and topics that are unclear to stakeholders and to request clarification of their responses.
- (iii) **Questionnaires/Survey** were prepared and used as a useful way of gathering feedback from a wide range of stakeholders. Questionnaires were structured or unstructured and in some cases were delivered via the web, email, face to face, or over the phone.
- (iv) **Stakeholder Interviews** were arranged to fully understand an issue and draw out a specific perspective of the most influential stakeholders. It includes in-person, phone and group interviews based on a series of questions related to a topic of interest to generate ideas, elicit feedback and/or answer a set of pre-determined questions.
- (v) **Consultation Workshops or Forums** were planned and organized with a defined agenda to discuss a topic, capture requirements, build teams, and develop their understanding of the matters.
- (vi) **Formal and Informal Reviews** were organized with the specific intent to review existing proposal, report, document, or a prototype (under stage 2 of the methodology).
- (vii) **Online data:** Some data and information were collected online from MoEWA, Saudi government websites and FAO (FAO STAT) and from other trustworthy websites (under stage 2 of the methodology).

2.4 Limitations and Data issue

There are certain limitations and data issues, while preparing this analysis report. Some of those limitations are mentioned here:

- There is lack of official data on domestic consumption trends and consumer behavior on the SRAD target commodities. Therefore, the qualitative data gathered in this report is from the FAO and other sources. Through the available data on production, export and import (including official data) an indicative estimate of demand and consumption is prepared.
- Lack of official figures on sales volumes and prices of the SRAD target commodities.
- Lack of access to reliable data. There was some time difference between the official data and data collected from other sources.

2.5 Findings and Recommendations:

All the collected data is analyzed and based on the findings from this study, a set of recommendations is prepared. The recommendations will be used in the preparation of “plan to implement Ag-Marketing interventions”. For example, the recommendations to strengthen supply chain coordination will be used to develop implementation plan for Contract Farming, and the recommendations to improve origin linked quality will be used to prepare implementation plan for the Geographical Indications.

Chapter 3: Agricultural Marketing – An overview

This section provides “an overview” of Agricultural Marketing⁹. Information in this section will help readers to become familiar with some key definitions, concepts, advantages, and role of Agricultural Marketing.

Definitions and concept of Agricultural Marketing and important elements of marketing linked to the definition are explained in the first part of this chapter.

Supply and demand and factors affecting both supply and demand are described under this part and most often used by farmers - agricultural marketing channels are also explained with advantages and disadvantages of each one.

Cost of marketing and the need for marketing information is also explained under this section. To provide some background information, planned Agricultural Marketing interventions (such as Contract Farming, Geographical Indications, Market Centers, E-Market Information System) under SRAD project are also elaborated in the final part of this chapter.

3.1 Market concept and definitions:

The term “marketing” is deliberately used instead of “selling”. Selling implies that the farmer enters the marketplace with little thought or knowledge about the market. This is likely to occur when a small farming family wants to dispose of surplus farm production after family consumption and social obligation needs are fulfilled.

Marketing, on the other hand, implies a more deliberate strategy involving the farmers planning what they produce based on some knowledge of what consumers want. As small farming families become more commercialized and want to maximize their returns, they need to become more market-oriented rather than remaining sellers.

Marketing is the process by which the space between the producer and the consumer is bridged. The process involves transportation and sometimes storage combined with techniques for minimizing product losses and maintaining the quality of produce. Sometimes the marketing process also involves adding value through grading, packaging and/or processing the product.

The production to marketing chain is a two-way process. Produce flows from the rural areas (production areas) into the towns and cities (consumption areas), and money and market information flow back to the farmers and producers. As tastes in the town and city markets change, farmers can utilize this market information to adjust the types of products and methods of producing.

⁹ Most of the information in this chapter is compiled from the FAO publications, in particular from the “FAO reference manual - Helping small farmers think about better growing and marketing”.

Definition of Marketing:

Marketing can be defined in many ways. In this chapter we have three definitions for the Marketing:

- 1) **The retail definition:** Marketing involves finding out what your customers want and supplying what they want at a profit. This definition provides us with two important implications:
 - First, that the whole marketing process must be customer oriented. Production must supply customers with what they want or need. This is the only reason people spend their money.
 - Secondly, that marketing is a commercial process and is only sustainable if it provides all those participating in it with a value and/or profit.
- 2) **The classic definition:** Marketing is the series of services relating to moving a product from the point of production to the point of consumption. This emphasizes that agricultural marketing is achieved by a series of processes, including harvesting techniques, grading, and sorting of crops, and the packing, transport, storage, processing, distribution and selling of products. These are the mechanics of marketing.
- 3) **The comprehensive definition:** Marketing is the series of activities involved in making available services and information which influence the desired level of production relative to market requirements and the movement of the product from the point of production to the point of consumption. In addition, this definition includes services that can be provided by the facilitator, such as providing information and advice.

3.2 The important elements of marketing:

Building on the provided marketing definitions, below are four important elements in the marketing process:

- ✓ prioritizing the customer: Marketing begins with the customer, not the product. Knowing what the customer needs or wants is essential.
- ✓ process of selection: The farmer needs to have an idea who to sell the product to. This will determine how and where the produce is marketed.
- ✓ promotion: The farmer is selling something that other people want to buy. Naturally, it is helpful to let them know that the product is available and of good quality.
- ✓ trust: Good marketing occurs when the customers trust the farmer. The customers should feel they are not being cheated and they are getting value for their money.

In thinking about the mentioned important elements of marketing, farmers and producers need to ask themselves about the six Ps:

Six Ps of Marketing:

people: Who are the customers? What do they want or need? In addition, which members of the farming family are going to market the product? They need to be friendly, efficient, and knowledgeable about the product.

plan: How is the product going to reach the selected customers? What are the steps?

product: What product is going to be marketed? This should be decided by the producers, could be in consultation with the facilitator & experts. Is the farmer producing what the customer wants? What services (for example, a processed product), if any, are requested by the customer?

place: Where is the product going to be marketed?

price: What price will the product be offered on the market for?

promotion: How are people going to be informed that the product is being offered for the market?

Figure 3.1: Six Ps of Marketing

3.3 Supply and Demand:

Supply is what farmers and producers are willing to market at a certain price. And demand is how much consumers are prepared to buy at the market price.

In theory, as the price of a product goes up, the quantity supplied rises and the quantity demanded falls. Likewise, when the price goes down, the quantity supplied falls and the quantity demanded rises.

For agricultural produce, demand is affected by several factors, the most important being:

- the price of the goods
- the tastes, preferences, and culture of consumers
- the number of consumers
- the consumers' income level
- competing prices of related local and imported goods
- the range of alternative goods available to consumers.

Considering these factors, it is understandable that when the market price of a product drops, more people are likely to buy it (and to buy more of it); quantity demanded will rise. Conversely, if the product's price is high, fewer customers will purchase the product (or they will buy less of it); quantity demanded will fall.

Supply is also affected by several factors, the most important being:

- the price of the product on the market
- the price of inputs and costs of production
- technological factors
- the climate and weather conditions
- storage possibilities
- packaging possibilities (for example, extended-life packaging etc.).

The lower the market price, the smaller profit margin the producers can claim and the smaller the supply they are likely to produce. On the other hand, the higher the price, the greater the profit margin and the higher the supply they will produce, all other things being equal.

3.4 Marketing Functions:

Different functions are performed in changing the farm product into the product desired by the consumers. There are three general types of functions performed in any marketing system. These are the exchange functions, physical functions and facilitating functions.

The exchange functions:

Exchange functions (buying and selling) are what are commonly thought of as marketing. The buying function is concerned with the search for and evaluation of products and services and obtain them. The selling function is concerned with promotion of the products through personal salesmen and advertising. In general, they involve finding a buyer or a seller, negotiating price and transferring ownership (but not necessarily physical transfer).

The physical functions:

The physical functions are those activities which involve handling and movement of the commodity from producers to consumers. They include handling, storage, transportation, grading, processing,

manufacturing, and packing. It enables the actual flow of commodities through space and time, and their transformation to a form desired by the consumer.

The facilitating functions:

Facilitating functions are those activities which enable the exchange process to take place. Product standardization, financing, risk bearing and market intelligence are the four important components of facilitating functions. Facilitating functions are not a direct part of either the change of title or the physical movement of produce, but the facilitation of these activities.

3.5 Marketing Institutions:

Marketing institutions are the wide variety of business organizations that have developed to operate the marketing machinery. These organizations or market participants are those who perform the activities necessary to transfer goods from the producer to consumer, because of the benefit of specialization and scale that exist in marketing. It is classified into five: Merchant middlemen, agent middlemen, facilitative organizations, processors and manufacturers and speculative middlemen.

Facilitative organizations:

Facilitative organizations assist the various marketing actors in performing their tasks. Such organizations do not directly participate in marketing process as either merchants or agents but, they establish “the rules of the game”. They provide physical facilities (such as hours of trading, terms of sale, grading, information sharing, payment management etc.) for the handling of products or for bringing buyers and sellers together. Some receive their income from fees and commissions from those who use their facilities.

Some of the facilitative organizations are government ministries and authorities, cooperatives/unions, traders’ associations, public and private banks, informal lenders, etc.

Marchant middlemen:

Marchant middlemen buy and sell products for their own profit. Merchant middlemen can be divided into two, Retailers and wholesalers.

Agent middlemen:

Agent middlemen, as the name implies, act only as a representative of their clients. While merchant middlemen (wholesalers and retailers) secure their income from a margin between the buying and selling prices, agent middlemen receive their income in the form of fees and commissions. Agent middlemen sell services to their principals, not physical goods to customers.

Speculative middlemen:

Speculative middlemen are those who take title to products with the main objective of making profits from price fluctuations. All merchant middlemen, speculate in the sense that they must face uncertain conditions. Speculative middlemen seek out and specialize in taking these risks and usually do a minimum of handling and merchandizing. They usually attempt to earn their profits from the short-run fluctuations in prices.

3.6 Marketing Channels:

When marketing a particular product, the farmer must not only take into consideration how much it cost them to produce it but also the costs of getting it to the market where they market it. An important factor in the marketing costs is the marketing channel (or marketing chain). This can be

defined simply as the sequence of stages involved in transferring produce from the farm to the consumer. The marketing chain obviously influences the marketing costs – the further we move down the chain away from the farm the higher will be the marketing costs.

Farmers and producers could use both direct and indirect marketing channels. Through the direct marketing channels, farmers sell their products directly to consumers (end users), while through indirect channels, farmers sell to retailers, wholesalers, traders etc. and the retailers, wholesalers and traders further sell to the consumers. In this section some types of marketing channels are briefly described.

1) Farm Gate Marketing:

As the name implies, this is marketing done by the farmer at the place where the product is produced — from the “farm gate”. Consumers come to the farm to buy produce. Examples include the sale of vegetables from a farmer’s garden, the sale of cattle or goats directly from the farm.

Table 3. 1: Advantages and disadvantages of “farm gate -marketing channel”

Advantages of farm gate marketing	Disadvantages of farm gate marketing
<ul style="list-style-type: none"> ○ no transportation costs ○ can be marketed by the farming family, thus costs are reduced ○ better suited to the small-scale farmers and producers 	<ul style="list-style-type: none"> ○ farming family must accept the local price for their produce which may be lower ○ farm may not be well located to market the product

Farm gate marketing is common in the small farming sector and accounts for a good amount of marketing as far as root crops, vegetables, and livestock are concerned. However, once the local market’s demand is supplied, the farmer must look to more distant markets.

2) Village (Farm Stall) Marketing:

This marketing channel is a further development on marketing from the farm, as it goes some way towards taking the product to the consumer. At the simplest level, a farm stall may be operated by a farming family or farmer group marketing their own produce. Eventually, an individual may operate a stall on behalf of local farmers or farmer groups. Generally, the products marketed in a farm stall are perishables such as fruits and vegetables, although “processed” foods such as pickles, jams are also suited to this type of marketing.

Table 3. 2: Advantages and disadvantages of “farm stall -marketing channel”

Advantages of farm stall marketing	Disadvantages of farm stall marketing
<ul style="list-style-type: none"> ○ Larger markets can be exploited ○ Farmers can take advantage of more favorable prices ○ Price fluctuations are generally small 	<ul style="list-style-type: none"> ○ Transport of the produce may be difficult ○ The quality of the produce may need to be higher as the consumer in the market may be pickier ○ A constant supply of produce must be available to satisfy the needs of the market ○ Farmers must be flexible on pricing the produce

3) Produce or Urban Marketing:

Urban marketing takes place in produce or urban markets set up in larger centers for the agriculture products (such as vegetables and fruit). They have traditionally catered for the commercial fruit and vegetable producers and, in turn, supply the larger urban centers. These markets are found throughout big cities and governorates in Saudi Arabia.

The quantity of supply of a particular grade of produce has a marked effect on the price obtained in produce markets, due to the nature and supply and demand. Worldwide, the system with sales by market agents on commission is now the most common method of trade. With this system, the farmers or farmer groups send their produce to the agent at the market, who tries to obtain the highest price for them.

Table 3. 3: Advantages and disadvantages of “produce or urban marketing”

Advantages of produce or urban marketing	Disadvantages of produce or urban marketing
<ul style="list-style-type: none">○ Farmers and farmer groups can take advantage of higher prices in times of short supply, if they have produce available○ The market can market large quantities of farmers' produce○ The farmers can employ the services of an agent to perform the task of marketing	<ul style="list-style-type: none">○ Market information is important to enable farmers to make the right decisions○ Prices fluctuate○ Markets are often far from the point of production○ To get the right price, the time of harvesting is critical○ Quality, packaging and presentation are very important and produce must conform to accepted grade and packaging standards○ The farmers will need to be confident that they can cover the higher marketing costs, including the agent's commission

4) Auction Marketing:

With auction marketing the farmer offers products for sale and a buyer offers a price for the animals. The seller may decide whether to accept the price offered by the buyer. The prices received on stock sales are not fixed, and to a large extent reflect the supply and demand position both locally and within the entire market. In some markets such as fisheries market in Jizan, auctioneer fix base price and buyers offer their choice prices, and the one offer higher prices get the products.

Table 3. 4: Advantages and disadvantages of “Auction Marketing”

Advantages of auction marketing	Disadvantages of auction marketing
<ul style="list-style-type: none">○ Promotion is done on behalf of the farmers or farmer groups○ Payment by buyer is guaranteed○ The market is larger than the local market○ The product is sold very quickly○ The product is sold in bulk○ Small farmers can participate in these sales	<ul style="list-style-type: none">○ The seller may not get the price that they want for the animal○ Prices may be lower than the usual “market” price○ Auctioneer and buyers may dominate the prices

5) Contract Marketing:

With contract marketing the farmer markets directly to the retailer. Agreements are often done between large producers of perishable goods and large retailers. Farmer groups often sign contracts with retailers. More information regarding Contract Farming is available in the latter section of this chapter.

6) Communal Marketing:

Communal marketing is when a number of farming families or a formal farmer group market collectively. For example, a farmers' association may get together and jointly market their crop in a formal market.

Table 3. 5: Advantages and disadvantages of "Communal Marketing"

Advantages of communal marketing	Disadvantages of communal marketing
<ul style="list-style-type: none">○ better prices and smaller price' fluctuations○ wider market○ builds solidarity among farmers and increase farmers negotiation power	<ul style="list-style-type: none">○ transport may be costlier and more difficult○ quality needs to be higher○ constant supply is needed○ prices must be flexible

7) Door-to-Door Marketing:

With door-to-door marketing, producers market their produce directly to consumers. There is generally no limit to the type of produce that may be marketed in this manner, as long as there are willing buyers.

Table 3. 6: Advantages and disadvantages of "Door-to-Door Marketing"

Advantages of door-to-door marketing	Disadvantages of door-to-door marketing
<ul style="list-style-type: none">○ can be sold and promoted by the farmers themselves○ marketing margins can be reduced, meaning a higher price for the product can be obtained	<ul style="list-style-type: none">○ transport is essential and may be difficult or expensive○ may lead to destructive competition○ time required for marketing may be longer than if the farmer sold through other channels

3.7 Marketing Costs:

All transfers of produce involve some form of marketing activity. Also, all such activities involve costs. At its simplest level, the cost involved may be the time it takes the farmer to walk to a nearby market and stay there until all their vegetables are marketed. At the most complex level, a product may be stored for lengthy periods, transported long distances, and processed several times before reaching the form in which it is finally marketed.

Generally, the more complex and lengthier the marketing chain, the higher the marketing costs are. Because of transport costs, a farmer who lives 5 kilometers from a market will normally receive a higher share of the final price than one who lives 20 kilometers away. A farmer marketing a perishable crop such as tomatoes is likely to receive a lower share of the final price than the farmer marketing a

non-perishable crop such as pumpkins because some of the crop may be rotten by the time it reaches the market. In comparing farmer and consumer prices, we need to be fully aware of all the costs involved.

Types of Marketing Costs:

Some of the more important costs in the marketing process are associated with:

- ✓ product preparation and packaging
- ✓ product handling
- ✓ transport costs
- ✓ product losses
- ✓ storage costs
- ✓ processing costs
- ✓ capital costs
- ✓ fees and commissions

The price paid by the eventual consumer is not just the amount of money paid out to the farmer for their produce. There are also costs involved in getting it to consumers in the form that it's purchased in. There must be fair profits for all the people doing the marketing and processing. The total percentage of the final retail price taken up by the marketing function is known as the **marketing margin**. Sometimes the marketing margin can be quite a high percentage, and this may sometimes be used to argue that farmers, consumers, or both are being exploited. However, high margins can often be fully justified by the costs involved. Without an understanding of those costs and how they are made up, it is impossible to know whether margins are reasonable or not.

3.8 Marketing Information:

Farmers increasingly must take greater responsibility for marketing their agricultural produce. At the same time, they also have the opportunities to supply a wider range of products. Whether they are seeking to sell their usual products or to market new ones, they need to have information about markets and prices, such as:

- Who and where the buyers are, how they can be contacted, what the conditions of their businesses are, and their preferences for varieties, packaging and delivery, etc.
- Current prices (and the current supply), which can help the farmers decide whether to market their products immediately or wait in the hope that the price will rise; if the farmers are selling to the local trader, knowing this information will help them to decide if the trader's price is reasonable.
- Historical price data over several years, which helps farmers make decisions about the profitability of new ventures such as growing new crops, growing existing crops out of season, or producing higher quality products.

3.9 Description of SRAD planned Ag-Marketing interventions “technical areas”:

In this part, Agricultural Marketing Interventions, also called “technical areas” under FAO SRAD project is briefly explained.

➤ Contract Farming (CF):

Contract Farming is an agreement between farmers and buyers: both partners agree in advance on the terms and conditions for the production and marketing of farm products. These conditions usually

specify the price to be paid to the farmer, the quantity and quality of the product demanded by the buyer, and the date for delivery to buyers. The contract may also include more detailed information on how the production will be carried out or if any inputs such as seeds, fertilizers and technical advice will be provided by the buyer.

In terms of countries' agricultural production systems, CF has the potential to create economic wealth, to contribute to supply chain efficiency through the production of higher quantities of better-quality products, and to contribute to achieving food security¹⁰. However, with these advantages also come problems. The advantages, disadvantages and problems arising from CF will vary according to the physical, social and market environments. In the ideal case of well-designed and well-managed CF schemes both the farmers and buyers will have below mentioned advantages, while in the negative case of ill-designed CF arrangements, both will face below disadvantages.

Table 3.7: Potential pros and cons of CF (FAO, 2001¹¹ and FAO, 2018¹²)

Advantages for Firms	Disadvantages for Firms
<ul style="list-style-type: none"> ○ greater regularity of agricultural product supplies to the firm ○ greater conformity to desirable product quality attributes and to safety standards ○ access to land is facilitated ○ input costs per unit are reduced ○ access to agricultural credit and eventual financial incentives and subsidies is facilitated ○ labor costs are reduced ○ expansion and contraction of production is facilitated ○ managerial efficiency in farming may be favored 	<ul style="list-style-type: none"> ○ risk of contractual hold-ups ○ transaction costs of dealing with large numbers of farmers are high ○ risk of misuse or deviation of supplied inputs and of final products ○ internalization of support service costs ○ loss of flexibility to seek alternative supply sources ○ risk of undermining the corporate image
Advantages for farmers	Disadvantages for Farmers
<ul style="list-style-type: none"> ○ inputs can be provided (less uncertainty regarding availability, timing, credit, etc.) ○ services can be provided (mechanization, transportation, etc.) ○ technological assistance can be provided ○ production and management skills enhanced, with spill-over effects ○ market outlet is secured ○ income stabilization is promoted ○ credit access enhanced (in kind or via banks) ○ by-products can be used 	<ul style="list-style-type: none"> ○ firms might renege on contractual terms if market circumstances change or if other conditions for opportunistic behavior arise ○ vulnerability to output and productivity manipulation by agribusiness firms ○ delivery schedules might be set by firms so as to influence prices paid to farmers ○ unintentional lack of transparency in price discovery might be set by firms ○ loss of flexibility in enterprise choice ○ former linkages with markets are lost ○ traditional farming practices may be lost ○ risks associated with monoculture are enhanced ○ social structures might be disrupted ○ risk of indebtedness grows ○ risk of dependency on the contracting firm on non-farming issues may be high

¹⁰ Enabling regulatory frameworks for contract farming. FAO, 2018

¹¹ Contract Farming Partnership for growth. FAO, 2001

¹² Enabling regulatory frameworks for contract farming. FAO, 2018

➤ Geographical Indication (GI):

GI is a mark used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. To function as a GI, a sign must identify a product as originating in a given place. In addition, the qualities, characteristics, or reputation of the product should be essentially due to the place of origin. Since the qualities depend on the geographical place of production, there is a clear link between the product and its original place of production.

Geographical Indications refer to products with specific characteristics, qualities or reputations resulting from their geographical origin¹³. The TRIPS Article (22) defines Geographical Indications as “indications which identify a good as originating in the territory of a member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin”. Thus, a product’s quality, reputation or other characteristics can be determined by where it comes from. Geographical indications are place names (in some countries also words associated with a place) used to identify products that come from these places and have these characteristics”. Article (22) further provides that in respect of geographical indications, members shall provide the legal means for interested parties to prevent the misuse of product of origin and unfair competition. GIs are recognized as intellectual property rights (IPRs) and therefore offer both a helpful marketing tool and protection of the name.

In fact, two specific international definitions exist in relation to GI. Appellation of Origin or “Protected Designation of Origin – PDO” and GI or “Protected Geographical Indications -PGI”. Under the European Union regulation: products registered under the Appellation of Origin or PDO have the strongest links to the place in which they are made, and every part of the production, processing and preparation process must take place in that specific region. However, PGI emphasizes the relationship between the specific geographic region and the name of the product, where at least one of the stages of production, processing or preparation takes place in that region.

➤ E-Market Information System:

An agricultural market information system collects, analyses, packages, stores and disseminates prices and other information relevant to farmers, traders, processors, and others interested in agricultural commodities. It may also be called a market intelligence system, market information service, or in short, an MIS¹⁴.

It may use various channels to get the information to these users: nowadays especially mobile phones and the internet, as well as more traditional methods such as radio, television, print media and noticeboards. Some of the MIS benefits are mentioned here:

- The more information people have, the better decisions they can make.
- Farmers can choose what products to produce, and when, where and to whom to sell.
- Traders can decide the best time and place to buy.
- Processors can plan their purchases and activities.
- The government can detect food insecurity problems quickly.

➤ Market Centers:

Efficient food marketing can help raise farmer incomes, enhance food security, and improve nutrition. Physical markets are essential for an efficient marketing system because they enable sellers, whether

¹³ Strengthening sustainable food systems through geographical indications: An analysis of economic impacts: FAO & EU 2018

¹⁴ Introduction to the Agriculture MIS. Technical Centre for Agricultural and Rural Cooperation (CTA). 2014

farmers or traders, to meet with buyers in one location¹⁵. This is more cost effective than having business transactions scattered all over the place. But for markets to work requires, among other things, that the physical infrastructure meets minimum standards.

New markets, or improvements to existing markets, can promote efficient marketing, reduce produce losses, and ensure food safety. Where a market has space for extension and does not cause environmental or traffic congestion problems, it is usually preferable to upgrade it rather than develop a new market. Where there is no market or where the existing market has become unsuitable then it is necessary to develop a new one.

Chapter 4: Agricultural Marketing in the Saudi context

In this chapter, marketing functional and institutional analysis approaches are followed to gather information regarding agricultural marketing functions and institutions in Saudi Arabia. In addition, summary of the findings of the “Comprehensive Agricultural Marketing situation analysis” study (including from section two) is provided. Findings with detail for each target SRAD commodity (component) is placed in the section two of this report.

Information concerning the Saudi agriculture sector is provided in the first part of this chapter, the mentioned information will help us to understand the agriculture production conditions in the Saudi context.

Saudi is one of the biggest agri-food products importers. Cereal, coffee, meat, honey, fruits, and vegetables (SRAD target commodities) are imported to Saudi in a bigger amount. To understand the gap between local Agri-production and importation, summarized information about demand and importation is provided in this section.

Local producers use different marketing channels to market their produces. Marketing methods, including marketing challenges and opportunities are described in this chapter as well. Recommendations and planned agricultural marketing interventions under SRAD projects are elaborated in the final part of this chapter.

4.1 Saudi Agricultural sector:

The agricultural sector in KSA is an important pillar of the national economy and a driver for a regionally balanced development. Besides contributing to strengthening food and nutrition security, the agriculture sector plays an important role in expanding and diversifying the economic base, reducing rural poverty, providing employment opportunities, and developing and stimulating other sectors. It contributes about 4.20 percent of the non-oil GDP and provides about 30 percent of the country food requirements and employs 6.1 percent of the labor force.

The agricultural sector in KSA is dominated by smallholdings and small producers including crop and fruits and vegetable producers, artisanal fishermen, livestock herders, beekeepers, and others. According to the 2015 agricultural census there are 300,000 small agricultural producers in the Kingdom of Saudi Arabia, accounting for 80 percent of the total agricultural holdings. The majority of the small producers use traditional farming systems (about 94 percent of the small producers are classified as traditional producers) where the adoption rate of modern agricultural technologies such as improved seeds, modern irrigation systems, fertilizers and pesticides is low and consequently their production and productivity are low. The sector also suffers lacks for serious private sector investment

¹⁵ Developing and Managing food markets, Agrifood systems briefs – 3.

(small and medium) especially with respect to fisheries and aquaculture. As a result, regions that have relatively high percentage of people living in rural areas, who usually depend on agriculture for their livelihood, are characterized by some underdevelopment indicators such as relatively high unemployment rate, high outmigration rate, high percentage of expenditure on food and low contribution to the non-oil GDP.

4.2 Saudi Agribusiness and Marketing sector:

Business opportunities in the agri-food sector in Saudi Arabia are being driven by GDP growth, demographic dynamics, social development, retail and HRI expansion, high per capita income, and a change in the lifestyle. A significant number of Saudis continue to purchase a large percentage of their food at wholesale markets, but they are increasingly shopping at supermarkets¹⁶.

Supermarket shopping is considered a primary form of entertainment for the Saudi family. Hypermarkets have large play areas for children and are surrounded by several shops and fast-food restaurants. Another trend is the increased demand for prepared and packaged food. Changing and busy lifestyles such as the participation of women in the workforce as well as aggressive marketing campaigns from food companies have created a demand in this segment.

At the same time, the high concentration of the Saudi population in younger age demographics lends towards increasing cosmopolitanism - a large portion of Saudi Arabia's youth population studies in European, North American and other international universities - as well as increasing openness to non-traditional culinary options and experiences.

Another demand driver for institutional-size food products is the increasing number of foreign pilgrims visiting the two holy cities of Makkah and Al Madinah. There has also been a significant increase in the number of resorts, many being built on the Red Sea and the Arabian Gulf, catering to Saudis and expatriate residents.

Saudi Arabia's food processing industry, which continues to rely on imported raw materials and ingredients, is also expanding and is being supported by attractive financing and subsidies by the government.

The increasingly positive attitude of Saudis towards mass media advertisements means that advertising is considered a necessity to draw Saudi consumers. Two-for-one deals are very popular in larger supermarkets. Distributors are also routinely charged slotting fees, with some supermarkets reportedly charging registration fees for new products.

Some large Saudi importers are willing to test market new food products under the condition that if it succeeds, the product will be labelled under its own private brand. Private labels are becoming commonplace in Saudi Arabia. Some Saudi companies have developed private labels which appeal to Saudis and other Arabs using Arab sounding names, even though the majority of products are foreign. Others use labels with Western sounding names to appeal to Western expatriates. Saudi consumers are attentive to quality, nutritional value, price, and packaging. Importers are constantly searching for new products, and often request support from suppliers for promotion.

4.3 Local production and supply:

With only 1.5 percent of its overall land area classified as arable, Saudi Arabia is unable to domestically produce sufficient output of agri-food products to meet local market demand¹⁷. In addition, MoEWA

¹⁶ Agri-Food sector profile – Riyadh Saudi Arabia. Canadian Trade Commissioner Service, 2013

¹⁷ Best Food Importer. <https://bestfoodimporters.com/food-importers-and-food-import-trends-in-saudi-arabia-2020/> (accessed July 2021).

has identified low efficiency in agricultural production and marketing and low efficiency in utilizing the mentioned limited agricultural land resources in KSA. Therefore, the Saudi administration continues to steer cultivation away from water-intensive products through restructuring of its purchasing and subsidization programmers. In other areas, the structure of domestic agri-food production has shifted substantially in recent decades. Production has moved away from large-scale water-intensive production of cereals and commodity agri-foods towards products with greater value-added potential. Domestic agricultural production in Saudi Arabia is now concentrated around dairy products, seafood, livestock and cultivation of climate-tolerant fruits and vegetables. Saudi Arabia's food supply is self-sufficient for only three categories of products: dates, fresh milk and poultry eggs¹⁸.

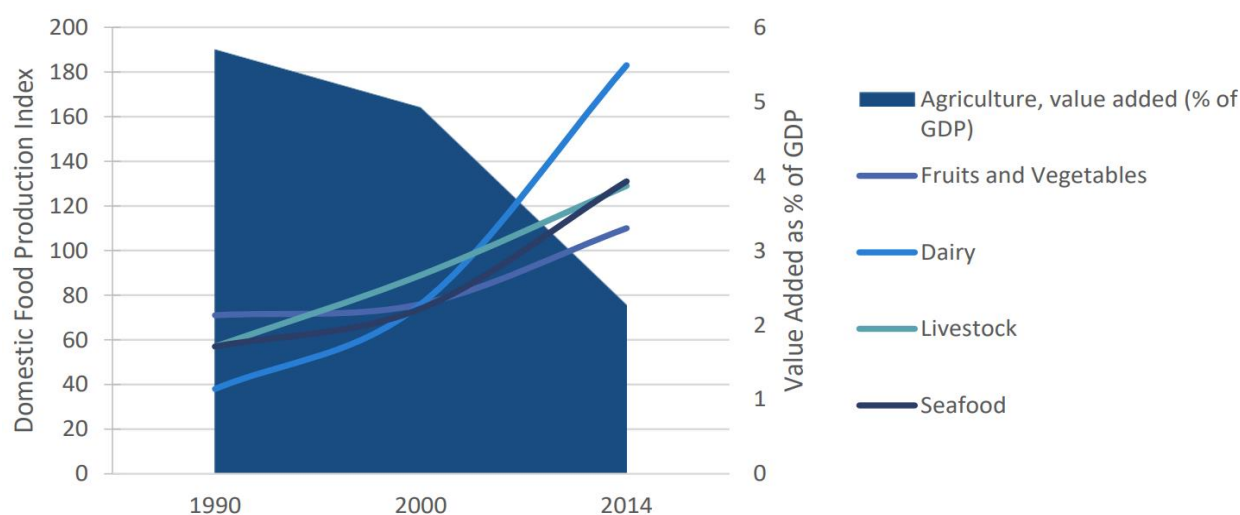


Figure 4.1: Evolution of leading domestic Agri-food product categories in Saudi Arabia

Source: FAO cited in the Development solution¹⁸

While the share of agriculture in the Saudi economy and scope of production have decreased in recent years, this trend has coincided with significant investment in and development of a domestic food manufacturing and processing sector.

4.4 Demand and importation:

Saudi Arabia is a net food importer and sources more than three-quarters of domestically consumed F&B products from foreign suppliers. Most Food and beverages segments grew in terms of imported value between 2012 and 2016. This growth was offset however by significant decreases in the value of imported products for traditionally large import categories: meats and cereals.

¹⁸ The food and beverage, Market Entry Handbook: Saudi Arabia. Development Solutions, 2017.

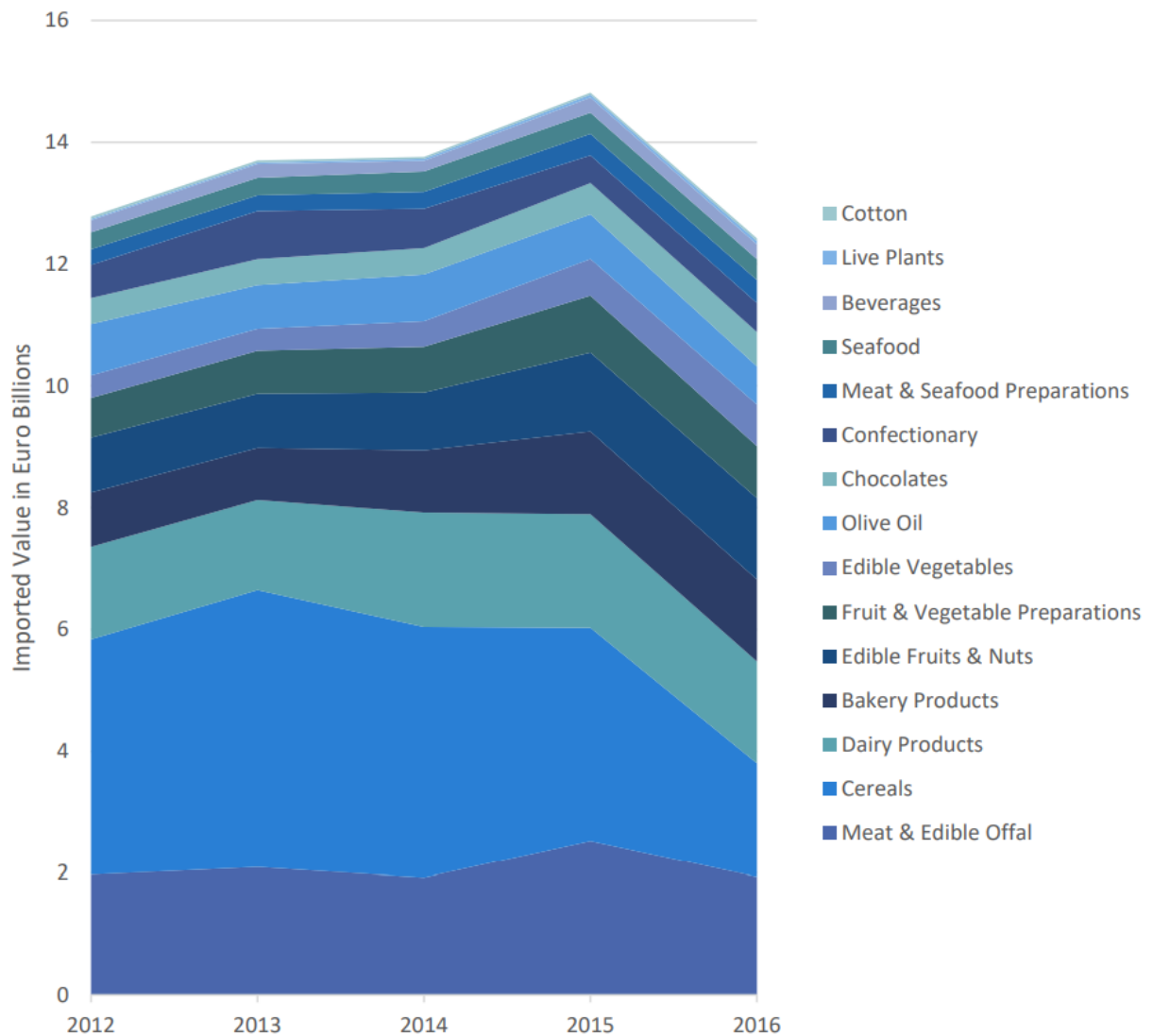


Figure 4.2: Evolution of imported value of Agri-food products in Saudi Arabia

Source: International Trade Centre cited in the Development solution

Therefore, the kingdom imports more than 80 percent of its food requirements from foreign countries like Germany, the USA, China, Italy, Spain, or the Netherlands.

In 2019 its imports grew by 6.5 percent from the previous year and reached US\$144.3 billion. Food imports also continued to rise especially for cereals, rice, meat, and dairy products. Most of the food products are imported by the private sector and are subject to a 5 percent import duty while coffee, tea, and fresh red meat enter the country duty-free.

Cereals:

Saudi Arabia is a major importer of cereals, with a value of around US\$ 4.3 billion. In a top of most imported cereals rice places first, followed by barley, corn, and wheat. WHEAT- SAGO is the exclusive importer of subsidized food-grade wheat in Saudi Arabia. The major food suppliers of wheat are the USA, Germany, Lithuania, and Poland. BARLEY- Imported barley is used for animal feed. Approximately 80 percent of imported barley is fed to sheep, camels, and goats without further processing in combination with green forage.

Meat:

In 2020, there was a high demand for meat, especially for halal and red meat, having an import value of approximately US\$ 1,5 million. The suppliers are Brazil (79.1 percent), France (18.2 percent), U.S. (1.2 percent) and Argentina (1.1 percent). The biggest demand is for beef with US\$ 426 million and the biggest supplier is India, followed by Brazil, Australia, and the USA.

Saudi Arabia also import live animals. In 2017, Saudi Arabia imported 6,651,941 sheep, predominantly (90%) from Sudan and Somalia. Sudan supplied 4,374,800 sheep followed by Somalia (1,581,549), Djibouti (556,410), Jordan (75,656), and Georgia (61,654).

Fruits:

In 2020, another category that saw a rise in imports is fresh fruits, especially exotic fruits, and fresh vegetables. In the category of exotic fruits, bananas, watermelons, apples, and pineapples are highly requested and Latin America remains the major supplier. In the case of vegetables, China, Netherlands, Belgium, Turkey, and Australia represent the biggest suppliers, being imported US\$ 126.08 million for this segment.

The domestic demand for grape and grape juice has been increasing over the past two decades. Both the export and import of grape and grape juice increased. In 2019, Saudi Arabia produced 117,639 tons' grapes, and at the same time has imported 60,157 tons of grapes.

There is an increase in demand for fig products due to population growth, high income and improved consumer health awareness. In 2019, Saudi Arabia has imported 248 tons' fresh and 3,352 tons of dried figs. Mostly the demand for fresh figs are covered through local figs production.

Honey:

Saudi is one of the largest honey buyers' and consumers' country in the world. Due to huge domestic demand, KSA is a net importer of honey. The country honey import was around 18,000 tons in 2019.

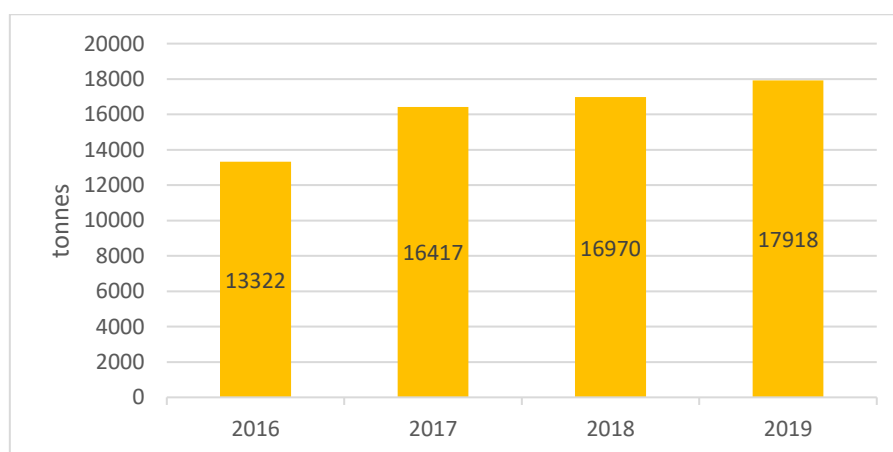


Figure 4.3: Natural honey imported quantity to Saudi Arabia (2016 – 2019) (source: FAO STAT)

Coffee:

Demand for both local and imported coffee and coffee products is high. In 2018, in Saudi Arabia coffee consumption was 1.6 kg per capita per year and it was 1.8 in 2020. The last decade also saw the rapid rise in the number of café/bars in the kingdom, driven largely by the rising urban culture, increasing and working youth population, changing food habits and high disposable incomes. Accordingly, there

was a rapid growth in the footprints of global chains of coffee houses and local entrepreneurs run coffee houses. It contributed to higher coffee consumption and import as well due to limited local production.

The local coffee production only covers 0.6 percent of the demand and the rest is imported. Saudi Arabia imports coffee green (unroasted), coffee roasted, coffee extracts, coffee husks and skins, and coffee substitutes containing coffee. In 2019, Saudi Arabia imported 96,856 tons of coffee in which 50 percent was imported in coffee green or unroasted form.

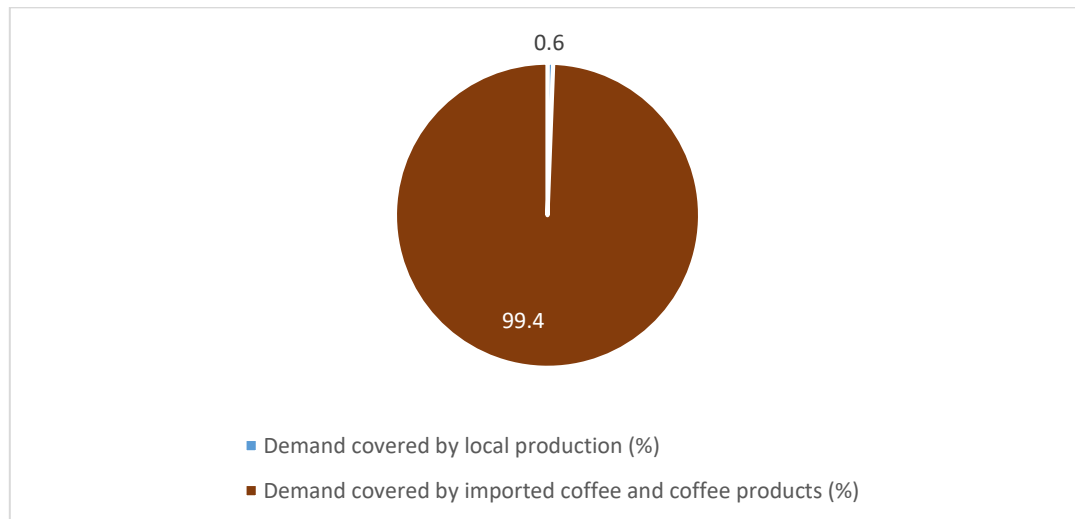


Figure 4.4: Local demand for coffee covered by local and imported coffee (percentage)

Rose oil:

The rose oil is a high value product, and this small sector produces about 400 kg of rose oil per year with estimated revenue of 55 million SAR which is nearly USD 350 per 10 ml. Besides oil, the rose water also accounts for about 20 million SAR. Thus, economic value of rose sector in KSA is assessed to be about 75 million SAR. The rose oil is almost entirely used in the domestic market for perfumery industry. Saudi Arabia also imports rose oil and rose value-added cosmetic products such as rose water, rose soap, rose lotion, rose cream, etc.

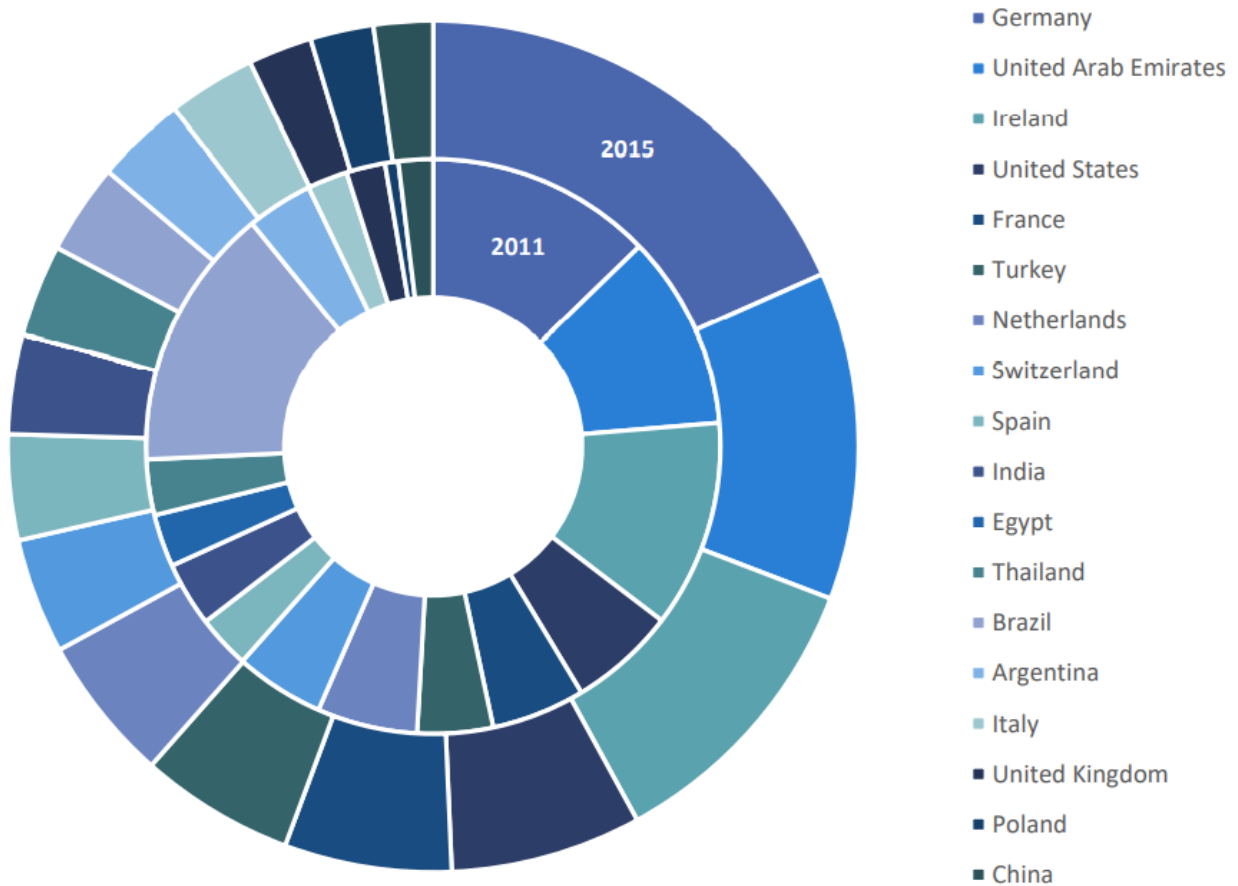


Figure 4.2: Import Shares of Leading F&B Partners in Saudi Arabia

Source: World Integrated Trade Solution cited in the Development solution

4.5 Agricultural Marketing Functions in KSA:

The exchange functions (buying and selling), physical functions (storage, transportation, grading, processing, manufacturing, handling and packing), and the facilitating functions (Product standardization, financing, risk bearing and market intelligence) are performed in changing the farm product into the product desired by the Saudi consumers.

The exchange functions:

Private labels are becoming commonplace in Saudi Arabia. Some Saudi companies have developed private labels which appeal to Saudis and other Arabs using Arab sounding names, even though the majority of products are foreign. Others use labels with Western sounding names to appeal to western expatriates. Saudi consumers are attentive to quality, nutritional value, price, and packaging.

Importers are constantly searching for new products, and often request support from suppliers for promotion¹⁹.

There are highly experience advertising agencies in the Kingdom for advertising and promotional campaigns. These agencies can design and deploy locally-appropriate and effective campaigns using print media, social media, radio, and television²⁰. Social media marketing is one of the most abundant and fastest means of marketing. Social media marketing is the use of social networking sites to communicate with the target audience, and it has several reasons, the most important of them are brand building, communicating with the audience, increasing sales and increasing website traffic²¹.

Although Saudi shoppers' preference to make purchases through traditional channels remains high, a shift to online buying is rapidly changing. In line with other emerging economies, the Saudi e-commerce market has been experiencing significant growth and development over the past few years. With an internet population of just over 32 million Internet users in 2020, there is a high demand for online goods and services. Combine that with the relatively high GDP per capita of USD 20,912, a very low tax rate and more than 50 percent of the population under 25 years of age, Saudi Arabia is clearly set to see significant online growth over the coming decade¹⁹.

Saudi Arabia is potentially the largest e-commerce market in the Middle East and it became a central part of the many people's lives, but when it comes to physical goods that are bought in Saudi Arabia 75 percent of those goods are bought using Cash on Delivery (COD)²². In addition to local online sellers, start-ups, and homebased businesses, a lot of larger regional and international players are also investing and expanding their physical presence in Saudi Arabia. Furthermore, traditional businesses, companies, banks and other are increasingly seeing e-commerce as a rapidly growing complementary channel for their products and services²³.

Well established agriculture businesses and companies use different tools of marketing communication and promotion to reach their buyers. Some of them have their own websites and sale-platforms (including mobile application) and use social media to reach their customers. Relevant ministries and farmers' cooperatives also organize festivals and exhibition to promote and sale their products. Some supermarket chains use their sale-platforms to sell locally grown fresh fruits and vegetable online. Social media is broadly used for the promotional purposes and small farmers use to find buyers for their products. Farmers and farmers' cooperatives use local sale-platforms to sell their products and pay commission fees for the services. Recently agriculture cooperatives and food processors have started interest to sell through their websites and have access to sale-platforms managed by them.

The physical functions:

Once the products are promoted and potential customers are found, the product and commodity will move from producers to consumers. They include storage, transportation, grading, processing, manufacturing, handling and packing. It enables the actual flow of commodities through space and time, and their transformation to a form desired by the consumer.

Some of the perishable commodities are not stored and are transferred to the buyers after harvest, such as Al Taif rose petals, fish, fruits and vegetables. After harvesting, some of the commodities are

¹⁹ Agri-Food sector profile – Riyadh Saudi Arabia. Canadian Trade Commissioner Service, 2013

²⁰ International Trade Administration. Trade promotion and advertising. Access from <https://www.trade.gov>

²¹ Social media agency in KSA. Smart Touch. Access from <https://www.smarttouch.me>

²² Saudi Arabia Digital Marketing Country Profile

²³ E-Commerce in Saudi Arabia. ICT report. <https://www.citc.gov.sa>

basically processed, packed and then moved to the buyers such as honey, cereals, aquaculture fish, coffee, etc. Some well-established business of dairy products and other perishable agri-products use advance storage houses and transportation facilities. Most of the time, small farmers use some basic non-cooling transportation to move products from farm to markets. This poor transportation reduces the quality of the products and increase post-harvest loses.

There is lack of postharvest standards and grading for most of the agri-commodities and it prevents smallholders access to advance marketing outlets and to get fair prices for their commodities. More information regarding the physical function of marketing for each target commodity is provided under section two of this report.

Farmers and producers of SRAD target commodities use both direct and indirect marketing channels. Through the direct marketing channels, farmers sell their products directly to consumers (end-users), while through indirect channels, farmers sell to retailers, wholesalers, traders etc. and the retailers, wholesalers and traders further sell to the consumers. Summary of some of the very commonly used marketing channels in KSA are described in this part.

4.4.1 Marketing distribution channels:

An important factor in the marketing costs is the marketing channel (or marketing chain). This can be defined simply as the sequence of stages involved in transferring produce from the farm to the consumer. The marketing chain obviously influences the marketing costs – the further we move down the chain away from the farm the higher will be the marketing costs.

1- Farm gate Marketing:

Through this marketing chain, the buyers (consumers, traders, processors, exporters, retailers) come to the farm to buy the products. Examples include the sale of Al Taif fresh rose flowers' petals, live animals, fruits, honey, aquaculture products (fish, shrimps), and coffee. Advantages of the farm gate marketing for producers are, no transportation cost, can be marketed by the farming family, thus costs are reduced, and better suited to the small-scale farmers and producers. Disadvantages could be, the farmers must accept the local prices –which maybe lower and in some cases farmers were not well located to the market the products.

The Saudi consumers are willing to buy honey, rose oil and live animals from the farm gate, for several reasons such as, to buy healthy animals, to buy good quality and non-adulterated honey and rose oil.

2- Market Centers

The agriculture markets are found throughout big cities and governorates in Saudi Arabia. Fruits and vegetable market centers, fish markets, honey markets, livestock markets are used by producers and vendors to sell the mentioned commodities. Farmers and their groups are taking advantage of higher prices in time of short supply and they market large quantities of their produces.

Market information is important to enable farmers to make the right decisions, prices often fluctuate, for some farmers - markets are often far from the farm, quality and right harvesting time are very important.

In case of fish, fishermen bring the captured fish to the fish market and sell through auction to the market vendors – mean they are not involved in the retailing. Facilities and market structures in some market centers are weak and are explained under market challenges.

3- Auction Marketing:

With auction marketing the farmer offers products for sale and a buyer offers a price for the animals or products. This channel is used by honey, livestock, aromatic plants (Jasmin) fisheries and fruits. Almost all fishermen in Jazan sell their captured fish through auction marketing.

Promotion is done on behalf of the farmers or farmer groups, the market is larger than the local market, the product is sold very quickly and the product is sold in the bulk. In some markets (such as fisheries in Jazan), the auction for the smallholder producers is organized separately in order to avoid competition with big and imported products. However, the seller not get the price they want, the prices are lower than the usual market prices and the auctioneer and buyers dominate the prices.

The role and commission of auctioneer in this channel is very important. For example, auctioneer commission is 5 – 10 percent in the captured fisheries, but they charge more up to 20 percent. It was reported that some family dominate the auctioning process. Some challenges of this marketing channel is added under the marketing challenges.

4- Marketing in the festivals:

During the harvest, festivals are organized for different commodities. The festivals are organized the promote local products and help producers to sell directly to the consumers. Festivals are organized for honey, rose, fruits and vegetables and coffee. Only local producers and products are allowed to participate.

The Al-Taif rose festival is organized every year during rose harvesting time, in March-April in the King Faisal Park in Qadeera. Honey producers participate in the honey festivals lasting up to couple of weeks that are organized every year in three regions, one each in Taif and Albaha in the summer season and two in Abha (summer and next one after a two-month gap). Only local honey is allowed to sell after passing a lab test and should be packed in the glass bottles or good quality food grade plastic packs. Saudi Coffee festivals take place on a yearly basis in coffee specific region (Jazan) as well as in Riyadh (in December).

5- Online Marketing:

Selling online through sales platforms or social media is getting more attention, particularly among the Saudis' youth and during Covid-19 pandemic. Producers of honey, fruits, rose oil, coffee and some cases livestock were using these marketing channels. Social media such as Facebook and What's app are among the social media applications used for selling the mentioned crops. Websites and other online marketing platforms are also famous among the producers, the online marketing platforms charge 15- 20 percent commission fees.

6- Sell to retailers, wholesalers, traders, processors and suppliers:

Producers of all the SRAD target commodities sell their products to the nearby retailers, wholesalers, traders or suppliers. The mentioned buyers add some value (such as roasting green coffee bean or rose oil) or selling without any value addition to the consumers. Detailed information regarding each marketing channel is provided in section two of this report.

Table 4.1 Most common marketing channels that producers of the SRAD target commodities use to sell their products.

Name of the channel	Ros e	Hone y	Coffe e	Cerea l	Livestoc k	Fisherie s	Aquacultur e	Fruit s
Farm gate	✓	✓	✓		✓		✓	✓
Market Centers		✓	✓	✓	✓	✓		✓
Festivals	✓	✓	✓				✓	✓
Auction Marketing		✓			✓	✓		✓
Sell on roadside		✓						✓
Sell online	✓	✓	✓		✓			
Sell to retailers		✓	✓	✓	✓		✓	✓
Sell to traders/middlemen		✓	✓	✓	✓	✓	✓	✓
Sell to supermarkets		✓					✓	✓
Business Retail outlets							✓	
Sell to processors	✓		✓					

7- Marketing channels of the imported products:

Imported products such as honey, coffee and others are imported by importers, retail chains (such as supermarkets) or specific chains (such as coffee houses) are further distributed to reach the consumers. Some of the imported products (such as honey and coffee and others) are imported in bulk, and after packaging are re-exported. Detailed information regarding the marketing channels of each target commodity is provided in the section two of this report.

The facilitating functions:

Access to finance, subsidies, rules and regulations in the market places, and others provided to the stakeholders. They are not a direct part of either the change of title or the physical movement of produce, but the facilitation of these activities. This functions of agri-marketing are explained in details under the marketing institutional functions part of this report.

4.6 Agricultural Institutional Functions in KSA:

Many marketing institutions with large vested interests performs various functions in the marketing process. These organizations or market participants are those who perform the activities necessary to transfer goods from the producer to consumer, because of the benefit of specialization and scale that exist in marketing. It is classified into five categories, merchant middlemen, agent middlemen, speculative middlemen, processors/manufactures and facilitative organizations.

4.6.1 Retail sector in KSA:

Retailers and wholesalers (merchant middlemen) buy and sell products for their own profit. The Saudi agri-food retail sector is divided into two categories: modern and traditional (called *bakalas* locally) grocery retailers. In 2016, there were total of 43,987 food retailers in Saudi Arabia. All these retailers sell locally produced and imported fresh and value added agri-products. Traditional retailers accounted for approximately 87 percent of the outlets, while modern retailers accounted for 13 percent. These retail chain markets offer both imported as well local produce. In some occasion,

farmers act as retailers (honey, rose, livestock, fruits and vegetables etc.) and sell directly to the buyers in the market places or from their farm-gate shops.

In 2016, the Saudi administration liberalized investment and ownership regulations to allow foreign enterprises to operate in the grocery retail market with full ownership as the industry continues high growth and within-sector diversification. Of the modern retailers, 1,255 were supermarkets and hypermarkets. Food retailers are trying to increase their store numbers so as to gain more market share and also access more consumer segments. Saudi Arabian consumers are value-oriented, however high competition in the domestic market and relatively lower price sensitivity weakens demand for discount retailers²⁴.

Big retail chains have their own dedicated procurement offices both inside and outside the countries. They make their procurement decisions based on the supply and demand analysis. Saudi Arabia's population is expected to reach 40 million by 2025 and the increased number of pilgrims coming for Umrah and Hajj rituals, and the relatively high disposable income will continue to increase demand for food imports. All these factors will contribute to growth of retail markets in KSA²⁵. Some of the famous modern vendors are, Carrefour, NESTO, Othaim, Panda, Tamimi, lulu and others.

4.6.2 Agricultural markets:

Based on product categories, the agriculture market is divided into the following segments:

- Cereals
- Dairy
- Fruits and vegetables
- Meat
- Livestock (live animals)
- Fish and aquaculture products
- Honey
- Others

Farmers, traders and retailers sell locally produced and imported fresh and value-added products in the agricultural markets. Retailing, wholesale and auction are organized in the markets to market goods. Some markets are open week long, but some are organized once for week such as livestock markets in Jizan. Some markets are owned by farmers' cooperatives and majority is owned by the government. In 2020, there were 1,091 public markets, out of which 316 were fruits and meat markets, 292 livestock and feed markets, 110 meet specific and 373 other commercial markets in KSA. The markets are managed by the Ministry of Municipal Rural Affairs and Housing (MOMRA) and the management of agriculture markets are in the process to be transferred to the MoEWA. The fruits and vegetables markets are accessible to farmers and market vendors. Based on the government assessment²⁶, some agri-markets are not meeting the standards for building design, and maintenance. Mostly the retail and wholesale markets are integrated and it sometime cause traffic and other issues in the cities. The roles and responsibilities of relevant government agencies are not very cleared, particularly for the management of fruits and vegetables markets. There is lack of comprehensive internal regulations and rules enforcement in markets. Basic services in the market places for both traders and customers are weak. There is limited access and exit control in some markets.

²⁴ The food and beverage, Market Entry Handbook: Saudi Arabia. Development Solutions, 2017.

²⁵ FAO KSA studies

²⁶ Slaughterhouses and markets for the general benefit of vegetables and fruits: Summary of the study of standard comparisons, challenges, and recommendations. MoEWA, 2020.

4.6.3 Middlemen and auctioneers:

Middlemen, commission-men, auctioneers are active in the market places. Middlemen buy through auctions or through informal contracts and sell to buyers. Some commission-men are hired by the traders and retailers and they buy from the farmers and other sellers. Some markets are dominated by the auction marketing. For example, in Jizan, fishermen bring fish and shrimps in vehicle to the fish auction markets. Commission agent offers initial price after bidding starts - weight is by estimation. Those quoting higher price make the purchase. Commission agents, charge 5-7 percent commission on sale. Key buyers are retail chains, big fisheries companies, restaurants and retail shops. Some imported fish are also sold via auction marketing. The auction process for the imported fish is organized in different timing at the same auction yards. Some fish processors buy the captured fish in the marketing centers and after processing, sell the processed fish in their outlets. Selling captured fisheries and shrimps via auction marketing is very common. Shrimps captured in the Arabian gulf are sold via action in the Al Qatif region. The season captured start in August and end in December of each year. The shrimps are organized in 32 KG (it is called Maan) and are sold via auction. Some families also buy a maan for their own consumption. A maan during first week of the season cost around SAR 1,400. During this session, as most of the fishing vesicles allocate their time to capture shrimps only, the fish prices goes up.

4.6.4 Facilitative organizations:

There are many facilitative organizations assisting the various marketing actors in performing their tasks in the KSA markets. Such organizations do not directly participate in the marketing process as either merchants or agents but, they establish “the rules of the game”. Some of the facilitative organizations are government ministries and authorities, cooperatives/unions, traders’ associations, public and private banks, informal lenders, etc.

4.6.5 Institutions assisting Agri-Markets in KSA:

In this part, information regarding the KSA key institutions and authorities are provided that support agricultural marketing in KSA.

- *Ministry of Environment, Water and Agriculture (MoEWA)*

MoEWA²⁷ is supervising and developing the environment, water and agriculture affairs in the Kingdom of Saudi Arabia. It is the key ministry supporting agriculture and food value chains. MoEWA provides subsidies, loans and equipment to farmers in coordination with the Agricultural Development Fund. It improves capacity of farmers from production to marketing, through adopting modern farming practices. It Increase the potential production of local food and encourage the export of surplus agricultural, livestock and fish production to destinations outside the Kingdom and it provides many more relevant assistants to the stakeholders.

- *Ministry of Municipal and Rural Affairs (MOMRA):*

MOMRA²⁸ is responsible for the urban planning of the Kingdom's cities, the implications of providing roads and essential equipment. It also enhances cities, develops municipal and rural areas, and manages the required services to maintain the environmental cleanliness and health in the Kingdom. The Ministry currently manage agriculture markets in KSA (the responsibility will be shift to MoEWA). MOMRA also assist with allocation of land for different interventions including for SMEs, cooperative processing facilities, and markets.

²⁷ MoEWA www.mewa.gov.sa

²⁸ MOMRA www.momra.gov.sa

- *Ministry of Commerce*

The Ministry of Commerce²⁹ is developing and ensuring the sustainability of the commerce sector in Saudi Arabia. The Ministry of Commerce's focuses on improving the business environment in Saudi Arabia through enacting, developing and supervising the implementation of flexible and fair trade policies and regulations and deepening strategic partnerships with various relevant agencies locally and internationally to bolster confidence between the merchant and consumer and support the national economy. The ministry issue certificates of origin for national exports in terms of the industrial, agricultural, and animal products; it regulates means of supervising the development of domestic trade markets and protecting them against exploitation and monopoly and to control prices; it issues licenses necessary for setting up the commercial chambers and their branches.

- *Saudi Authority for Intellectual Property (SAIP)*

SAIP³⁰ aims to organize, support, sponsor, protect and promote intellectual property in the Kingdom in accordance with global best practices. The authority generates and enforce intellectual property rights; and manages intellectual property operations, services. SAIP register and protect trademarks, industrial design, patents, integrated circuits, plant varieties and in near future will register and protect Geographical Indications (GI) certification as well.

- *Saudi Food and Drug Authority (SFDA):*

SFDA³¹ is in charge of consumers' awareness on all matters related to food, drug and medical devices and all other products and supplies. The Authority objective is to ensure safety of food and drug for human and animal, and safety of biological and chemical substance as well as electronic products. The main purpose of the SFDA establishment is to regulate, oversee, and control food, drug, medical devices, as well as to set mandatory standard specifications thereof, whether they are imported or locally manufactured. SFDA Saudi Halal Center also provides Halal certifications for food related services providers and clients.

- *Saudi Standards, Metrology and Quality Organization (SASO):*

SASO³² was established in 1972 as a body of judicial personality and of an independent budget and is a member of ISO. SASO is also hosting the Saudi Accreditation Committee (SAC) responsible for accrediting laboratories and certification bodies. Moreover, SASO sets methods of sampling, testing, and technical inspection and promotes quality management systems. It is a government body that coordinates standardization activities and facilitates the development of Saudi Standards by working with Government, industry and the community. It provides the necessary measures for quality control of raw materials and products, and set necessary conformity procedures of products based on the verification of quality, legislation and application of the Quality Mark Scheme. It governs the organizational and executive tasks related to standards, metrology and quality, including laying down Saudi standards of goods, products and services, measurement, and setting procedures of conformity evaluation and certification.

- *The Cooperative Societies Council (CSC):*

²⁹ Ministry of Commerce www.mc.gov.sa

³⁰ SAIP www.saip.gov.sa

³¹ SFDA www.sfda.gov.sa

³² SASO www.saso.gov.sa

The Cooperative Societies Council³³ also known as the Saudi Cooperative Societies Council, is a government organization in Saudi Arabia which aims at support of cooperative societies in the Kingdom through activating the role of the Board of Cooperative Societies, the deployment of collaborative work culture, building human, financial and technical capabilities, and establish effective partnerships to establish collaborative work culture for the benefit of the community and the Saudi economy. The CSC provides support to the agricultural cooperatives in terms of capacity building and access to markets.

- *The Council of Saudi Chambers (FSC):*

The Council for Saudi Chambers of Commerce and Industry³⁴ is the official federation for the 28 Saudi Chambers. Its main objective is to observe the common interests of the Saudi Chambers, represent them on local and international levels and assist in the enhancement of the private sector's role in the development of the national economy. The key role of the Council is to serve the common interests of the Saudi Chambers, support the development of the private sector and enhance its role in the national development.

The Chamber in each region, has important and tangible roles to play in settling the commercial disputes of its members, its interest in its members, providing them with the information they need to perform their business, showing them the proper bases of their deals, providing them with advice regarding the ways of finding some kind of integration among them which contributes to the reduction of the production cost and at the same time saves the working capital.

- *The General Authority for Small and Medium Enterprises "Monshaat":*

Established in 2016, the objectives of the "Monshaat"³⁵ are to organize, support, develop and sponsor the SME sector in accordance with best global practices, to increase the productivity of these enterprises and increase their contribution to the GDP from 20 – 35 percent by 2030. Monshaat works on supporting, developing and nurturing the SME sector (including Agriculture SMEs) in line with best global practices by implementing and supporting programs and projects to promote the cultural and spirit of entrepreneurship and innovation, and diversifying sources of financial support for SMEs, and stimulating venture capital initiatives, setting policies and standards for financing projects classified as small and medium enterprises. It also provides administrative and technical support for the establishments and support them in developing their administrative, technical, financial, marketing, human resources and other capabilities.

- *Agricultural Development Fund (ADF):*

The Saudi ADF³⁶ (now ADF) was established to become a government credit institution specialized in funding various agricultural activities across KSA in order to help develop the agricultural sector and improve its production efficiency using the best scientific methods and modern technologies. This happens through offering facilitated loans without interest to farmers in order to secure the needs of this activity through providing machinery, pumps, and agricultural equipment for raising cattle, poultry, and sheep, beekeeping and fish breeding, and others.

- *Social Development Bank (SDB):*

³³ CSC <http://cscs.org.sa/>

³⁴ Council for Saudi Chambers of commerce and Industry www.fsc.org.sa

³⁵ Monshaat www.monshaat.gov.sa

³⁶ ADF www.df.gov.sa

SDB³⁷ provides interest-free financing and non-financial services for micro-enterprises in order to encourage their owners to do business themselves and for their own benefit. The bank categorizes those enterprises and sets their capital maximum limit and number of employees. It is developing and sponsoring the microenterprises sector so as to promote its role in the social and economic development. It is also developing and nurturing the micro-enterprise sector in a way that enhances a cycle in economic and social development.

4.7 Marketing Challenges:

In this part, summary of the common marketing challenges in all the SRAD target commodities is provided. Information regarding commodity specific challenges are provided under section two of this report.

➤ High price competition from cheaper imported fresh and processed products:

As local production of honey, rose oil, cereal, livestock (meat), coffee, fruits and vegetables cannot meet the local demand, and Saudi Arabia imports a huge quantity of the mentioned commodities, but imported products are cheap and the price of local production cannot compete with the cheaper imported products. This huge price gap, increase demand for the imported products. For example, local cereal processing units and flourmills prefer to buy cheaper imported produce for processing. In some cases, this huge price gap encourages adulteration – particularly in the absence of quality grades and standards. For example, imported cheap rose oil and honey is adulterated and sold as local.

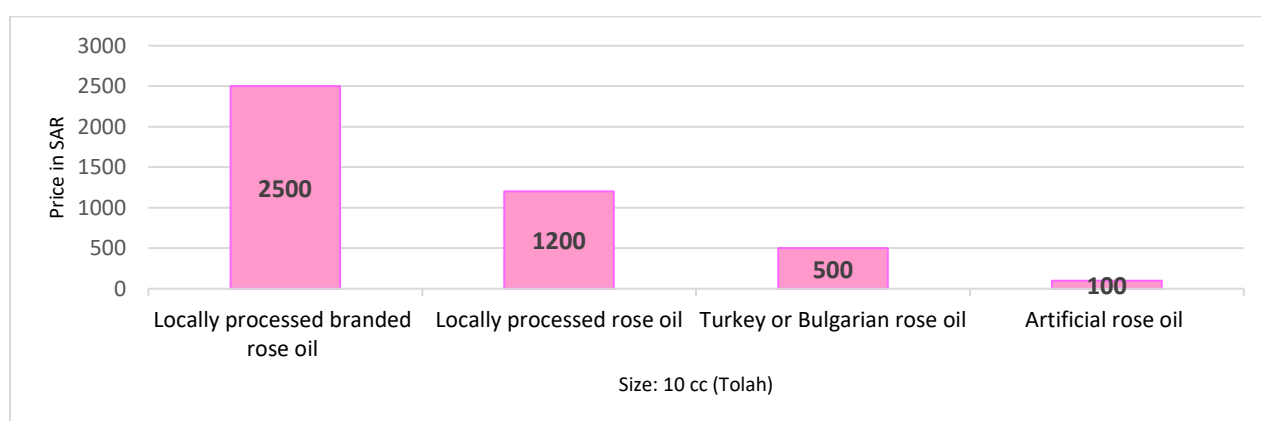


Figure 4.3: Prices (SAR/ 10 cc or Tolah) of locally produced (branded & non-branded) rose oil vs imported rose oil

Adulteration reduces consumers' confidence and negatively impact their preference for the consumption of locally grown and prepared products.

➤ Lack of national brands:

Lack of national brands (such as Saudi products, Saudi made etc.) also provides opportunities for adulteration and to sell imported cheap products as local. For example, businessmen import coffee from the neighboring countries and sale as local. In the case of cereal and fish products, it is difficult for consumers to differentiate the local products and imported one as they are sold in the same markets. In some cases, rose oil produced in other part of Saudi Arabia are bought and sold as Al Taif rose oil. In addition, products are imported, packed and sold as Saudi honey and Al Taif rose water.

³⁷ SDB www.sdb.gov.sa

➤ **Lack of quality standards:**

There is lack of grades and quality standards for most of the locally produced products. Producers may not get their choice prices as they do not know the grade of their products. And in the absence of quality standards, imported products are adulterated and sold as local.

➤ **Limited market access of small farmers to sell directly to final consumers:**

In some cases, farmers are selling to the middlemen as they do not have access to the market centers or they do not have the marketing skills to sale directly to the consumers. Or the situation in the marketplaces not allowed them to sell directly to the consumers (such as for the fishermen, they have to follow auction for their captured fisheries – as the market is dominated by auctioneers).

➤ **Lack of established market linkages with big suppliers and retail chains:**

Producers have weak linkages with big retail chains. As the retailers willing to produce from bigger producers or cooperatives. Small farmers lack to the capacity to meet the requirements of big retail chains. And for small producers to keep their production in the retail chains requires more money and high quality.

➤ **Lack or weak collective marketing:**

Lack of effective agricultural cooperatives and lack of technical capacity of the existing cooperatives for marketing. Mostly the cooperatives are not involved in the business and marketing services. Some marketing cooperatives are newly established and they need capacity building on marketing.

➤ **Lack of value-addition:**

Most of the producers are not involved in the value addition practices. They sell fresh produces (such as rose flowers' petals and green coffee) to the processors. In addition, Inadequate post-harvest handling practices including poor storage and transportation facilities increase postharvest losses and reduce products' quality for marketing.

➤ **Weak marketing strategies:**

Current marketing strategy lack Key marketing components (branding, packaging, nutrition labelling and advertising). Both farmers and processors lack the capacity and allocated resources to improve their marketing strategies. Most of the products are sold without value addition and proper packaging.

➤ **Lack of access to market information:**

Farmers and stakeholders need access to marketing information. Market information will help producers to produce and supply according to the marketing information. In most cases, producers take their products to the market centers or processing units (cereal, rose) without knowing the market prices.

➤ **Lack of smallholder's skill on business and marketing:**

During the field mission, it was observed, that farmers lack technical capacity on marketing. There awareness regarding pricing and other market dynamics are very limited. Majority farmers do not do cost benefits analysis and they do not know, if they are making benefits from their farming. MoEWA field staff are experts in production and they lack or have limited staff to provide technical expertise to producers on marketing.

➤ **Weak facilities and practices in the marketing centers:**

Some marketing facilities lack very basic facilities. For example, livestock marketing centers in Jazan governorates lack some very basic facilities and infrastructures. Some lack access to clean water, enough shed for animals, fencing and proper cleaning facilities. In the fish markets, weak facilities such as lack of proper roofing, sewage and drainage systems, storage facilities and organized parking areas,

the facilities are overcrowded at sales' peak times. There was also poor management of market operations (most markets are poorly organized, lacking access control (e.g., gated access), and internal partitions to organize operations and sales). There was also lack of sales transparency (prices and quantities across sale outlets are not showcased). Payments in the fish markets and auction yards are in cash, making it difficult to trace daily transactions, thus leaving room for price manipulation. There was limited quality control at markets (fish is moved in worn-out boxes and stacked on the floor for bidding).

Auction process is organized in the market centers or auction yard in the market centers. Auctioneers are dominating the market prices. For example, in the livestock markets, "Dallal" or auctioneer is expected to earn a fixed fee per head, however they currently control that margin or sometimes they take a percentage fee on each head sold. Some families dominate the auction process, and control the overall system. For example, they lend money to the fishermen to buy fuel or fix their boats, they also lend additional money, when fishermen need. As fishermen need the loan and other support from auctioneer, they follow the prices offered in auction process. If they do not accept the rules of auction process, the fishermen will be excluded and it make the life difficult for the producers in the marketplaces.

4.8 Marketing opportunities:

In this part, summary of the marketing opportunities in all the SRAD target commodities is provided. Detailed information regarding commodity specific opportunities are provided under section two of this report.

- **High market demand:**

Locally produced products are considered premium quality and there is high market demand for the locally produced fresh and value-added products. Consumption per capita for some commodity such as coffee is increasing as well. Increasing production through economy of skills, will help producers to gain their share in the markets and increase their income.

- **Access to origin-linked standards:**

Rose, coffee and honey have strong linkages to the origin and cultural heritage. The mentioned products have the opportunities to get Geographical Indication certification. The mentioned certification will guarantee the quality of mentioned products and will increase farm income.

- **Agro-tourism:**

There are good opportunities to improve the marketing of honey, rose and coffee through agro tourism. Through agro-tourism farmers could increase their income and the agro-tourism will improve farmers' capacity to add value and sell directly to the consumers.

- **Online marketing:**

Many Saudi young population tends to use online marketing platforms for purchasing. Youth farmers have started using online marketing platforms for selling their produces. Online marketing and auction process will facilitate direct linkages with producers and consumers and will reduce price manipulation in the auction process.

- **Government support for the agriculture sector development:**

Through SRAD and other initiatives, Saudi Arabia is supporting the development of agriculture sector. The REEF project is promoting agro-tourism, value addition and others. Agriculture Development Fund (ADF) is providing incentives for Contract Farming.

Recently in 2021, ADF has launched a new finance product, called “Contract Farming Finance Product” with the aim of enhancing marketing of some agricultural produce from farms to end users under an agreement between the buyer and farmers, which requires producing and marketing one or more farm products. This new ADF finance product seeks to finance the operating capital to support farmers, reduce risks between buyers and producers, increase production and market share, diversify products, increase efficiency and boost cooperation, in addition to working on reducing imports of targeted crops through realizing integration between contract parties, supporting the food security initiative in Saudi Arabia, participating in creating job opportunities for citizens and increasing the use of local content, and developing the performance of marketing services and jobs (ADF)³⁸.

- **Interest of bigger business to buy from smallholders:**

Bigger companies and big retail chains have showed to directly buy from small producers through their associations and cooperatives. Strengthening cooperative capacity and linking them to the buyers through win-win Contract Farming (in the presence of above mentioned ADF incentive) will help both the producers and buyers to strengthen the supply chain coordination.

4.9 Recommendations:

In this part, summary of the recommendations is provided. Detailed information regarding commodity specific recommendations are provided under section two of this report.

- **Support the establishment and improvement of fruits marketing centers**

The agriculture marketing centers could be improved in two stages. Improve the facilities and operation of the existing marketing centers. For example, fencing, providing access to water, toilets, parking area and other to the existing marketing centers. In addition, improve the operation of the existing marketing centers. Train farmers to reduce postharvest losses and train MoEWA experts (as the responsibility will be moved to MoEWA soon) to better manage the operation and enforce rules and regulation.

In stage two, some markets are organized by cooperatives or farmers’ groups. The mentioned markets are not fully operationalized markets. MoEWA could do the feasibility studies and make them fully operationalized markets. Or based on the need, MoEWA to establish new marketing centers.

- **Develop standards and quality grades for the local produces**

Quality grade and standers will help the farmers to get their choice prices and will help the officials to manage and enforce prices and other regulation. This will also help to prevent the adulteration.

- **Develop producers to buyers’ linkages**

Direct linkages of producers with buyers could improve the supply chains coordination. This will reduce postharvest losses, will guarantee supply for buyers and will provide guaranteed marketing for the producers. Different mechanisms including Contract Farming scheme will be used to connect

³⁸ Agricultural Development Fund (ADF) adf.gov.sa

producers with buyers. To better manage the producers side, farmers could be organized in groups or cooperatives.

- **Facilitate access to market information**

Access to market information is very important. The accurate and timely marketing information will help the producers and stakeholders to decide accordingly. Digital and online information will be provided on timely manners. E-Marketing information system will be a choice looking to the demand and interest on digital agriculture.

- **Support the development of fruits online marketing platforms**

Online marketing platform provide direct access of producers to the buyers. This will help to quickly and smoothly move the products from the production point to the consumption points. This will also reduce the influence of auctioneers and middlemen in the sales process. This will provide jobs opportunities for women and youth as well.

- **Promote collective marketing**

Provide technical support to promote collective marketing. Farmers to be organized in cooperatives or farmers' groups. Big companies and retail chains will procure from the farmers organized in groups and cooperatives. This will help smallholders to directly access the consumer's markets.

- **Development online marketing and auction platforms**

Youth farmers and processor have started using online marketing platforms for selling their produces. Online marketing and auction process will facilitate direct linkages with producers and consumers and will reduce price manipulation in the auction process.

- **Prepare and enforce comprehensive regulatory framework**

Enforcement regulatory framework will help to eliminate price manipulation, adulteration, remove unlicensed brokers from the market places, and collect accurate data for decision making. Enforcement of regulatory framework in the market centres will help small producers to directly sell to the consumers and gain good prices for their products.

- **Promote the consumption of local products**

In coordination with relevant authorities, promote the consumption of locally produced food. In coordination with ministry of health, organize marketing campaigns to encourage the consumption of fish (fish festivals, newsletters, awareness materials) as fish consumption is low comparing to the global consumption average.

- **Build capacity of producers and stakeholders on Ag-Marketing**

Develop and implement training programme to strengthen business and marketing skills of producers. Build capacity of producers on the cost benefit analysis, marketing mix, marketing dynamics etc. A whole capacity building package under "farm as a business" to be prepared and implemented.

4.10 Ag-Marketing Interventions:

Detailed information regarding the planned Agriculture Marketing interventions under the FAO SRAD project is available in chapter one of this report. To briefly mentioned in here, Contract Farming, Geographical Indications, E-Market Information System and development of market centers are the key Ag-Marketing interventions under FAO SRAD project.

SECTION – 2: Findings of Ag-Marketing Situation Analysis of each target commodity

In section two, marketing commodity analysis approach is followed to gather details information “ag-marketing situation analysis” of the SRAD target commodities. Chapter five provides information regarding the “Rose Marketing situation analysis”. Chapter six is allocated for the “Honey Marketing situation analysis”. Chapter seven describes “Livestock – small ruminates Marketing Situation analysis”. Chapter eight is allocated for the “Fisheries and aquaculture Marketing situation analysis”, chapter nine for “Rain-fed cereal Marketing situation analysis”, chapter ten “Arabic coffee situation analysis” and chapter eleven for the “Subtropical fruits Marketing situation analysis”. Under each chapter, the summary section express detailed information and contents of the chapter.

In addition, the second part of the section provides conclusion, abbreviations and annexes.

Chapter 5: Rose Marketing Situation Analysis

5.1 Summary:

In this chapter we have collected and analyzed “Rose Marketing Situation” in KSA, with focus on Al Taif Rose. In part one, information on the rose global situation is provided. In the national context, information regarding rose production, number of rose farmers and processors in the Al Taif region, consumers, rose value-added products, their packaging and transportation is provided.

In part three of this chapter, Al Taif rose and rose products marketing channels are well explained. Marketing channels used by small rose farmers, small rose processors, and big rose farmers and processors are well explained. Imported rose value-added products distribution channels is also explained.

In part four, five and six, rose marketing challenges, opportunities, recommendation and project interventions implementation are well explained. For additional information such as Contract Farming and Geographical Indication plan, you need to read the mentioned plans, as it provides very details information and implementation information (this could be accessed from the project management unit).

5.2 Current situation:

5.2.1 Global context:

Globally, rose is cultivated for varying purposes but its aromatic characteristic is most significant. The global rose oil production is traditionally dominated by two countries, Bulgaria and Turkey. The size of global rose oil market was 4-4.5 tons. The global rose sector including rose oil and rose water is expected to be of USD 275 Million USD in 2018 with the annual growth of 6-8%. Global Rose Water Market is expected to grow from USD 319 Million in 2018 to USD 510 Million by the end of 2025 at a compound annual growth rate of 7%. Increasing per capita spending on perfumes and personal care products in developing and emerging economies has led to an increase in demand for aromatic essential oil with added functionality, which is anticipated to drive the global rose oil market over the forecast period. Europe and Asia Pacific are expected to dominate the market followed by North America.

The new trends in the rose are direct investments from international fragrance and bioproduct companies which simultaneously established rose plantations and flower processing facilities (e.g. [www. biolandes.com](http://www.biolandes.com)). Until now Bulgaria (Kazanlak region) and Turkey (Isparta region) traditionally remain the main producers of rose oil and contribute 70 to 80 % of the global production. Other rose oil producing countries are Morocco, Iran, China, Afghanistan and India. Rose oil production in KSA has an opportunity to grow and compete in this growing international market for the benefit of all value chain actors in the country.

5.2.2 Saudi context:

Rose is aromatic plant and the agro-ecological and climatic condition of the KSA in particular Taif region is suitable for growing this plant. Cultivation of roses in KSA is a centuries old practice, largely pursued in the Taif governorate of Makkah region and is traditionally recognized for making rose oil and perfumery products. The rose farming has distinct features and its specialized cultivation is undertaken in the variable altitudes of the mountains (>1200 meters above sea level) in the North, West and South of Taif city, concentrated within a diameter of 50-60 km. There are 480 rose farms

with nearly one million rose plants spread in about 270-hectare area and producing around 500 million roses annually.

Table 5. 1: Number of rose farmers and processors in Al Taif region (source: MoEWA)

Region	Locations	Area under roses, m ²	Number of			
			Farms	Rose flowers	Pots	Factories
West	Al-Hada Al-Shafa	2,064,084	813	1,106,500	873	36
Center	Al-Whaya AL-Dhya	491,400	55	174,320	46	2
South		68,897	33	43,057	25	2
North		313,00	4	14,500	85	4
Total		2,655,681	905	1,338,377	1029	44

The rose cultivation is integrated to its processing for rose oil and related by products such as rose water. Thus, rose sector needs to be identified from the cultivation along with 72 local processing factories. The rose oil is a high value product, and this small sector produces about 400 kg of rose oil per year with estimated revenue of 55 million SAR which is nearly USD 350 per 10 ml. Besides oil, the rose water also accounts for about 20 million SAR. Thus, economic value of rose sector in KSA is assessed to be about 75 million SAR. This translates to about USD 350 per 10 ml. The rose oil is almost entirely used in the domestic market for perfumery industry. This apparently small sector in terms of area cultivated has relatively high potential of employment, and it is estimated that more than 8,000 people are employed in all the supply and value chains of the rose sector (FAO KSA).

Al Taif roses and its value-added products are famous world over. Annual Taif rose festival builds positive image of the rose industry. International as well as domestic demand for rose and its products has remained positive over a period.



Figure 5. 1: A farm to consumer journey of fresh rose petals

5.2.3 Al Taif rose value-added products:

Small farmers having processing facilities produce limited value-added products such as rose oil and rose water. But the well-established local rose processing factories produce variety of rose value

added products such as, rose oil, rose water, rose perfume, rose cent, rose powder, rose soap, rose lotion, rose body spray, rose fragrance and others.

5.2.4 Prices:

When used for processing purposes, fresh rose flowers or roses' flowers' petals are sold in 1,000 pieces. This traditional weighting of rose flowers and commonly used in the Al Taif region. Currently visited some rose processing factories have adopted to use standards methods of weighting such as Kilo gram. Price of 1000 rose flowers' petals depends on the freshness of the flowers and the demand in the marketplace. In 2020 the price of 1000 rose flowers was SAR 60 while this year in 2021 the price of 1000 rose flowers was SAR 30. This was due to the Covid-19 impacts on overall industry. The demand was decreased as the rose processors were not able to sell the already produced rose oil from 2020.

Table 5. 2: Prices of local fresh roses' hand bouquet and value-added products Source: Data from the field visit (March, 2021)

Factor	Rose flowers	Rose oil	Rose water	Rose soap	Rose based perfume
Pack size	hand bouquets	Quarter to one tolah (10 cc)	250ml	Local: 150 g	50-100ml in glass bottle
Retail price	Hand bouquet: SAR 30 -50 (depending on the size)	SAR 1200 (10cc). Local brand: SAR 2500 - 3000	SAR 10/bottle (20-30 %) SAR 50/bottle (70 percent)	SAR 16/piece	Local: SAR 170-800 Local brand: SAR 330-3000
Sale outlets	Farm gate shops	Branded retail outlets, farm gate shops, on-site rose factory shops	Grocery shops, branded retail outlets, farm gate shops, on-site rose processing factories shop	Rose Factory on-site shop	Exclusive perfume retail shops
Local retail brand outlet example	Mostly agrotourism farms	Abdul Samad Al Qurashi	Abdul Samad Al Qurashi	Mostly medium size processors	Abdul Samad Al Qurashi

Locally produced rose value-added products are very expansive comparing to the imported rose value-added products. This big price gap sometime led to adulteration.

This big price gap between imported and locally produced rose products, lack of appropriate packing (small rose processors), availability of imported cheap rose products in bulk and lack of quality control standards are some of the key issues in the Rose Marketing.

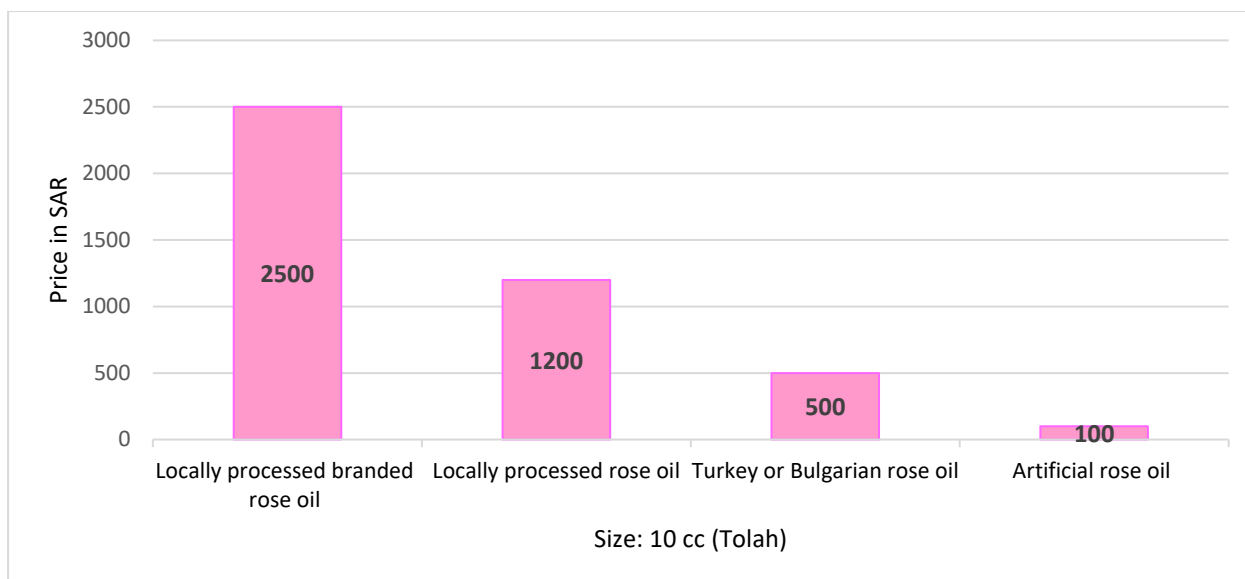


Figure 5.2: Locally produced (branded & non-branded) and imported “Rose oil” prices in SAR/ 10 cc or Tolah (source: data from the field visit, 2021)

5.2.5 Packaging:

Rose value added products are well packaged by the well-established local processing factories. But rose oil, which is a premium rose value added product, is sometimes not well packaged and labelled. The reason could be that the bottles used were very small.

The unpackaged and labelled rose oil is difficult to trace back to the original producers and it is difficult for consumers to trust if the rose value-added product they purchased is produced in the Al Taif region.

5.2.6 Consumers:

Both local and international consumers purchase locally produced Rose oil and other value-added products. Local visitors visit rose farms and rose oil processing factories and purchase the rose oil; they also purchase rose oil and rose value added products during the Al-Taif Rose festival organized during the roses harvesting season. Some local consumers give the Al Taif rose oil and value-added products to their friends and relatives as gifts.

International consumers purchase the rose oil in their resident countries, exported by some rose oil processors and traders. Many international consumers visit rose oil processing factories in the Al Taif region when they come to Saudi Arabia for Umrah and Hajj. They visit the factories and purchase their choice rose oil and value-added products. During the mission, one rose processor mentioned, he receives around 1 million foreign visitors per year, most of them coming to Saudi Arabia for Umrah and Hajj.

5.3 Al Taif rose and rose products marketing channels:

Al Taif rose small farmers generally sell rose flowers’ petals in a pack of 1,000 roses to the local rose processing units. Some small farmers have their own small processing units and produce value added rose products such as rose oil and rose water. Their fresh rose flowers’ petals or value-added rose products reach the consumers through direct or indirect marketing channels (described in below).

sections). Direct marketing includes any marketing method whereby farmers sell their products directly to consumers.

Most of the big farmers have well-established rose processing units/factories. They grow their own roses and buy from the surrounding small farmers. They sell their rose value-added products directly to the consumers from their factories gate shops (located inside or attached to the rose processing units) always easily accessible along the roadsides. They also sell their value-added products via retailers and traders in both national and international markets.

Direct and indirect marketing channels and marketing channels of imported rose products are well explained in this section.



Figure 5.3: Al Talhi for Taif Roses (rose processing factory and onsite shop)

5. 3.1 Rose small farmers direct and indirect marketing channels:

Small rose farmers in Al Taif region distribute fresh rose flowers' petals and value-added rose products to the consumers via below mentioned direct or indirect marketing channels.

Direct Marketing Channels (Small rose farmers and processors):

- 1- **Farm gate Marketing:** Some small rose farmers sell directly rose flowers' petals and value-added products to the consumers from their farm gate shops. Some small rose farmers have small processing unites/distilleries and process rose into rose value-added products. Once value added products (such as rose oil, rose water etc.) is ready, they sell it in their small farm gate shops. During harvest time, they also sell fresh roses directly to customers, needed for special events such as wedding. These small farmers also sell other imported and inexpensive rose oil in their shop directly to customers.

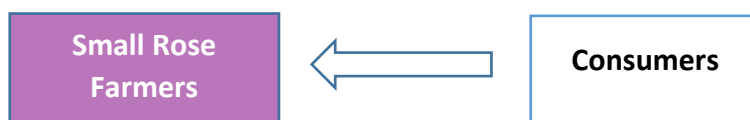


Figure 5.4: Rose farm gate shop marketing



Figure 5.5: Bin Moshiheb farm gate shop, Al Taif

- 2- **Al Taif Rose Festivals:** Small rose farmers directly sell rose flowers' petals and rose value added products to consumers and visitors in the Al Taif Rose festival during rose harvesting time. The festival is organized every year in March-April in the King Faisal Park in Qadeera. Different government and private organizations organize booths to showcase rose value added products from Al Taif region, local handicrafts etc.



Figure 5.6: Farmers to Consumers marketing

Indirect Marketing Channels (Small rose farmers and processors):

- 3- **Farmers to local processors Marketing:** Based on geographic proximity, most of the small rose farmers sell rose flowers' petals to the local rose processing factories (sometimes also called local distillation labs). They are categorized small, medium, and big, based on their processing pots. Most of the well-established local rose processors are big rose farmers. They grow roses and they buy rose flowers' petals from the surrounding small holders. Once the rose flowers' petals are processed into the value-added products (such as rose oil, rose water etc.), the end products are sold in their well establish roadside shops directly to the end customers and visitors, or to the big dealers outside of Taif and in some cases send it outside the Kingdom. Some processors do not grow their own roses and only buy rose flowers' petals from nearby rose smallholders.

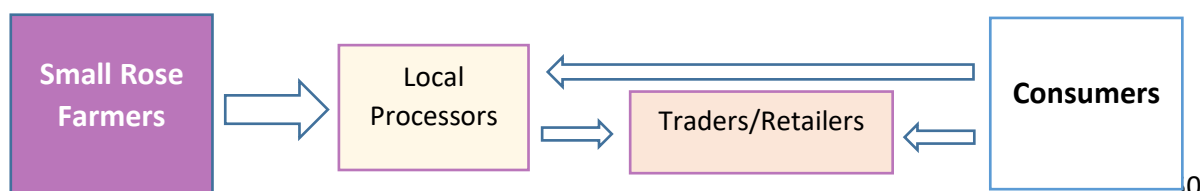


Figure 5.7: Rose small farmers to processors marketing

4- Farmers to other region processors Marketing:

In some cases, traders or their agents from Makah and other regions approach farmers and buy directly from them in their farm. The product is further processed into value-added rose products and resold to the consumers.

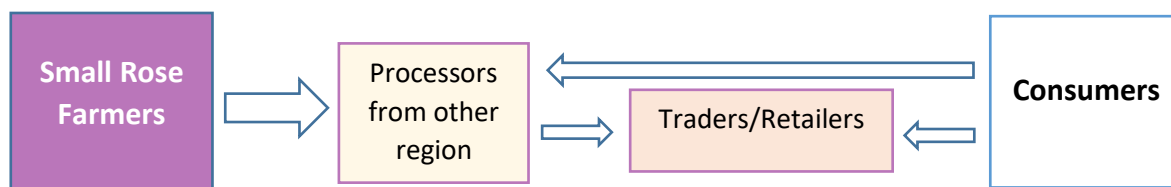


Figure 5.8: Rose small farmers to processors from other regions

5.3.2 Rose big farmers direct and indirect marketing channels:

Big rose farmers and processors in Al Taif region distribute value-added rose products to the consumers via below mentioned direct or indirect marketing channels.

Direct Marketing Channels (big rose farmers and processors):

- 1- **Factory gate Marketing: Big farmers directly sell rose value added products to consumers:** Big rose farmers are also the processors. They produced several sorts of rose value-added products and sell it directly to the consumers visiting their factories. Most of the processing factories have shops inside the factories or attached to the factories. Mostly the processing factories and shops are located along the roadsides and consumers visiting and purchase their choice products.

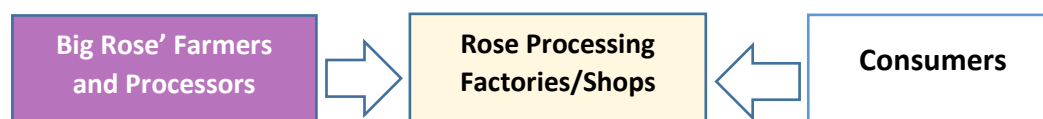


Figure 5.9: Rose big farmers and their factory gate marketing

- 2- **Big rose farmers sell directly to consumers in the Al Taif Rose Festival:** Big rose farmers in Al Taif region sell rose value-added products to the consumers in the Al Taif rose festival. Most of these big farmers are also processors and they participate in other exhibition as well and sell their products directly to the consumers.

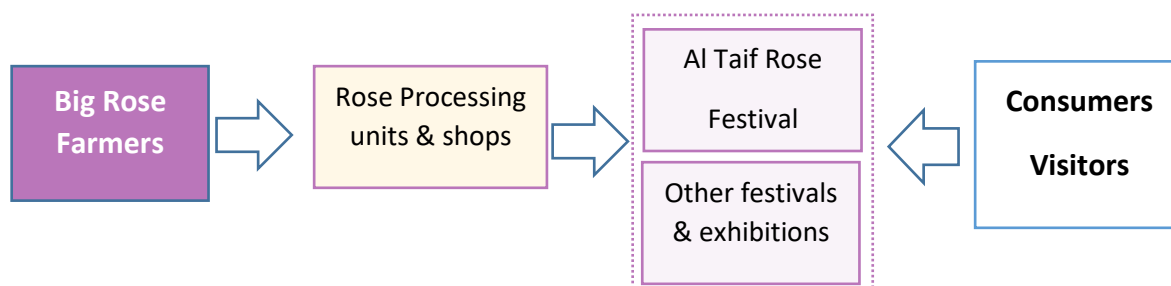


Figure 5.10: Big rose farmers directly sell rose value added products to the consumers in Al Taif rose festival and other exhibitions

Indirect Marketing Channels (Big rose farmers and processors):

- 3- Big rose farmers have big processing unites. They also source their raw materials (rose flowers' petals) from the surrounding small farmers. They sell their rose value-added products indirectly to the consumers in both local, national, and international markets.

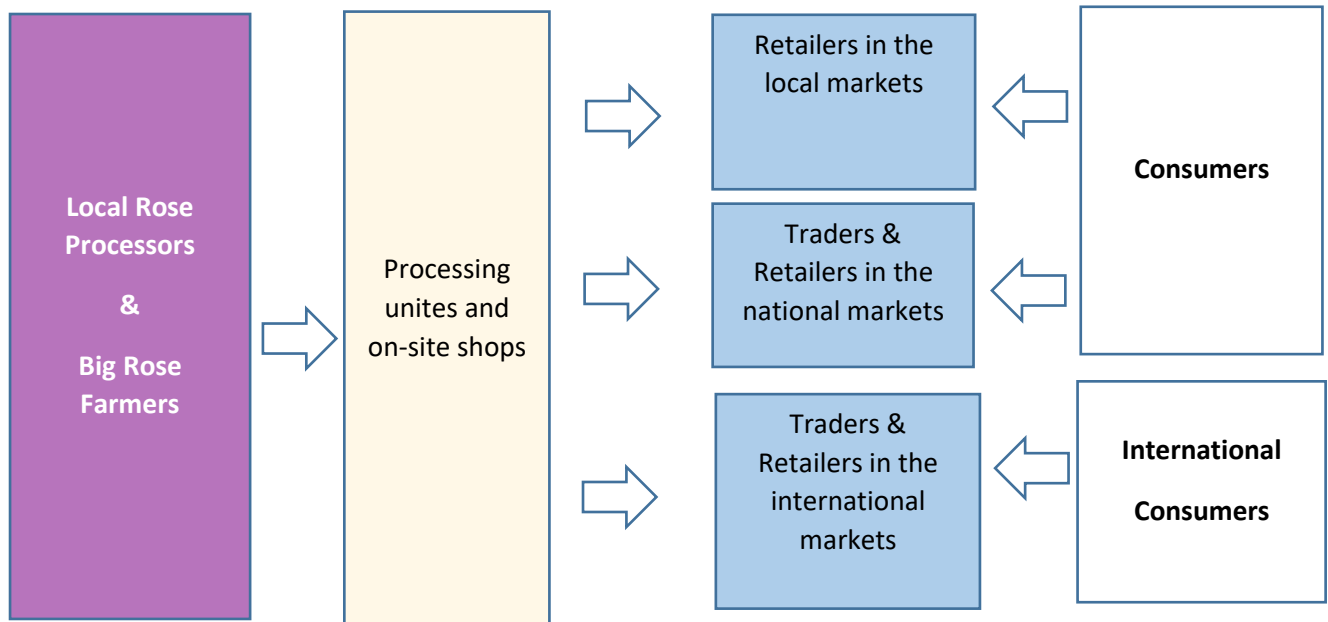


Figure 5.11: Big rose farmers and processors indirectly sell rose value added products to the consumers

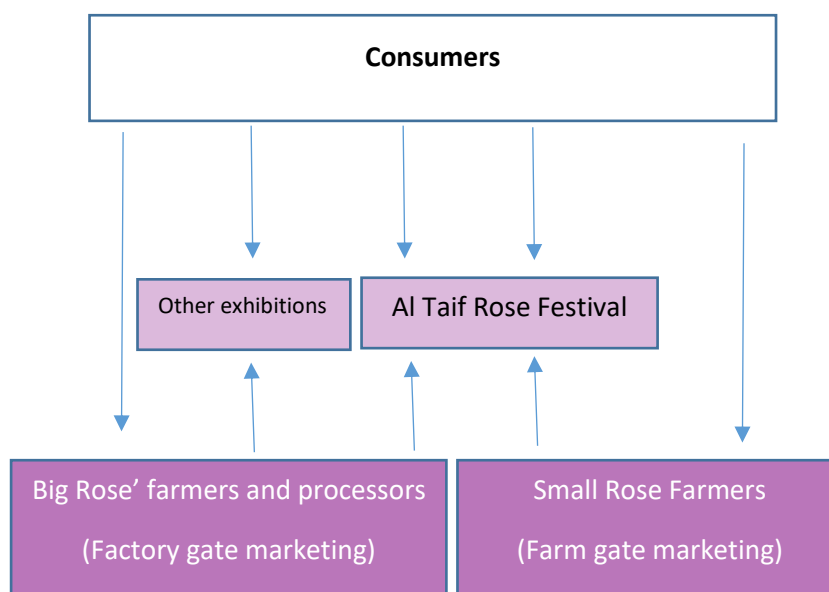


Figure 5.12: Directing Marketing Channels (Al Taif Rose's farmers)

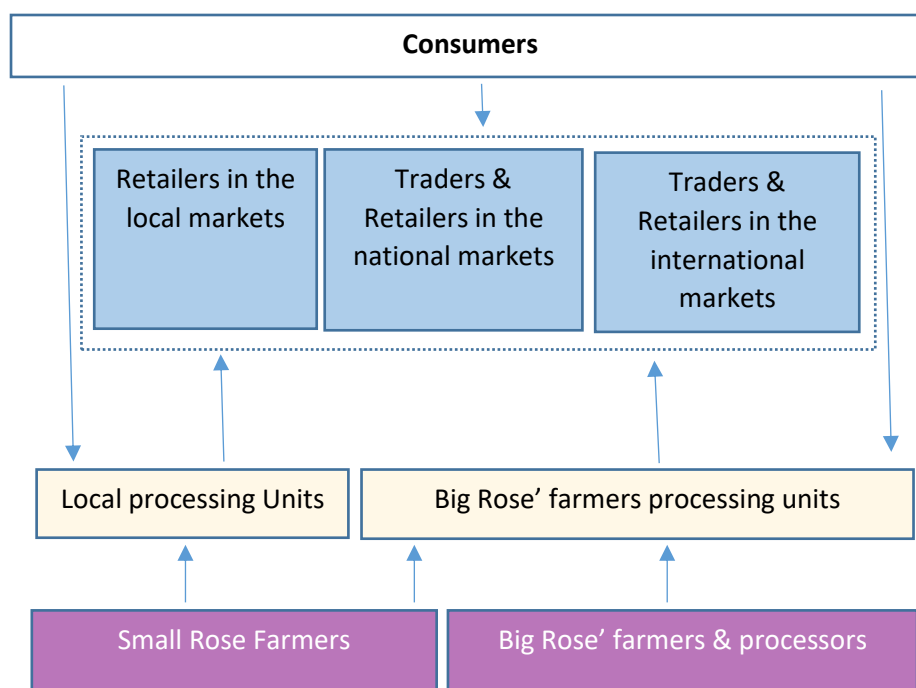


Figure 5.13: Indirect Marketing Channels (Al Taif Rose's farmers)



Figure 5.14: Journey from farm to market (Al Taif rose farmer and small-scale processor)

5.3.3 Marketing channels of imported value-added Rose products:

Saudi Arabia imports rose oil and rose value-added cosmetic products such as rose water, rose soap, rose lotion, rose cream, etc. The rose value-added cosmetic products are commercially imported and distributed to the consumers. Some imported rose products such as rose water is imported in bulk,

processed, and sold as Saudi rose water, some of the mentioned rose water is re-exported. This is done some time by company located in other region of KSA such as Jeddah.

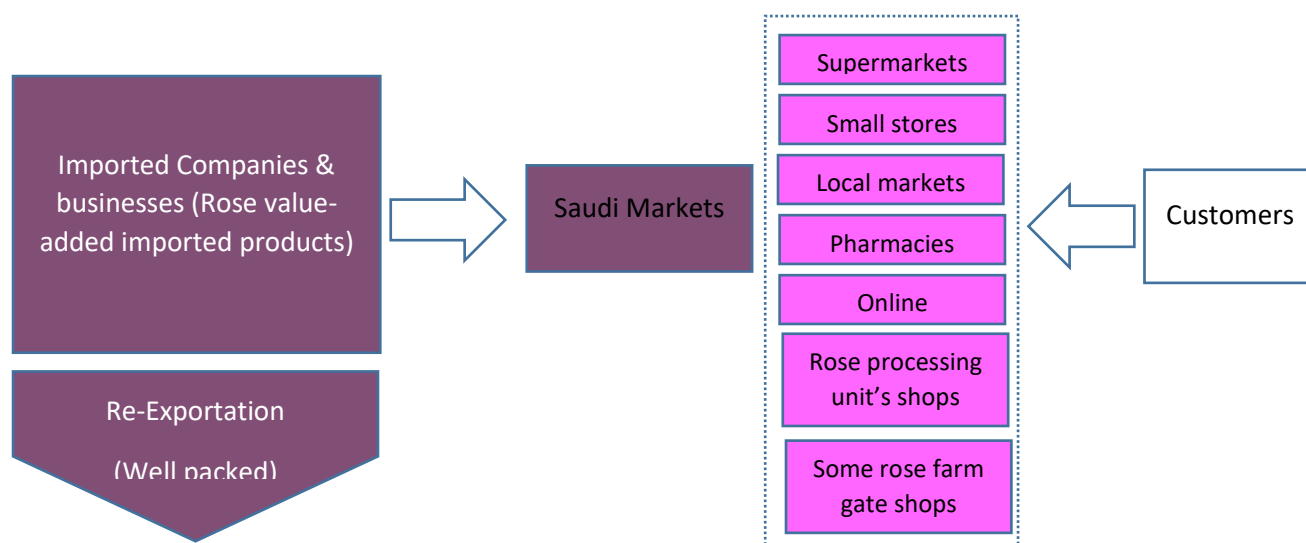


Figure 5.15: Imported Rose' products distribution channels

5.4 Rose Marketing Challenges:

Roses' farmers face some challenges while selling their produces. They sell rose flowers' petals to the nearby local processing factories. Processing facilities with better equipment and higher oil yield pay higher prices for the raw materials (farmers' roses flowers' petals), while smaller one pays less. Due to the lack of transparency in the market, particularly limited information regarding the volatile price dynamics in different processing facilities, farmers deliver their roses to the closest processing facilities and may receive low prices.

Due to the lack of access to the market information, and lack of access to the cold transportation chain for roses flowers' petals, farmers deliver their roses to the nearest processing facilities, often receiving suboptimal prices. Farmers who live close to the lowest-paying facilities receive small income and it could have negative impacts on their livelihoods. (MoEWA):

Small oil processing facilities in Taif with outdated equipment are currently not leveraging the full range of secondary products (such as rose oil candle, rose buds for food, rose jam, rose soap, rose facile spray etc.)

Adulteration of rose oil is an issue. Some rose supply chain actors (such as small farmers, local agent, local processors) mix the Taif rose oil with the inexpensive imported rose oil and reduce the quality of Taif rose oil. Imported rose water are re used in the rose oil process and in some cases, bulk imported rose water are repacked, labeled and sold as "Taif rose water". Adulteration, lack of quality standards, and non-proper packaging will not only affect the positive image of Taif rose products but will also reduce demand for the Taif rose products.

Al Taif Rose marketing challenges:

- Poor extension and technical support services provided to rose farmers on rose marketing,

- Lack of availability of labor during harvesting season, which cause postharvest losses and poor quality to market,
- Lack of rose quality standards,
- Adulteration of rose oil and other rose products, which reduces consumers' confidence and negatively impact their preference for the Al Taif rose oil.
- Selling imported rose products (such as rose water) as Taif rose water,
- Poor storage and marketing infrastructure,
- Lack of refrigeration for the transport of fresh roses cause post-harvest losses,
- Lack of effective agricultural cooperatives and lack of technical capacity of the existing cooperatives for the development of rose production and marketing,
- Absence of effective sales platform for Taif roses,

5.5 Opportunities:

- Rose agro-tourism business
- Available support to build quality and origin-linked standards for the rose value-added products
- Online marketing platforms
- Market demand for the local rose oil and other rose value-added products
- Cultural and heritage linkages with rose oil, and its use in cultural events
- Government support for the rose sector development
- Access to finance by Agriculture Development Fund (ADF)
- MoEWA support for the rose development through SRAD programme
- Possibilities to build public and private partnerships for the development of the rose sector

Interventions are required to increase rose productivity and farm income. MoEWA has identified its initiatives and FAO through this project (SRAD-51) is addressing the rose sector overall issues as well as rose marketing challenges.

Below are some recommendations, which will help small rose farmers to better market their products and have better income and livelihoods. Based on the provided recommendations, implementation workplan will be prepared to better manage the marketing interventions for rose (such as rose contract farming, geographical indication for rose etc.) under FAO project. The remaining recommendations will be further discussed with MEWA/REEF for implementation.

5.6 Recommendations:

- ✓ Build capacity of rose smallholders on agricultural marketing,
- ✓ Improve access to market information (E-Marketing information system),
- ✓ Promote and strengthen smallholders direct market linkages with potential buyers,
- ✓ Promote Agro-tourism,
- ✓ Develop appropriate contract farming models,
- ✓ Strengthen capacity of rose farmers' cooperatives/groups on collective marketing,
- ✓ Explore and establish geographical indication and develop effective branding strategies for the Taif rose and rose products (including improve packaging, labeling, and marketing mix),
- ✓ Support the establishment and development of marketing auction centres for rose and rose products: This marketing auction centers could be established in the Taif rose festival center.
- ✓ Backstop the to establish E-Marketing platform for rose and rose products,
- ✓ Strengthen postharvest management along the supply chains
- ✓ Prepare mechanism to use the rose waste produced by rose processing factories.

5.7 Rose Ag-Marketing Interventions & implementation:

5.7.1 Stakeholders' engagement:

To identify and map key Al Taif rose' stakeholders and draw out their interests and assess the appropriate way of their participation, stakeholder engagement guide³⁹ was followed for data collection and will be further followed for the implementation of rose marketing interventions.

Table 5.3: Potential rose Ag-Marketing major stakeholders and their responsibilities and spheres of influence

Intervention	Stakeholders	Interests & Role	Priority
GI, Contract Farming, E-Market Info system	Firms, companies, and Investors	Promote, guarantee markets; may advance inputs and technical advice to the contracted growers (under CF). Use market information and play role in the GI.	High
GI, Contract Farming, E-Market Info system, Capacity building	Target smallholders and their specialized agricultural cooperatives/lead farmers	Primary producers Key partner for GI and CF Better income Secure access to market, inputs, resources, and technical info Need capacity building on marketing	High
GI, Contract Farming, E-Market Info system, Capacity building	Small & medium rose processors	Primary processors Key partners for CF and GI	High
GI, Contract Farming, E-Market Info system, Capacity building	Ministry of Environment, Water and Agriculture	Major responsibility for the enabling environment Key implementation partner	High
Contract Farming	Agriculture Development Fund (ADF)	Provides finance and promote CF	High
Geographical Indication	Saudi Arabia Intellectual Property Authority (SAIP)	Register and protect GI Need capacity building on GI registration and protection	High
GI, Contract Farming, E-Market Info system	Ministry of Commerce	Responsibility for the enabling environment for CF and promotion of GI products	High
GI & Contract Farming,	Saudi Chamber of Commerce and Industry	Could be focal point for CF	High
GI, Contract Farming, Capacity building	Saudi Cooperative Societies Council	Responsibility to help and support cooperatives and farmers' group (GI and CF) and capacity building	High
Capacity building	Extension services	Provided technical advice	High
Contract Farming,	Financial Institutions (both private and governmental)	Provides finance and general banking services to firms and farmer for CF	High
GI, Contract Farming, Capacity building	Development organizations and NGO	Facilitate / promote interventions	High

³⁹ This guide is prepared by the FAO KSA programme director and is available to all the staff

GI & E-Market Info system	Consumers and their associations	Purchase the end product. Feedback on product acceptance and future demand (GI)	Medium
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A combination of various techniques is identified to be used (already used during data collection for this report) to involve the identified stakeholder's representatives at various stages of the interventions since each of methods has pro and cons when it comes to engaging with stakeholders.

- (i) **Multi-Stakeholder Focus Groups** will be formed to involve representatives from key stakeholders and to obtain quality information and feedback on specific issues/topics in a relaxed environment.
- (ii) **One-On-One Meetings** will be conducted with various stakeholders to gain a detailed understanding of the viewpoints and reasoning or explain issues and topics that are unclear to stakeholders and to request clarification of their responses.
- (iii) **Questionnaires/Survey** will be prepared and used as a useful way of gathering feedback from a wide range of stakeholders. Questionnaires were structured or unstructured and in some cases were delivered via the web, email, face to face, or over the phone.
- (iv) **Stakeholder Interviews** will be arranged to fully understand an issue and draw out a specific perspective of the most influential stakeholders. It includes in-person, phone and group interviews based on a series of questions related to a topic of interest to generate ideas, elicit feedback and/or answer a set of pre-determined questions.
- (v) **Consultation Workshops or Forums** will be planned and organized with a defined agenda to discuss a topic, capture requirements, build teams, and develop their understanding of the matters.
- (vi) **Formal and Informal Reviews** will be organized with the specific intent to review existing proposal, report, document, or a prototype (under stage 2 of the methodology).
- (vii) **Online data:** Some data and information will be collected online from MoEWA, Saudi government websites and FAO (FAO STAT) and from other trustworthy websites.

5.7.2 List of Rose Ag-Marketing interventions under SRAD project

- ✓ (3.3.9) Explore and establish geographical indication and develop effective branding strategies for rose.
- ✓ (3.3.11) Review and assess status of contract farming and other direct marketing methods as implemented in Saudi Arabia.
- ✓ (3.3.12) Benchmark best models and success stories of contract farming regionally and globally.
- ✓ (3.3. 19) Develop appropriate contract farming models and other direct marketing strategies for rose small growers.
- ✓ (3.3.21) Develop and implement training programme to strengthen business and marketing skills of rose smallholders.
- ✓ (3.3.20) Develop smallholder-adapted e-market information systems to enable access to useful, timely and transparent market and price information for improved decision making.
- ✓ (3.3.20) Develop and implement training programme to strengthen business and marketing skills of rose smallholders

5.7.3 Interventions Implementation:

The mentioned Rose AgMarketing interventions are under implementation in four (4) categories:

1- Establish Geographical Indications (GI) for Al Taif Rose:

The overall implementation plan for GI is prepared and is under implementation. Through the mentioned GI implementation plan, Al Taif rose is a potential candidate and will receive GI certification (more information regarding the GI plan is available with FAO KSA). Based on collected and analyzed Al Taif rose information in this section, the GI field operation plan for Al Taif rose will be prepared and implemented.

2- Establish win-win Contract Farming models for Al Taif Rose:

The implementation plan for overall responsible Contract Farming is prepared and is under implementation (more information regarding the Contract Farming plan is available with FAO KSA). Through the mentioned plan, Al Taif rose small holders will be connected with the potential buyers. Based on collected and analyzed Al Taif rose information in this section, the Contract Farming field operation plan for Al Taif rose will be prepared and implemented.

3- Develop smallholder-adapted e-market information system

Under the E-Market Information system, all information re Al-Taif rose will be added and will be available online to the Al Taif rose' stakeholders. Based on the collected and analyzed information, part of rose E-Marketing information system plan will be prepared.

4- Strengthening capacity of rose small holders on Marketing

Under this activity, a complete package of capacity building materials will be prepared, to train rose small holders and all stakeholders on Rose marketing. Some training materials regarding "access to rose farmers to market" are under preparation.

Chapter 6: Honey Marketing Situation Analysis

6.1 Summary:

In this chapter we have collected and analyzed “Honey and beekeeping Marketing Situation” in KSA. Some information on the honey and beekeeping global situation is provided in part one. Under the beekeeping and honey national context, information regarding honey production and supply, demand, and importation on honey to KSA, range of available honey products, packaging, and prices on honey in KSA is provided.

In part three of this section, honey marketing channels are well explained. Marketing channels both direct and indirect used by small and large beekeepers are well explained. Imported honey and its re-exportation and its distribution channels is also described.

In part four, five and six, honey marketing challenges, opportunities, recommendation and project interventions implementation are well elaborated. For additional information such as Contract Farming and Geographical Indication plan, you may need to read the mentioned plans, as it provides very details information and implementation information (this could be accessed from the project management unit).

6.2 Current situation:

6.2.1 Global context

The world average honey yield per colony per annum is about 20kg. About 66% of the world honey is produced by only 10 top honey producing countries, led by China and Turkey as largest producers. Honey is also a highly traded commodity and nearly 35 % of production is annually exported (0.7 million tons) and total value of global honey export is about 2.3 billion USD. China, New Zealand, Argentina, German, and Ukraine are the top five exporter countries in their degree of volume. The top 5 major honey importer countries are: USA, German, Japan, France & UK in the order of volume of imported honey. Saudi Arabia is the 7th top honey importer countries in the world. In 2019, Saudi Arabia spent about 77 million USD for honey importing. Saudi Arabia has also exported a small quantity (2.8 tons) of honey in 2018 amounting to 14 million USD (FAO KSA).

6.2.2 Saudi context:

Beekeeping is one of the longstanding and widely practiced agricultural activities in the Kingdom of Saudi Arabia. Its history from the available documents can be traced back to the beginning of the first century. Despite its arid climatic conditions, the diverse ecologies and floral resources provide a natural comparative advantage, for beekeeping to remain sustainable in the country. Beekeeping is practiced widely in many parts of the country but mainly concentrated in south western regions along the Sarwat Mountain chains (Aseer, Al-Baha, Makkah, Medina, and Jazan. In the country approximately about 5,000 household beekeepers are actively involving in beekeeping. However, the number of people involved in the bee farm, processing, trading, input manufacturing and supplying inputs are much more than the number of beekeepers. Beekeeping is one of the important segments of rural economy in KSA, it serves as source of income generation and diversification for significant number of rural communities. It contributes for about 30% of the beekeeper’s annual incomes. Beekeeping contributes to circulate money from relatively high-income urban society to relatively low-income rural society through honey selling.

Beekeeping and honey production is one of the promising sectors for creating job opportunities to small-scale entrepreneurs' youth and women in rural areas.

Market Overview:

Honey consumption in Saudi Arabia has increased significantly. It is estimated that honey consumption is about 320 grams per person which is twice the global average honey consumption. The fulfil domestic demand, local production of honey in Saudi Arabia is not sufficient, therefore, the market is dependent on the import. Pakistan, China, and India are the main suppliers of honey to Saudi Arabia. It is estimated that the Saudi Honey market would witness market growth of 13 percent CAGR during the forecast period (2020-2026). The Saudi government is supporting the beekeeping industry in order to increase local honey production improve the economic return for beekeepers⁴⁰.

6.2.3 Local production and supply:

Around one million local honeybee colonies are estimated to exist in the country and more than one million exotic packages bees are imported annually. According to some sample survey study, the honeybee colony holding size of beekeepers ranges from 5-3000, with a mean of 350 colonies per beekeepers. About 25% of beekeepers hold less than 100 colonies, while about 60% of the beekeepers hold between 100-500 colonies and, 14 % of them hold between 501 and 1000 colonies and 1% of beekeepers hold 1000-3000 colonies.

Both traditional and modern production equipment and techniques are used to produce honey. Based on some findings, beekeepers use modern beehives produce more honey comparing to those use traditional hives. For example, small, dedicated beekeeper with an average of 30 traditional hives could produce up to 6 kg per hive per year (with 5 seasons per year) with average net income of SAR 24,859. However, a small, dedicated beekeeper with an average of 30 modern hives could produce 10.9 kg per hive per year (with 5 seasons per year) with average net income of SAR 57,347 (MEWA honey sector review study).

The total annual honey production of Saudi Arabia is around 2,600 tonnes. The average price of locally produced honey is around 250 SAR/kg which is 10 times more than the unit price of honey in America and Europe (FAO KSA).

6.2.4 Demand and imported honey:

Honey is highly regarded product, in Saudi society, culture and religion for its medicinal and nutritional values. Local demand of honey is very high. The average Saudi family consumes up to one kilogram of honey per month. Daily consumption is even greater on traditional religious and festive occasions, particularly during the month of Ramadan, when it is widely used in the preparation of evening desserts to quickly replenish lost energy. Honey is widely used in various homemade recipes.

The country is one of the largest honey buyers' and consumers' country in the world. The annual average consumption amount is more than 16,000 tonnes. Due to huge domestic demand, KSA is a net importer of honey. The country honey import was around 13,000 tonnes and increased to around 18,000 in 2019 (FAO STAT).

⁴⁰ Saudi Arabia Honey Market size ...opportunities and Trends Analysis Report and Forecast 2020 – 2026. KBV Research, 2021.

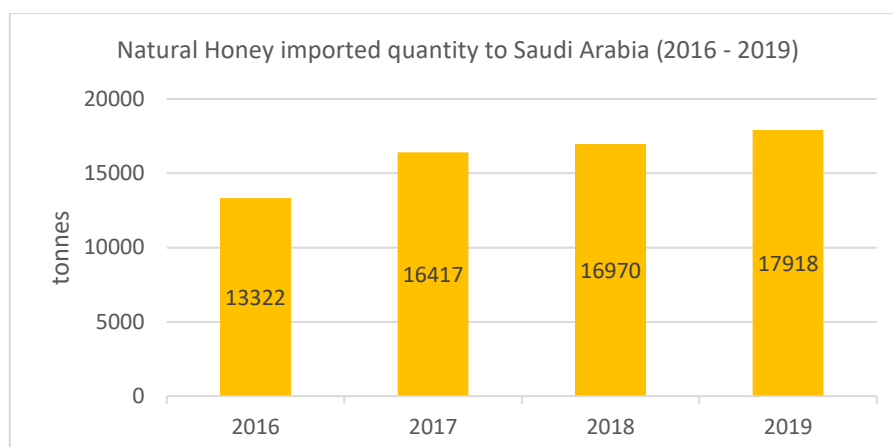


Figure 6. 1: Natural honey imported quantity to Saudi Arabia (2016 – 2019) (FAO STAT)

On average around 16,000 tonnes honey is imported annually to fill gaps in the honey demand, with estimated re-exportation of 2,000 tonnes of honey to the Gulf and other countries. It means 14,000 tonnes or 89 % of the imported honey is consumed in KSA (FAO KSA).

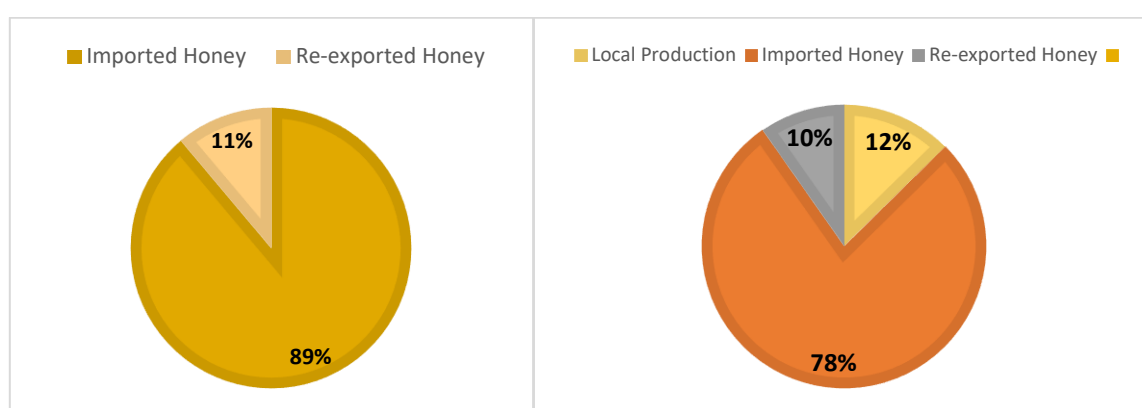


Figure 6.2: Locally produced, imported and re-exported average annual natural honey to Saudi Arabia

There is no or limited export of local honey. However, kingdom re-exports honey after processing and packing to several countries in Asia (mostly Gulf), Africa, and EU. Re-exported honey is sold as Saudi honey and consumers in other countries may think they are buying Saudi produced honey.

Quick Info

Write a Review

SKU:

123421_0

Pack Size:

250g

Item Volume:

g

Item Weight:

250

Brand:

Country:

Saudi Arabia

Description

The Natural Goodness Of 100% Pure

Honey Is Just A Squeeze Away

Figure 6. 3: Description of re-exported honey (available for sale in Bahrein)

6.2.4 Range of honey products:

Honey is distinguished by the special smell and taste which helps to identify the type of the honey either by tasting or smelling it. All types of honey have a special smell which is determined by the plant origin from which honey is taken. Saudi Arabia is home to an estimated 2,200 flowering plants, and monofloral honey from local plants and trees such as *Ziziphus* (Sidr honey), *Acacia* (Talha and Sumra), *Lavendula* (Seyfi and Dharm), and *Hypoestes forskoolii* (Majra) fetch high prices and are more expensive than imported honey⁴¹.

This huge price difference between imported honey and the local honey sometimes causes for adulteration, in absence of proper honey standards and protocols. Consumers has a perception that honey is irregular and inconsistent in quality and subjected to adulteration. Therefore, there is a desire among them to find outlets for pure local honey.

6.2.5 Packaging:

Locally produced and imported honey are packed in different types of packages. Some well-established local honey producers and cooperatives well packaged their honey in the glass jars with labels. While some small beekeepers sell honey in basic plastic or glass jars, mostly without any label or information. Some big business and company import honey in bulk and well packed it in the different glass jars.



Figure 6.4: Honey (called loos honey as well) in big jars placed in supermarkets and honey shops

6.2.6 Prices:

⁴¹ Biological and therapeutic roles of Saudi Arabian honey: A comparative review

There is a huge price difference between some imported honey and the local honey. This price difference sometime becomes a reason for adulteration in the absence of proper honey standards and protocols. For example, while non packaged and non-branded Sidr Kashmery honey is available in retail markets for SAR 50-90 per kg, local Sidr honey is sold for SAR 400-450 per kg.

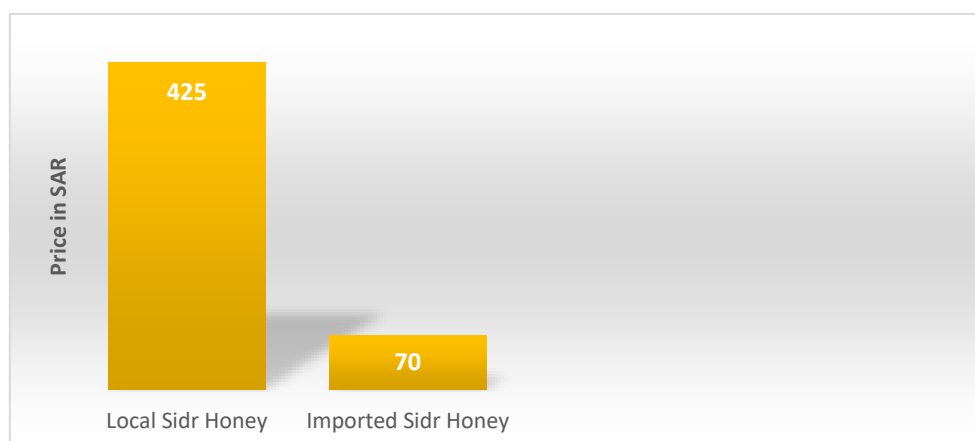


Figure 6.5: Average prices (SAR) per kilogram of locally produced and imported Sidr honey in Saudi Markets (source: data from field).

Factors affecting honey pricing:

- ✓ Locally produced honey is higher priced than imported honey because local honey is considered premium quality and trusted honey,
- ✓ Honey sold with natural wax is higher priced than honey marketed without wax,
- ✓ Honey with natural taste is more expensive than high sweet honey,
- ✓ Light color honey is higher priced than dark color honey except Sumar and Talh honey,
- ✓ Honey with strong aroma is higher priced than honey with no aroma,
- ✓ Strong viscous honey is higher priced than honey of low stickiness,
- ✓ Pure honey is more expensive than non-pure honey,
- ✓ Attractively packaged honey is higher priced,

Source: (FAO, KSA and data from the field)

6.3 Local or Saudi honey marketing channels:

Beekeepers and honey producers sell their honey to consumers through numerous direct and indirect marketing channels. In Saudi Arabia honey producers are different from beekeepers and they use different marketing channels to reach their products to the consumers.

Table 1: Characteristics of beekeepers and honey producers in KSA

Honey Producers	Beekeepers
<ul style="list-style-type: none"> • Employs beekeepers who usually have large number of hives (~200 to ~300) • Employs foreign labor (based on need) • Usually owns a registered company 	<ul style="list-style-type: none"> • Can be a freelancer or work for a honey producer • Usually has small number of hives (~50 to ~100)

- Can employ foreign labor (based on need)

Source: MEWA sector review study

6.3.1 Direct marketing channels of locally produced honey:

Beekeepers, particularly the small beekeepers, use very basic packaging and mostly sell honey to their friends, neighbors and other consumers through farm gate and roadside marketing channels. Some may use other marketing channels mentioned below.

- 1- **Sell from the farm gate:** Consumers buy directly from the farm gate. Some beekeepers have good business relations with their consumers. Mostly the consumers are friends, extended family members, and neighbors of the small beekeepers.

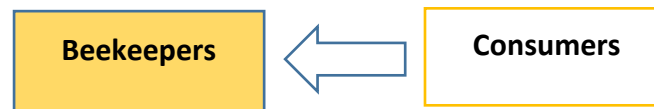


Figure 6.6: Local honey farm gate shop marketing

- 2- **Sell in the honey market centers and shops:** Honey producers sell honey in the honey market centers. Some honey producers have their shops in the market centers and sell directly to consumers, such as in Al Baha.

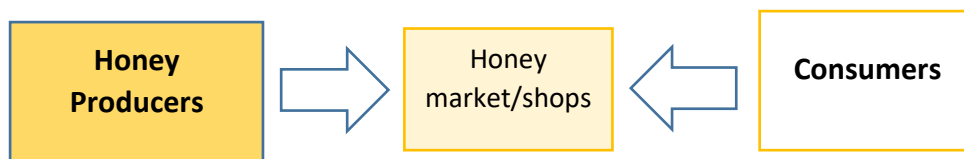


Figure 6.7: Marketing local honey from honey market centers

- 3- **Sell in the honey festivals:** Honey producers participate in the honey festivals lasting up to couple of weeks that are organized every year in three regions, one each in Taif and Albaha in the summer season and two in Abha (summer and next one after a two-month gap).

Only local honey is allowed to sell after passing a lab test and should be packed in the glass bottles or good quality food grade plastic packs.

Around 30-50 honey producers participate in these honey festivals, mostly local and some from the nearby regions. The space is rented out to honey producers. Besides domestic participants, international tourists also attend these festivals. These honey festivals are jointly organized by local beekeepers' cooperative society, department of tourism and the regional government, to facilitate direct linkage between honey producers and buyers.

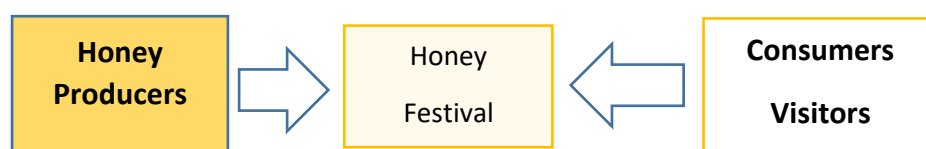


Figure 6.8: Honey producers to consumers marketing

- 4- **Sell in the auction:** In some cases, beekeepers and honey producers bring honey to the sale yard (could be honey market centers) and sell via auction process. Through the auction process, honey producers may not receive the best price, but this is the quick process and producers sell the products within few hours' time.

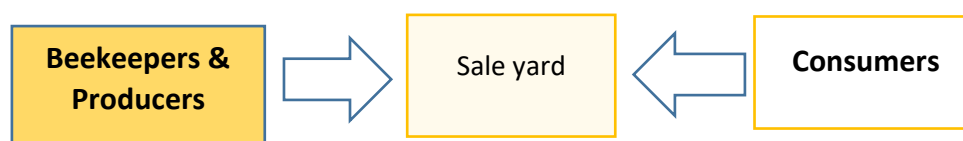


Figure 6.9: Local honey auction marketing

- 5- **Sell in the roadside:** In rare cases, some beekeepers sell their honey along the roadside. Due to quality issues, consumers not easily trust on the roadside sellers. Most of the time, the middleman and traders buy the honey from the beekeepers and sale it on the roadside.

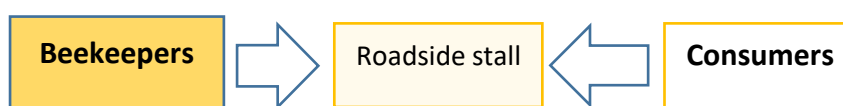


Figure 6.10: Local honey roadside marketing

- 6- **Sell online:** Honey producers and some beekeepers sell their honey directly to consumers via social media platforms without paying commission fees. Some use online selling platforms and pay some commission fees to the platforms. This marketing channels emerged during Covid-19 time and mostly the young and educated honey producers and beekeepers use these marketing channels.

6.3.2 Indirect marketing channels of locally produced honey:

- 7- **Sell from the farm gate:** Local traders/retailers procure directly from the farm gate of honey producers and resell it to the final consumers. In some cases, honey producers sell honey via pre agreed contracts with their customers.

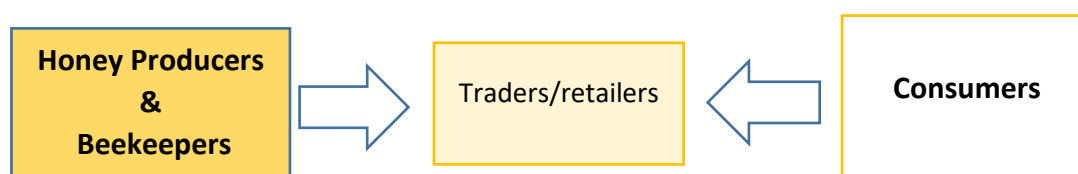


Figure 6.11: Local honey indirect marketing channels

- 8- **Sell in the auction to the traders:** Beekeepers and honey producers bring honey to the sale yard (could be honey market centers) and sell via auction process to the store owners or traders.

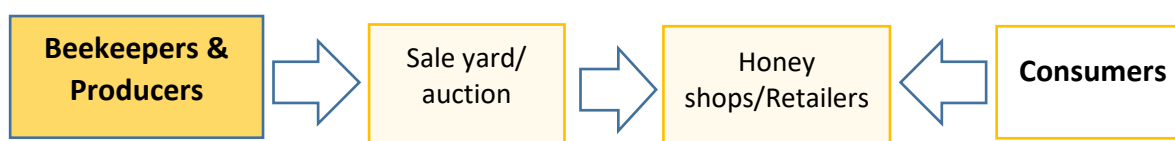


Figure 6.12: Local honey auction marketing (indirect marketing)

9- Sell through honey cooperative: Some beekeepers sell their honey through the cooperatives. In some cases, cooperative process and packaged for the beekeepers and the beekeepers organize their own marketing, using one of the mentioned marketing channels. But sometime cooperative also provides marketing services and sell on behalf of the members. In both cases, members need to pay for the cooperative services. For example, Beekeepers Cooperative Association – Albaha provide below marketing relevant services to the members.

- Processing and packaging (charge packaging cost)
- Storage (free of charges)
- Sell in the cooperative shop (charge SAR 50/Kg)

Sometime the cooperative buy from the members and sell it through below channels:

- In the local honey market, situated in Baljurashi, Albaha. The cooperative has its own shop, selling variety of honey production, processing etc. equipment as well.
- Online marketing: the cooperative is using its own website to sell the honey to the customers and five other online platforms. The sale platforms charge 15% commission fees.
- Selling through supermarkets, through pre-agreement, cooperative sell through different supermarkets. Some supermarkets charge 10% commission fees, while the famous one asks for SAR 30,000 – 50,000 registration fees and 40% commission fees. In some cases, the registration fees are even high up to SAR 1000,000.

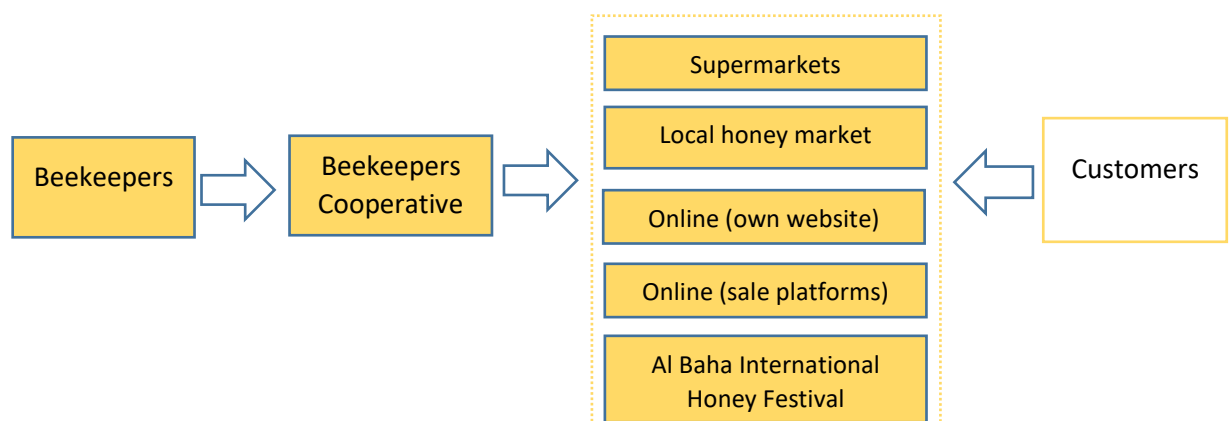


Figure 6.13: Local honey marketing via beekeepers' cooperative (Al Baha)



Figure 6.14: The journey from farm to market. Product of Beekeepers Cooperative Association – Albaha’

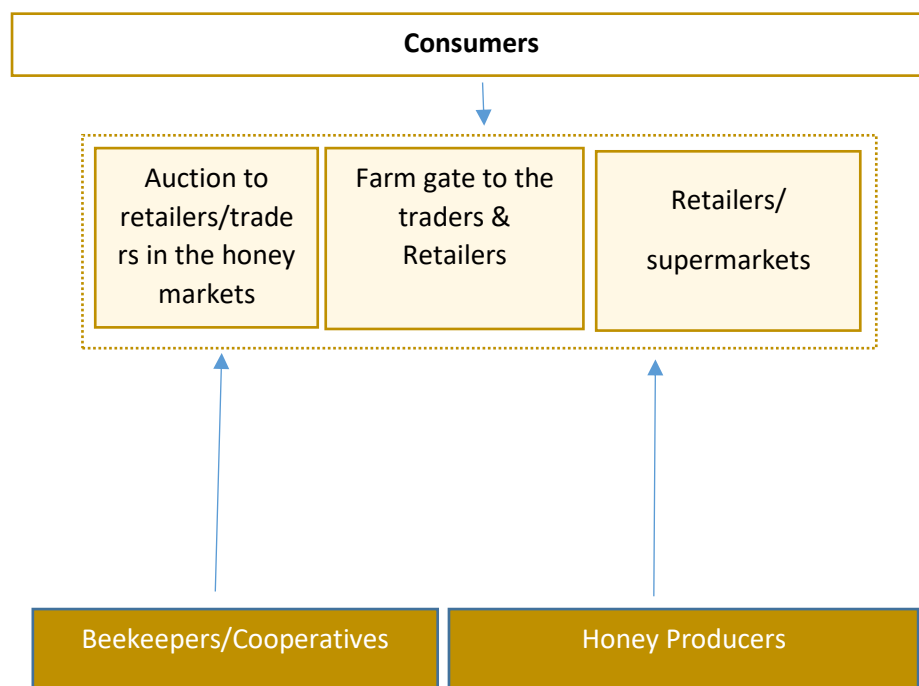


Figure 6.15: Indirect Marketing Channels of the locally produced honey

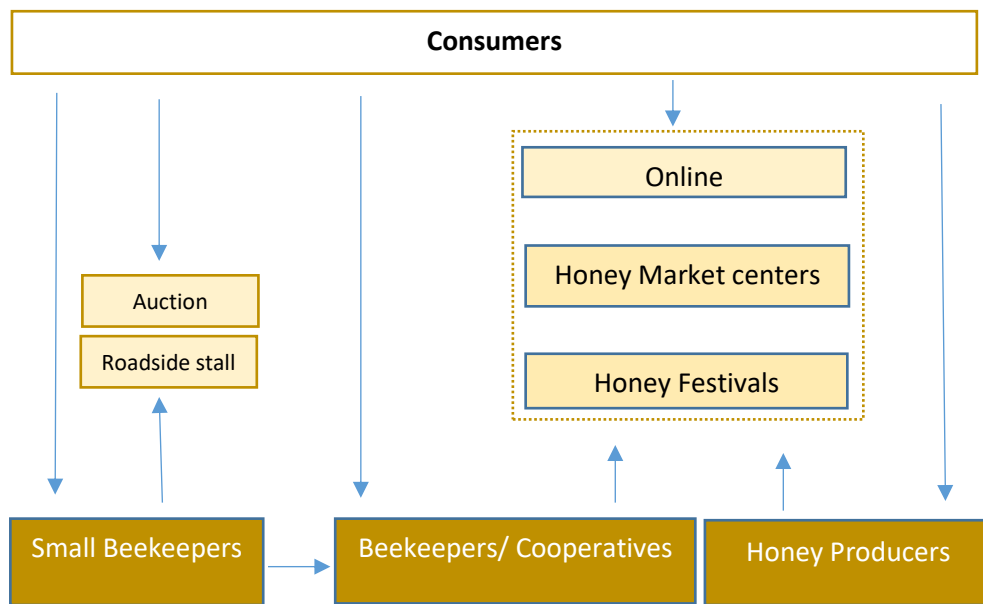


Figure 6.16: Direct Marketing Channels of the locally produced honey

6.3.3 Imported honey marketing channels:

Honey is imported by big companies and business. After importation, honey goes through processing, packaging, and labelling process. Honey is packed in different size of jars/packages and labelled “Saudi” as a production country. The imported honey gets Saudi food quality standards as well. Once the product is ready it reaches through below marketing channels to the consumers. Based on evidence 11% of the imported honey or around 2,000 tonnes honey is re-exported. The amount is nearly the amount of honey that is locally produced.

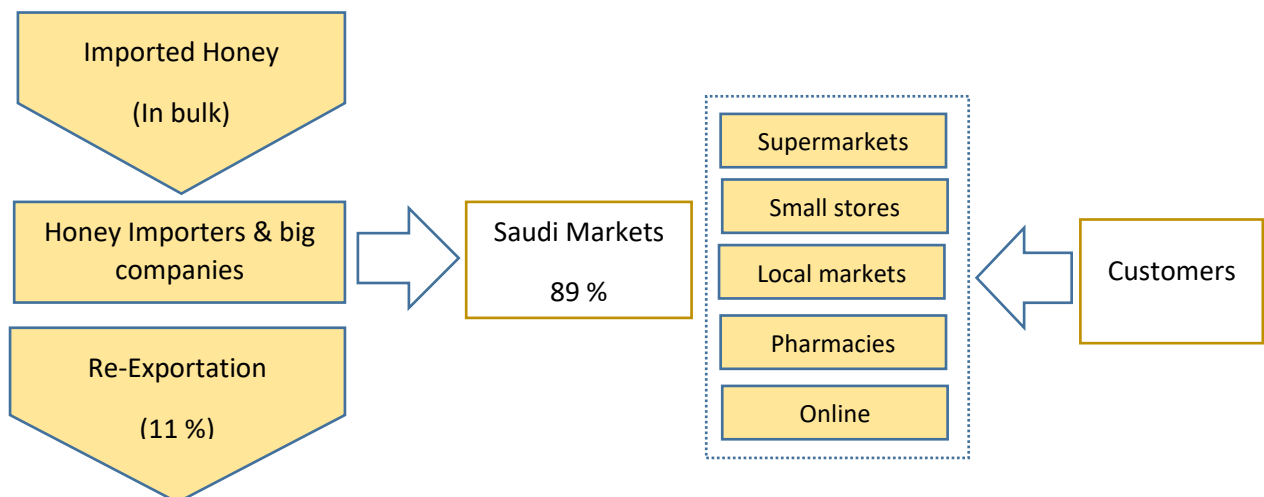


Figure 6. 17: Distribution channels of imported honey by big processors/companies

Some imported honey may distribute in bulk (non-packaged) to the consumers. For example, in some supermarkets imported honey is available in big jars and based on consumers’ demand, they receive it in different amount and jars.

6.4 Honey Marketing Challenges:

- Adulteration of honey reduces consumers' confidence and negatively impact their preference for honey consumption.
- Absence of market structure for small scale beekeepers.
- Limited awareness and focus on marketing of bee-wax and other honey value-added products.
- Low scale of production reduces industry and price competitiveness.
- Lack of direct and sustainable market linkages with wholesalers, big honey importing companies/business and retail chains.
- Week collective marketing (lack of cooperative owned retail outlets in cities and business malls).
- Big honey businesses/companies are willing to start with supply of locally produced honey, but they are worried regarding consistency of the supply.
- Imported packed and re-exported honey sold as "Saudi product".
- Keeping local honey in the supermarket shelves is very expensive, registration and commission fees charged by supermarkets is very high.
- Many small-scale beekeepers are involved in this sector just as "hobby." And they do not produce the honey for market.
- Limited knowledge of beekeepers on marketing and beekeeping as business.
- Access to market information is limited.

6.5 Opportunities:

- Honey tourism business
- Available support to build quality and origin-linked honey standards
- Online marketing platforms
- Market demand for honey value added products
- Huge local demand for honey products
- Government support for the honey sector development
- Access to finance by Agriculture Development Fund (ADF)
- MoEWA support for the honey development through SRAD programme
- Interest in the Contract Farming by big honey importer/suppliers

6.6 Recommendations:

- ✓ Support the establishment and development of local honey marketing infrastructures.
- ✓ Establish quality standards such as Geographical Indication and develop effective branding strategies for origin-linked honey.
- ✓ Review and assess current direct marketing and contract farming in Saudi Arabia.
- ✓ Benchmark best models and success stories of honey contract farming regionally and globally.
- ✓ Develop appropriate contract farming models and other direct marketing strategies for beekeeping and honey small producers.
- ✓ Facilitate access to market information and develop smallholder-adapted e-market information system.
- ✓ Develop and implement training programme "Beekeeping as business" to strengthen business and marketing skills of smallholders' beekeepers and their cooperatives in the target regions.

6.7 Honey Ag-Marketing Interventions & implementation:

6.7.1 Stakeholders' engagement:

To identify and map key honey and beekeeping stakeholders and draw out their interests and assess the appropriate way of their participation, stakeholder engagement guide⁴² was followed for data collection and will be further followed for the implementation of honey marketing interventions.

Table 6. 2: Potential honey and beekeeping Ag-Marketing major stakeholders and their responsibilities and spheres of influence

Intervention	Stakeholders	Interests & Role	Priority
GI, Contract Farming, E-Market Info system	Firms, companies, and Investors	Promote, guarantee markets; may advance inputs and technical advice to the contracted growers (under CF). Use market information and play role in the GI.	High
GI, Contract Farming, E-Market Info system, Capacity building and honey market centers	Target smallholders and their specialized agricultural cooperatives/lead farmers	Primary role in production Key partner for GI and CF Better income Secure access to market, inputs, resources, and technical info Need capacity building on marketing Secure access to market centers	High
GI, Contract Farming, E-Market Info system, Capacity building, honey market centers	Ministry of Environment, Water and Agriculture	Major responsibility for the enabling environment Key implementation partner Funding for infrastructure	High
Contract Farming	Agriculture Development Fund (ADF)	Provides finance and promote CF	High
Geographical Indication	Saudi Arabia Intellectual Property Authority (SAIP)	Register and protect GI Need capacity building on GI registration and protection	
GI, Contract Farming, E-Market Info system	Ministry of Commerce	Responsibility for the enabling environment for CF and promotion of GI products	High
GI & Contract Farming,	Saudi Chamber of Commerce and Industry	Could be focal point for CF	High
GI, Contract Farming, Capacity building	Saudi Cooperative Societies Council	Responsibility to help and support cooperatives and farmers' group (GI and CF) and capacity building	High
Capacity building	Extension services	Provided technical advice	High
Contract Farming,	Financial Institutions (both private and governmental)	Provides finance and general banking services to firms and farmer for CF	High
GI, Contract Farming, Capacity building, honey market centers	Development organizations and NGO	Facilitate / promote interventions	High

⁴² This guide is prepared by the FAO KSA programme director and is available to all the staff

GI & E-Market Info system, honey market centers	Consumers and their associations	Purchase the end product. Feedback on product acceptance and future demand (GI), use honey market centers	Medium
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A combination of various techniques is identified to be used (already used during data collection for this report) to involve the identified stakeholder's representatives at various stages of the interventions since each of methods has pro and cons when it comes to engaging with stakeholders.

- I. **Multi-Stakeholder Focus Groups** will be formed to involve representatives from key stakeholders and to obtain quality information and feedback on specific issues/topics in a relaxed environment.
- II. **One-On-One Meetings** will be conducted with various stakeholders to gain a detailed understanding of the viewpoints and reasoning or explain issues and topics that are unclear to stakeholders and to request clarification of their responses.
- III. **Questionnaires/Survey** will be prepared and used as a useful way of gathering feedback from a wide range of stakeholders. Questionnaires were structured or unstructured and in some cases were delivered via the web, email, face to face, or over the phone.
- IV. **Stakeholder Interviews** will be arranged to fully understand an issue and draw out a specific perspective of the most influential stakeholders. It includes in-person, phone and group interviews based on a series of questions related to a topic of interest to generate ideas, elicit feedback and/or answer a set of pre-determined questions.
- V. **Consultation Workshops or Forums** will be planned and organized with a defined agenda to discuss a topic, capture requirements, build teams, and develop their understanding of the matters.
- VI. **Formal and Informal Reviews** will be organized with the specific intent to review existing proposal, report, document, or a prototype (under stage 2 of the methodology).
- VII. **Online data:** Some data and information will be collected online from MoEWA, Saudi government websites and FAO (FAO STAT) and from other trustworthy websites.

6.7.2 List of honey Ag-Marketing interventions under SRAD project

- ✓ (3.3.6) Support the establishment and development of local honey marketing centers.
- ✓ (3.3.10) Explore and establish geographical indication and develop effective branding strategies for honey.
- ✓ (3.3.11) Review and assess status of contract farming and other direct marketing methods as implemented in Saudi Arabia.
- ✓ (3.3.12) Benchmark best models and success stories of contract farming regionally and globally.
- ✓ (3.3. 15) Develop appropriate contract farming models and other direct marketing strategies for beekeeping and honey small producers
- ✓ (3.3.20) Develop smallholder-adapted e-market information systems to enable access to useful, timely and transparent market and price information for improved decision making.
- ✓ (3.3.20) Develop and implement training programme to strengthen business and marketing skills of small beekeepers

6.7.3 Interventions Implementation:

The mentioned Honey and beekeeping Ag-Marketing interventions are under implementation in four (4) categories:

1- Improve and establishment local honey marketing centers

Based on collected information, the honey marketing centers improvement and development plan will be prepared and implemented. The honey marketing centers will provide opportunities for those small beekeepers, who do not have access to bigger markets and selling outlets.

2- Establish Geographical Indications (GI) for the Saudi honey:

The overall implementation plan for GI is prepared and is under implementation. Through the mentioned GI implementation plan, Saudi honey is potential candidates and will receive GI certification (more information regarding the GI plan is available with FAO KSA). Based on collected and analyzed honey and beekeeping information in this section, the GI field operation plan for Saudi honey will be prepared and implemented.

3- Establish win-win Contract Farming models for honey:

The implementation plan for overall responsible Contract Farming operations is prepared and is under implementation (more information regarding the Contract Farming plan is available with FAO KSA). Through the mentioned plan, Saudi beekeepers will be connected to the potential buyers and markets. Based on collected and analyzed Saudi honey information in this section, the Contract Farming field operation plan for Saudi honey will be prepared and implemented.

4- Develop smallholder-adapted e-market information system

Under the E-Market Information system, all information re the Saudi honey will be added and will be available online to the beekeeping' stakeholders. Based on the collected and analyzed information, part of honey E-Marketing information system plan will be prepared.

5- Strengthening capacity of small beekeepers on Marketing

Under this activity, a complete package of capacity building materials will be prepared, to train small beekeepers and all stakeholders on honey and beekeeping marketing. Some training materials regarding "access to beekeepers to market" are under preparation.

Chapter 7: Livestock (small ruminants) Marketing Situation Analysis

7.1 Summary:

In this chapter we have collected and analyzed “Livestock small ruminants “goats and sheep” Marketing Situation” in KSA. Some information on the small ruminants’ global situation is provided in part one. Under the livestock national context, information regarding local production and supply, demand, and importation of small ruminants and red meat to KSA, range of available products and prices in KSA is provided.

In part three of this section, small ruminants marketing channels are well explained. Marketing channels both direct and indirect are well explained. Imported animals and meat products and its re-exportation and its distribution channels is also described.

In part four, five and six, marketing challenges, opportunities, recommendation and project interventions implementation are well elaborated. For additional information such as Contract Farming and Geographical Indication plan, you may need to read the mentioned plans, as it provides very details information and implementation information (this could be accessed from the project management unit).

7.2 Current situation:

7.2.1 Global context:

The livestock sector globally takes into account all aspects of the supply and use of livestock commodities, including the distribution and abundance of livestock. The value of outputs from the livestock sector in the world is assessed to be more than 800 billion USD and its share in agriculture is about 35 percent. The share of livestock in agriculture in KSA is more than 50 percent and this signifies greater relative importance of this sub sector in the Kingdom as compared global norm.

The significance of livestock sector in food security and well-being of the people across the globe is reflected from the fact that this sector contributes to about 18 percent of all human dietary calorie requirement and one third of the protein requirement. Therefore, continuous growth and transformation of the livestock sector for agricultural development, poverty reduction, food security gains and improved human nutrition. Surging demand for livestock products is largely met by large-scale livestock production and associated food chains.

Livestock system is also identified globally, as a subset of farming system and is described in dimensions of feed and livestock resources, commodities produced; production technology; product use and livestock functions; area covered; geographic locations; and human populations supported with specific reference to human health relations to the animal health and corresponding trans boundary issues. Livestock sector policies and its sustainable development therefore need to simultaneously address the vast diversity of livestock systems and the different demands and expectations placed by society on the sector. The development of the sector as envisaged in the SRAD is designed to be inconformity with the global agenda for sustainable development of livestock⁴³.

⁴³ Global Agenda for Sustainable Livestock: <http://www.fao.org/3/a-mg050e.pdf>

7.2.2 Saudi context:

The livestock, a major sub-sector of the agriculture sector in the Kingdom of Saudi Arabia, occupies a distinct and prominent economic, social and cultural significance. In the oil-based economy of the Kingdom, where the petroleum sector accounts for about 42 percent of GDP, the share of agriculture sector (agriculture, forestry, animal and fishery sub-sectors) is only 4.2 percent of the overall non-oil GDP. The livestock sector in the Kingdom is predominant in rural and agriculture economy and its share in total value of agricultural output is impressive and is about 52 percent (FAOSTAT). The subsector also contributes sizably in the agricultural trade balance through export of animal products (export worth \$ 2 billion in 2016). In the otherwise constrained agriculture sector of KSA with high import dependence of food security, there are silver linings of livestock sector having full self-sufficiency of milk and poultry production. The sector contributes towards diversification of the economic base through its subsectors (Dairy, Red meat, Eggs and Broiler) and different types of animals (Sheep, Goats, Camels, Cattle and Poultry).

The livestock sub- sector in KSA is pursued in a complex, diverse and generally not in very congenial and favourable agro climatic conditions. The diverse climate of the Kingdom is semi-arid in the highlands and coastal areas and arid in the inland parts of the country. The major parts of the Kingdom are covered with sparse vegetation, receiving scanty rain in winter and spring. Scarcity of water is the most important constraint to agricultural activities in the KSA, and these agro climatic features of the Kingdom and corresponding constraints also characterise its livestock sector.

The sector contributes beyond food production in diverse important economic, cultural, and social roles, provide multiple functions and services and is considered to be essential part of agro-ecosystems. In consonance with the objectives of the SRAD and also the national development priorities of the Kingdom, the livestock sector globally is recognized to hold potential to empower rural women and youth, improve natural resource-use efficiency and increase the resilience of households to cope with climate shocks.

Market overview:

Saudi Arabia is a big market for the consumption of red meat. Middle Eastern Cuisine typically uses chicken and lamb in many dishes and some other types of meat including beef and camels' meat. Saudi Arabians have traditionally relied on lamb, goat, and camel meats in their diets, however, a number of socio-economic changes over the last half a century have drastically changed the food consumption habits, and now Saudis are preferring mainly chicken meat and beef. Lamb is preferred by the people on every occasion and it is considered as auspicious meal. In 2017, on the basis of meat type, lamb accounted for highest market share of 47.4 percent.

Saudi Arabia per capita meat consumption was highest in the world, amounted nearly 50kg. Saudis prefer sheep meat over beef and veal, consuming 5.5 kg per capita of sheep in 2017 as compared to per capita consumption of beef and veal. Shelf stable meat is growing at a rate of 4.9 percent for its larger preference by the consumers over the frozen and chilled food.

Consumers had the habit of purchasing fresh meat from butchers, but a shift in purchasing habits and relying of supermarkets and online distributors have influenced the growth of Saudi Arabia red meat market. Meat consumption denotes the diet, living standards, livestock production, and macroeconomic uncertainty and shocks to GDP.

One of the driving factors of growing Saudi red meat market is the government support to not only increase the production and imports of red meat but also to keep quality check (such as phytosanitary norms, halal requirement, and disease check). Government has also offered/ offering subsidy support, duty-free imports of raw supplies and interest free loans to suppliers and distributors⁴⁴.

7.2.3 Local production and supply:

Nevertheless, for centuries, animal rearing has been the mainstay of the Kingdom's rural economy. The sector also promotes food and nutrition security as it allows for 122 percent, 100 percent, 47 percent and 30 percent self-sufficiency rate from fresh milk, eggs, poultry meat and red meat respectively and increase in per capita milk consumption from 44 liters in 2015 to 56 liters in 2016. Moreover, the sector supports the livelihood of several hundred thousands of rural households whose main economic activity is livestock production and provides direct employment opportunities for 250,000 people. Furthermore, the sector promotes balanced rural and regional development as livestock production is practiced in all 13 regions and 76 percent of livestock holdings are small-to-medium size owned by farmers living in rural areas. In addition, the sector contributes to preserving socio cultural heritage, as Saudis prefer indigenous sheep, goat and camel meat and milk and many animals are slaughtered annually for religious purposes and camel racing is an important social activity.

7.2.4 Demand and importation:

Local supply of both sheep and goat is unable to fulfil the rising domestic demand of meat, making KSA a net importer of both sheep and goat meat. As per the data of the Saudi quarantine department, Saudi Arabia imported 6,651,941 sheep in 2017, predominantly (90 percent) from Sudan and Somalia. Sudan supplied 4,374,800 sheep followed by Somalia (1,581,549), Djibouti (556,410), Jordan (75,656), Georgia (61,654), Kuwait (925), UAE (513), Qatar (388), and Oman (46). A limited quantity is exported to western remunerative markets. The rising human population of Saudi and Non-Saudi community coupled with increased disposal income levels has contributed to increase in the demand for red meat of goats and sheep⁴⁵.

⁴⁴ Saudi Arabia Red Meat Industry Analysis: By Meat Type, By Storage, By Distributional Channel & By Geography with COVID-19 Impact. Forecast period 2017-2030. Goldstein Market Intelligence, 2021

⁴⁵ FAO KSA livestock value chains study. 2018

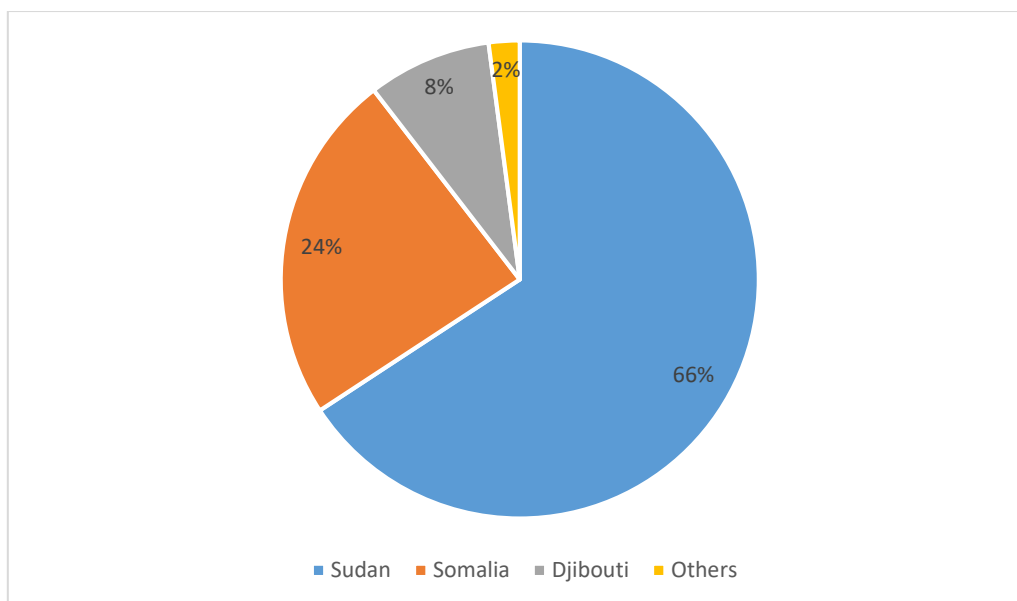


Figure 7. 1: Leading countries (Sudan, Somalia, and Djibouti) export sheep to Saudi Arabia (2017)

7.2.5 Famous type of ruminants and its products:

At the household level, small ruminants are primarily raised for milk and meat and its byproducts such as wool and leather.

Sheep and goat farming has been an integral part of the nomadic culture of Saudi Arabia. The Awassi sheep (locally called Naimi) are traditionally shepherded by the desert nomads and villagers for the milk and its products while the village women use their wool for making traditional crafts. Awassi sheep due to its fat tail brings the premium price to the farmers in the Saudi market, compelling them to raise them for meat production.

Goat (*Capra hircus*) is one of the most favorite domesticated small ruminants among the nomads, elevating their livelihoods by providing them with milk, meat, wool and leather. In the Kingdom of Saudi Arabia (KSA), goat population is estimated to be around 4 million. Widely spread goat breeds in KSA are mainly Ardi, Jabali and Shami goats. Ardi goats are medium-sized, black colored, well adapted to arid conditions and produce less (3 liters/day for 120–150 days) but persistent milk production. The Shami goat is a native breed of Syria and other Near East countries. Both Shami and Jabali goats are very popular among the sheep and goat farmers and the nomads of the suburbs of Saudi Arabia for their appreciable milk and meat production. In addition, Hajazi goats are raised for their beauty and physical appearance. Bedouins revive their traditions by rearing and breeding Hajazi goats. The population growth of the small ruminants is captured in the table below.

7.2.6 Prices:

Prices of locally famous goats and sheep are expensive than the imported ones. Prices of live sheep and goats depend on some factor such as gender, age, type, weight and reason for purchasing. For example, price of organic Naimi male sheep (19 – 26 Kg meat) was SAR 2,200 during Eid Ul Adha - 2021 in Riyadh. The price of Naimi female sheep (20 -25 kg meat) was SAR 1,100. Price of Beshi breeding goat was SAR 27,00 in Jizan.

During FAO mission to Jizan in March 2021, prices of female goat (3-4 months) were SAR 300 – 400 and prices of male goat and sheep (6 – 9 months) were SAR 900 – 1000.

In the livestock markets, the auction prices for animals in the cages are different from the per/animal price. For example, in Jizan, seller keep 5-8 animal (goats/sheep) in one cage and asking for SAR 10,000 for all the animals in the cage.

7.3 Live small ruminates and its products marketing channels:

7.3.1 Direct marketing channels of live animals:

Livestock producers use below marketing channels for the sale of small ruminants in KSA.

- 1- **Sell from the farm gate (live Animals and value-added products)** Consumers buy directly from the farm gate. Individual consumers visit farm and purchase directly from the livestock producer. Consumers purchase directly from the livestock producers, when their preference is to buy a good quality animal (based on type, age, weight and good health). In this channel, livestock producers make higher prices and have better control over deciding the prices when they sell directly to the consumers from their farm gates.

Some small livestock holders, also sell milk and other value-added products (such as butter, yogurt etc.) directly from their farm gate to the consumers.

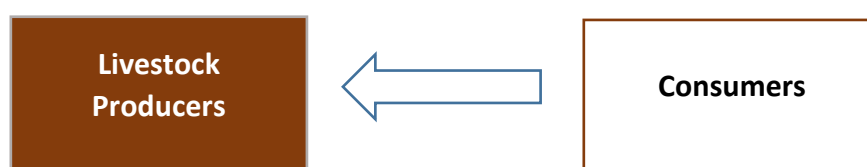


Figure 7. 2: Local livestock producer farm gate marketing channel

- 2- **Sell in the marketplace directly to consumers (live animals and value-added products):** Some livestock producers sell their animals on regularly bases to consumers by renting a space in the livestock markets (market centers) or in open sell areas inside the marketplace. If the customer buys the animals for the meat, in this case, mostly the consumers take the purchased animals to the municipality slaughterhouses and pay the fees for getting the services there.



Figure 7.3: Marketing livestock animals in the livestock market centers

Some livestock producers sell the value-added products (such as butter, milk, yogurt, oil etc.) to the consumers in the market centers. A license is required to do so.

Some livestock producers bring their animals to the weekly organized market centers and sell it to the consumers. They may sell it to the consumers through action process. As the auction process is quicker but they may not get their choice prices.

7.3.2 Indirect marketing channels of locally produced livestock:

- 3- Sell from the farm gate (indirect marketing of live animals):** Traders and retailers visit farm and purchase directly from the livestock producers. To secure the supply, in some cases, traders and retailers have pre agreed contracts with the livestock producers. Livestock producers keep the animals for them and the visit and purchase in the farm gate. In this channel, livestock producers fetch higher prices and have better control over deciding the prices when they sell directly to the buyers.

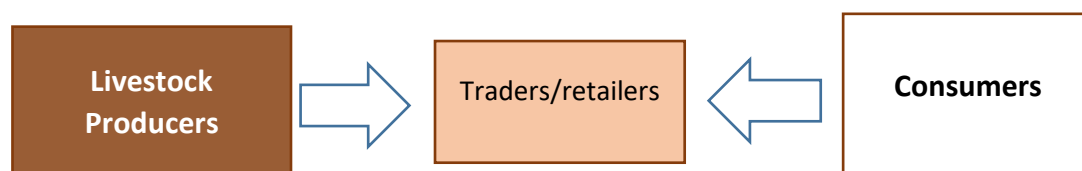


Figure 7.4: Local livestock indirect marketing channel

- 4- Sell through the auction (by broker or “Dallal”) to the traders/retailers (live animals):** Livestock producers take small ruminants to the animal markets and participate in the auction process. In auction, few traders participate and decide the price for animals, based on the age, type, weight, health, quantity of animals available for sale. Old and unhealthy animals are sold for much lesser prices. In auction, livestock producers have no control in deciding the prices and are not aware of any rules and guidelines for deciding the market prices.

Some buyers (mostly employed by retailers) and traders usually form a cartel and may undervalue the price quote. Unauthorized brokers also take advantage of the lack of control in markets, putting livestock holders at disadvantage. Some brokers are settled on the roadside with animals on their pickup trucks and they also buy and sell to those coming to the livestock markets.

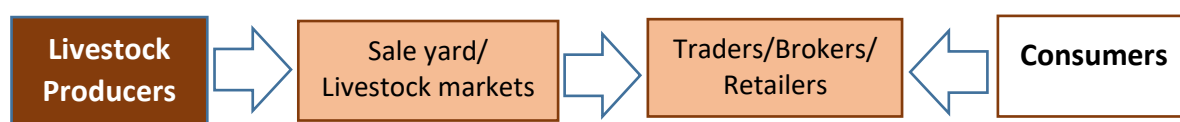


Figure 7.5: Livestock auction marketing (indirect marketing)

- 5- Sell through pre-agreed contracts with traders and retailers (live animals):** Some livestock traders and retailers have informal pre-agreed contracts with retailers and traders. They buy from them on agreed timing.

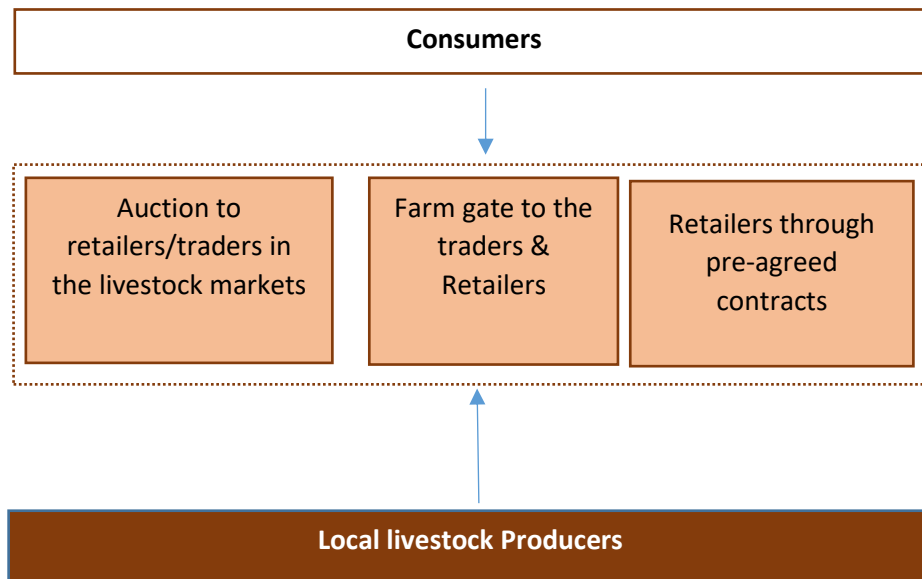


Figure 7.6: Local livestock/small ruminants indirect Marketing Channels

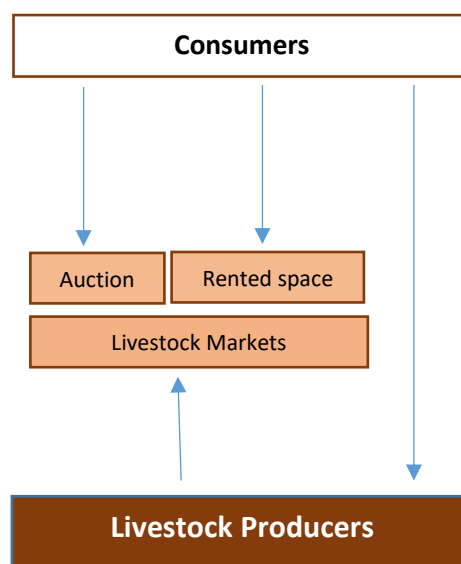


Figure 7.7: Local livestock/small ruminants direct Marketing Channels

7.3.3 Imported small ruminates marketing channels:

Small ruminates are imported by big companies and traders to KSA. After the importation, some big traders have big farms/sheds where they keep the animals. Based on the demand, the imported animals are distributed through below marketing channels.

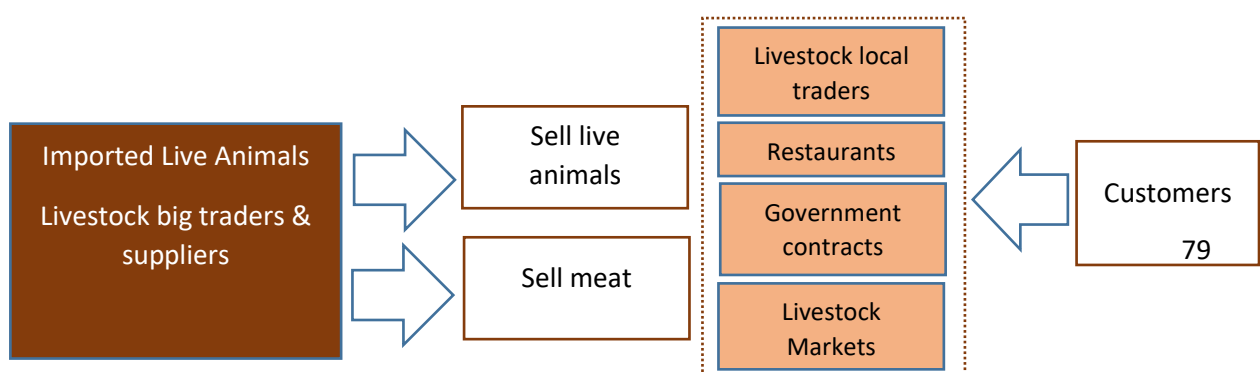


Figure 7.8: Distribution channels of imported live small ruminates

KSA is also importing meat. This imported meat is channeled to supermarkets and through restaurants. KSA is also exporting meat products as well as live animals through large suppliers who in turn are linked with livestock markets and traders for sourcing of animals.

7.4 Marketing challenges:

- Unfair pricing – brokers tend to buy the animals and keep them in their sheds, in or out the central markets, to control market prices
- Within the central market, “Dallal” is expected to earn a fixed fee per head, however they currently control that margin or sometimes they take a percentage fee on each head sold
- Lack of control of inflow and outflow of animals in and out of the livestock markets
- Lack of inspection within the market to avoid price manipulations
- Weak collective and group marketing
- Lack of enforcement and monitoring of unlicensed brokers
- Lack of data, inability to conduct accurate analyses to take well informed decisions
- Weak facilities in some livestock markets
- Lack of smallholder’s skill on business and marketing and,
- Increasing market competition from imported sheep and goats

7.5 Opportunities:

- Livestock tourism business
- Online marketing platforms
- Market for value added products
- Available support to promote livestock cooperative and collective marketing
- Huge local demand for meat and livestock products
- Government support for livestock sector development
- Access to finance by Agriculture Development Fund (ADF)
- MoEWA support for the livestock development through SRAD programme
- Interest in the Contract Farming by big livestock importer/suppliers

7.6 Recommendations:

- Support the establishment and development of local livestock marketing centers’ infrastructures
- Develop appropriate contract farming models and other direct marketing strategies for the small ruminates’ producers
- Facilitate access to market information and develop smallholder-adapted e-market information system.
- Support the development of livestock online marketing and auction platforms
- Assist livestock producers to produce and market value-added products. And support to prepare “national brand” for the mentioned value-added products
- Develop and implement training programme to strengthen business and marketing skills of herders and their cooperatives in the target regions

7.7 Livestock Ag-Marketing Interventions & implementation:

7.7.1 Stakeholders' engagement:

To identify and map key livestock stakeholders and draw out their interests and assess the appropriate way of their participation, stakeholder engagement guide⁴⁶ was followed for data collection and will be further followed for the implementation of livestock marketing interventions.

Table 7.2: Potential small ruminants AgMarketing major stakeholders and their responsibilities and spheres of influence

Intervention	Stakeholders	Interests & Role	Priority
Market centers, Contract Farming, E-Market Info system	Firms, companies, and Investors/importers	Promote, guarantee markets; may advance inputs and technical advice to the contracted growers (under CF). Use market information.	High
Contract Farming, E-Market Info system, Capacity building and market centers	Target smallholders and their specialized agricultural cooperatives/lead farmers	Primary role in production Key partner for contract farming Better income Secure access to market, inputs, resources, and technical information Need capacity building on marketing Secure access to market centers	High
Contract Farming, E-Market Info system, Capacity building, market centers	Ministry of Environment, Water and Agriculture	Major responsibility for the enabling environment Key implementation partner Funding for infrastructures	High
Contract Farming	Agriculture Development Fund (ADF)	Provides finance and promote CF	High
Contract Farming, E-Market Info system	Ministry of Commerce	Responsibility for the enabling environment for CF	High
Contract Farming,	Saudi Chamber of Commerce and Industry	Could be focal point for CF	High
Contract Farming, Capacity building, E-Market Info system	Saudi Cooperative Societies Council	Responsibility to help and support cooperatives and farmers' group (for CF, Market Information) and capacity building	High
Capacity building, E-Market Information System	Extension services	Provided technical advice and disseminate market information	High
Contract Farming,	Financial Institutions (both private and governmental)	Provides finance and general banking services to firms and farmer for CF	High
Contract Farming, Capacity building, market centers	Development organizations and NGO	Facilitate / promote interventions	High
E-Market Info system, market centers	Consumers and their associations	Purchase the end product. Feedback on product acceptance and future demand, use market centers	Medium

A combination of various techniques is identified to be used (already used during data collection for this report) to involve the identified stakeholder's representatives at various stages of the interventions since each of methods has pro and cons when it comes to engaging with stakeholders.

⁴⁶ This guide is prepared by the FAO KSA programme director and is available to all the staff

- **Multi-Stakeholder Focus Groups** will be formed to involve representatives from key stakeholders and to obtain quality information and feedback on specific issues/topics in a relaxed environment.
- **One-On-One Meetings** will be conducted with various stakeholders to gain a detailed understanding of the viewpoints and reasoning or explain issues and topics that are unclear to stakeholders and to request clarification of their responses.
- **Questionnaires/Survey** will be prepared and used as a useful way of gathering feedback from a wide range of stakeholders. Questionnaires were structured or unstructured and in some cases were delivered via the web, email, face to face, or over the phone.
- **Stakeholder Interviews** will be arranged to fully understand an issue and draw out a specific perspective of the most influential stakeholders. It includes in-person, phone and group interviews based on a series of questions related to a topic of interest to generate ideas, elicit feedback and/or answer a set of pre-determined questions.
- **Consultation Workshops or Forums** will be planned and organized with a defined agenda to discuss a topic, capture requirements, build teams, and develop their understanding of the matters.
- **Formal and Informal Reviews** will be organized with the specific intent to review existing proposal, report, document, or a prototype (under stage 2 of the methodology).
- **Online data:** Some data and information will be collected online from MoEWA, Saudi government websites and FAO (FAO STAT) and from other trustworthy websites.

7.7.2 List of Livestock “goat & sheep” Ag-Marketing interventions under SRAD project

- ✓ (3.3.2) Support the establishment and development of livestock marketing centres
- ✓ (3.3.11) Review and assess status of contract farming and other direct marketing methods as implemented in Saudi Arabia
- ✓ (3.3.12) Benchmark best models and success stories of contract farming regionally and globally
- ✓ (3.3.18) Develop appropriate contract farming models and other direct marketing strategies for small livestock herders
- ✓ (3.3.20) Develop smallholder-adapted e-market information systems to enable access to useful, timely and transparent market and price information for improved decision making
- ✓ (3.3.20) Develop and implement training programme to strengthen business and marketing skills of small livestock herders.

7.7.3 Interventions Implementation:

The mentioned livestock Ag-Marketing interventions are under implementation in four (4) categories:

1) Improve and establishment local livestock marketing centers

Based on collected information, the livestock marketing centers improvement and development plan will be prepared and implemented. The livestock “goats and sheep” marketing centers will provide opportunities for those small livestock herders, who do not have access to bigger markets and selling outlets.

2) Establish win-win Contract Farming models for livestock:

The implementation plan for overall responsible Contract Farming operations is prepared and is under implementation (more information regarding the Contract Farming plan is available with FAO KSA).

Through the mentioned plan, Saudi small livestock herders will be connected to the potential buyers and markets. Based on collected and analyzed livestock information in this section, the Contract Farming field operation plan for small livestock “goats and sheep” will be prepared and implemented.

3) Develop smallholder-adapted e-market information system

Under the E-Market Information system, all information re the Saudi livestock will be added and will be available online to the livestock’ stakeholders. Based on the collected and analyzed information, part of livestock E-Marketing information system plan will be prepared.

4) Strengthening capacity of small livestock herders on Marketing

Under this activity, a complete package of capacity building materials will be prepared, to train small livestock herders and all stakeholders on livestock marketing.

Chapter 8: Fisheries and Aquaculture Marketing Situation Analysis

8.1 Summary:

In this chapter we have collected and analyzed “fisheries and aquaculture Marketing Situation” in KSA. Some information on the sectors global situation is provided in part one. Under the national context, information regarding local production and supply, demand, and importation of fish products to KSA, range of available products and prices in KSA is provided.

In part three of this section, fisheries and aquaculture marketing channels are well explained. Marketing channels of both fisheries and aquaculture are well explained. Imported fish products and its distribution channels is also described.

In part four, five and six, marketing challenges, opportunities, recommendation and project interventions implementation are well elaborated. For additional information such as Contract Farming and Geographical Indication plan, you may need to read the mentioned plans, as it provides very details information and implementation information (this could be accessed from the project management unit).

8.2 Current situation:

8.2.1 Global context:

The world’s appetite for fish and fish products shows no sign of slowing. The SOFIA 2020⁴⁷, demonstrates the significant and growing role of fisheries and aquaculture in providing food, nutrition and employment. The fisheries and aquaculture sector significantly expanded in the past decades and total production, trade and consumption reached an all-time record in 2018.

However, since early 1990s, most growth in production from the sector as a whole has been from aquaculture, while capture fisheries production has been relatively stable, with some growth essentially concerning inland capture. From 1990 to 2018 there was 527 percent rise in the global aquaculture production; 14 percent rise in global capture fisheries production and 122 percent rise in

⁴⁷ State of world Fisheries and Aquaculture (SOFIA), 2020.

the total food fish production. Sustainable aquaculture development and effective fisheries management are critical to maintain these trends.

In 2018, total global capture fisheries production reached the highest level ever recorded at 96.4 million tons - an increase of 5.4 percent from the average of the previous three years.

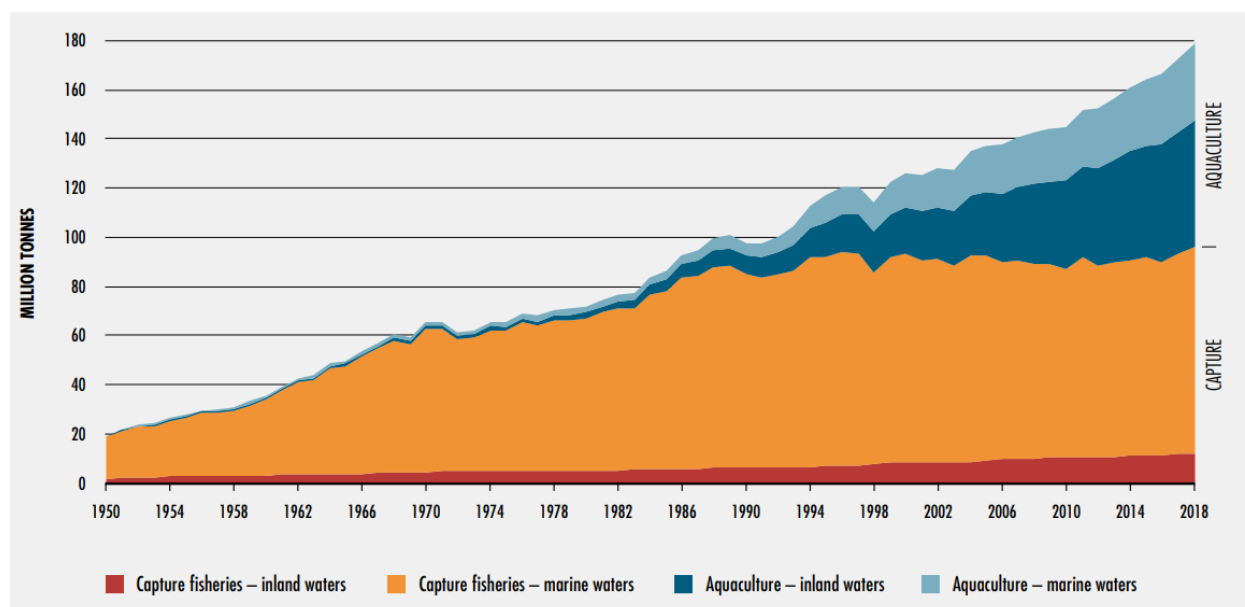


Figure 8.1: World capture Fisheries and Aquaculture production (source: SAFIA, 2020)

The increase in 2018 was mostly driven by marine capture fisheries, with production from marine areas increasing to 84.4 million tons in 2018 – up from 81.2 million in 2017.

China, Indonesia, Peru, India, the Russian Federation, the United States of America, Viet Nam were world top capture fish producers in 2018. These countries accounted for almost 50 percent of total global capture production.

The most popular fish species to be caught was anchoveta (*Engraulis ringens*) over 7 million tons; Alaska pollock (*Theragra chalcogramma*) was second, at 3.4 million tons and Skipjack tuna (*Katsuwonus pelamis*) ranked third for the ninth consecutive year, at 3.2 million tons.

Aquaculture Production:

Aquaculture is the farming of aquatic animals, including finfish, crustaceans, molluscs, etc. and aquatic plants, mostly algae, using or within freshwater, sea water, brackish water and inland saline water.

World aquaculture production attained another all-time record high of 114.5 million tons in live weight in 2018, with a total farmgate sale value of USD 263.6 billion (the price of the product available at the farm, excluding any separately billed transport or delivery charge.)

World aquaculture production of farmed aquatic animals has been dominated by Asia, with an 89 percent share in the last two decades or so. Among major producing countries, China, India, Indonesia, Viet Nam, Bangladesh, Egypt, Norway and Chile, have consolidated their share in regional or world production to varying degree over the past two decades.

Fish consumption:

In 2018, about 88 percent of the 179 million tons of total fish production was utilized for direct human consumption and 12 percent was used for non-food purposes.

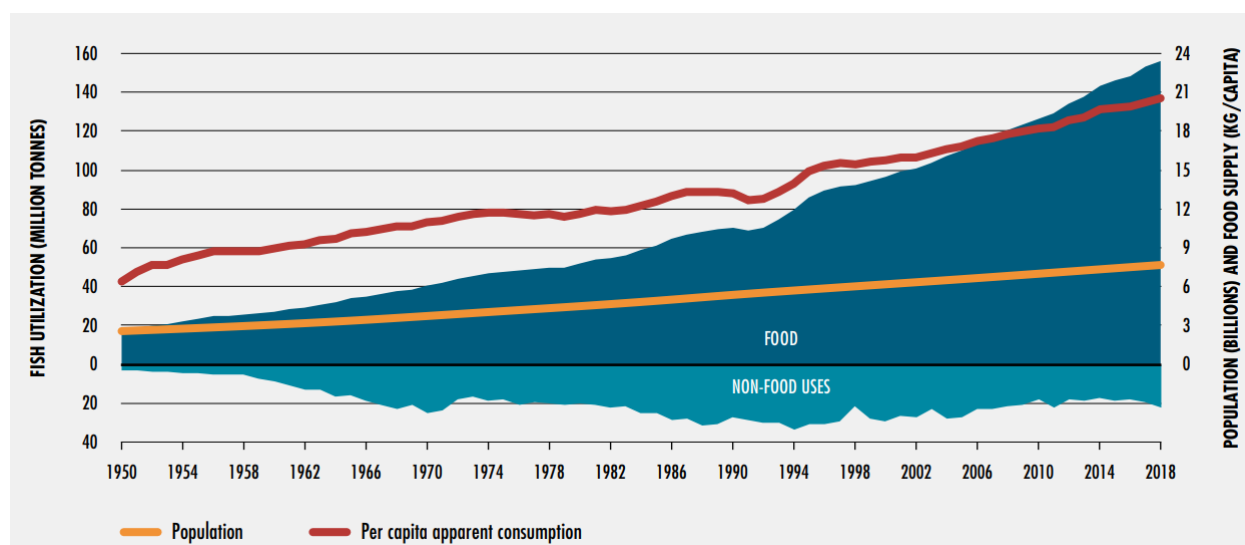


Figure 8.2: World Fish utilization and apparent consumption (Source: SAIFA, 2020)

This excludes aquatic mammals, crocodiles, alligators and caimans, seaweeds and other aquatic plants.

In 2018, live, fresh or chilled fish still represented the largest share of fish utilized for direct human consumption (44 percent).

8.2.2 Saudi context:

The Kingdom of Saudi Arabia with an area of 2.15 million sq.km, occupies 80 percent of the Arabian Peninsula land surface with a unique geographical location; of the 7,572 km total coastline, roughly 2,400 km is available for aquaculture development along the Red Sea in the west and the Arabian Gulf in the east. It is an arid and water deficit country, with limited freshwater sources that confirms that marine culture is the future for fulfilling Saudi's future fish-food demand. This makes the country a rich source of a wide range of fish and other marine products suitable for commercial exploitation, particularly marine species, attributed to favourable climate conditions, availability of water, good land and suitable environment. Due to the excellent potentially favourable environment for fish farming, the Ministry of Agriculture has identified aquaculture as a priority economic sector, as a result of rich finfish and shellfish resources, some of which have been identified as suitable aquaculture candidates.

Market overview:

The Saudi Arabia Fisheries and Aquaculture Market is projected to register a CAGR of 4.1% during the forecast period (2020-2025). Growing government support to the sector, the rapid increase in demand, and the increasing sale of fish via social and online network platform are the drivers behind this market growth. Saudi is one of the top regional producers and exporters of the seafood, due to the rapid aquaculture sector growth over the past several years. Product safety and traceability standards,

use of technology, and rigorous biosecurity are the factors behind this growth. Despite the increased supply from aquaculture production, the domestic market still relies heavily on imports⁴⁸.

In order to reduce import dependency, the government has undertaken various production-oriented initiatives to meet the growing seafood per capita consumption within the country. Growing local consumption, driven by population growth and increase in consumption per capita, expected to generate an additional demand of 500,000 tons in 2030. With the government commitment to the growing industry, introduced the plan “Vision 2030” in 2016. The Saudi “Vision 2030” aims to increase production to 530 thousand tons by 2030.

Processed fish segment is likely to witness significant growth as currently, Saudi Arabia is mostly dependent on the developing countries in South and Southeast Asia, South America, and Africa, toward meeting its domestic demand for fish and fish products. Processed tuna is consumed 2-3 times a week, which is a staple source of diet, while other processed frozen fishes like Basa consumed once a week or twice a week.

8.2.3 Local production and supply:

The bulk of freshwater aquaculture production (tilapia and catfish) is consumed locally; the shrimp production is exported to many countries such as Japan, European and North American markets, once the domestic demand has been satisfied. The development is towards increased production of whiteleg shrimp (*Penaeus vannamei*) and diversification towards the culture of marine fish species. This trend is expected to continue in the coming years. Kingdom recorded an aquaculture production of 23,780 tonnes in 2014 wherein the share of shrimp, freshwater fish and marine fish were 54 percent, 25 percent and 20 percent respectively. From around 0.1 million tons’ production in 2014, Saudi Arabia aims to reach 1 million tons’ capacity by 2029, providing more than 400,000 job opportunities for male and female Saudi youth (FAO KSA).

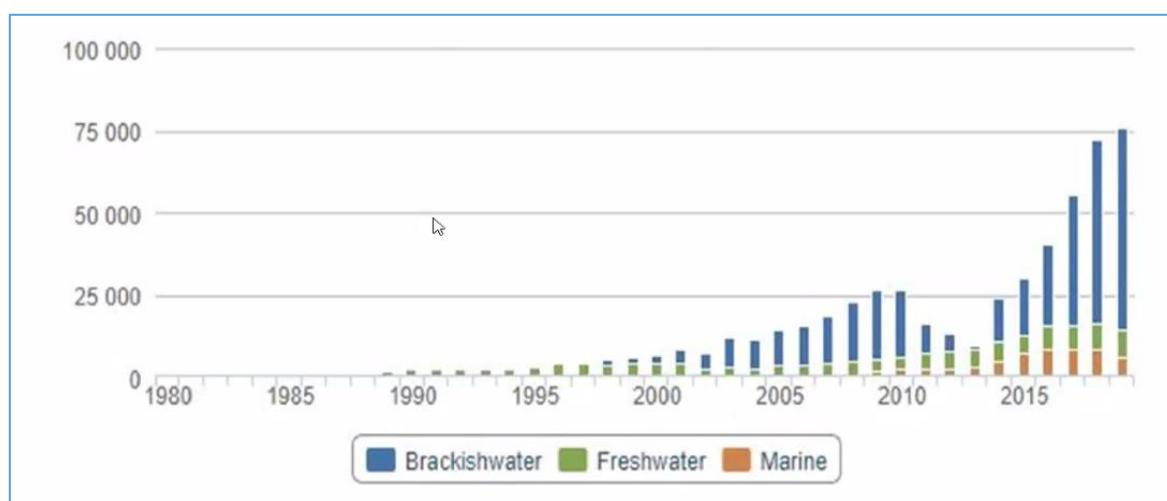


Figure 8.3: Aquaculture production (tonnes) by culture environment the Kingdom of Saudi Arabia (source FAO Fishstat)

In 2018, capture fisheries production contributed only 28 percent to the local demand for fish, 33 percent was met by aquaculture production and 40 percent by imported fish products (MoEWA).

⁴⁸ Saudi Arabia Fisheries and Aquaculture Market - Growth, Trends, and Forecast (2020 - 2025). Reportlinker, 2020.

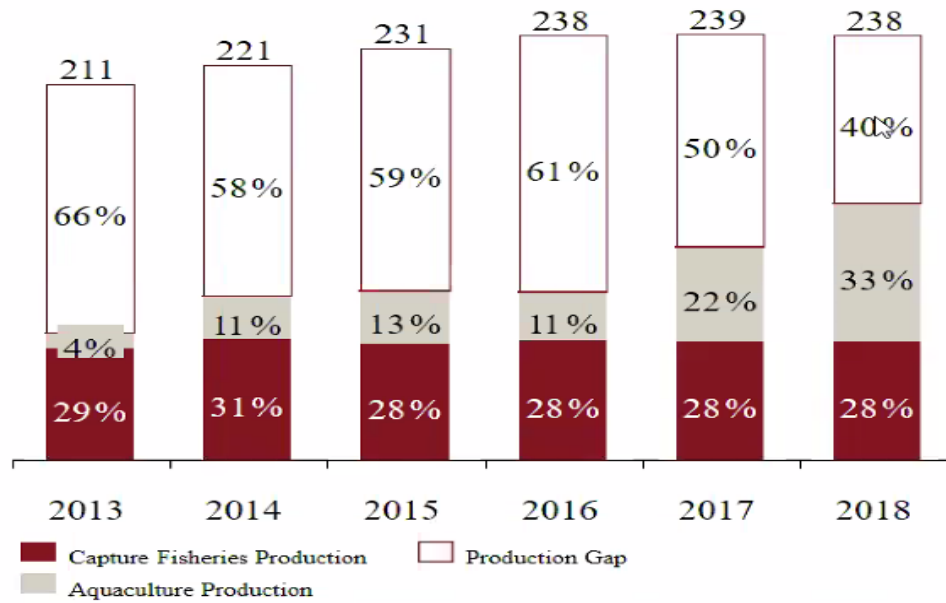


Figure 8.4: Evolution of fish production gap (2013 – 2019) in 000' Tons (source: MoEWA)

8.2.4 Demand and importation:

Demand for the domestic fish consumption has been increased from a per capita consumption of 3 kg in 1977 to more than 11.15 kg in 2010. But this is still low compare to the global consumption level, which is around 20kg (FAO KSA).

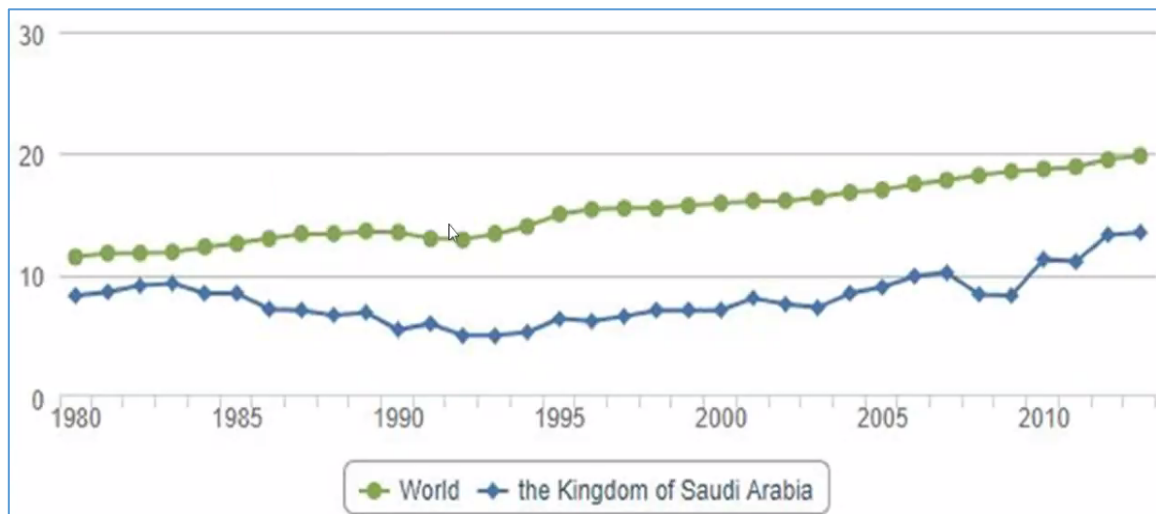


Figure 8.5: Per capita supply of fish and fishery products for the Kingdom of Saudi Arabia (kg) – source FAO FishStat

In fact, KSA's per capita fish consumption is lower than that of regional and global benchmarks.

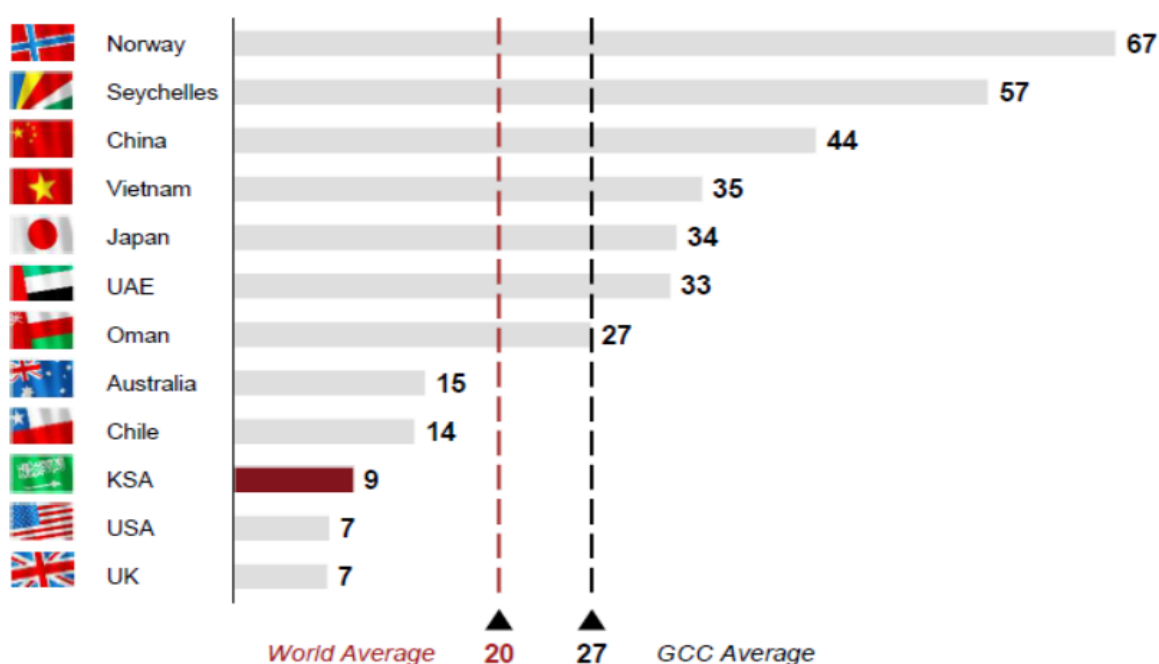


Figure 8.6: Seafood (Including Processed) Consumption Comparison, Latest1) – In Kg per capita (source: MoEWA).

Share of annual seafood consumption out of total consumption of animal protein in KSA for 2017 was 17 percent compared to 14 percent for red meat and 69 percent for poultry⁴⁹. Factors contributing to the low fish consumption and demand are:

- Perceived as expensive compared to other protein sources
- Limited promotion of fish and lack of consumer awareness of its benefits
- Non-traditional diet, difficulty to prepare fish meals
- Seasonal supply of fresh fish products and limited sales distribution outlets and
- Limited trust in actual freshness of available fish

Saudi Arabia is a net importer of fishery products. In 2014, the imports reached 246,924 Total tonnes valuing US\$26,014 million⁵⁰. In 2018, 40 percent fish products were imported to meet the local demand (figure 4). To reduce the import, Saudi Arabia is working to sustainability improve the capture fish production as well as aquaculture production.

8.2.5 Type of fish products:

Different type of fish products is sold in the local fish markets provided by both capture fisheries and aquaculture. species produced in aquaculture, Shrimps, Seabream and Sea Bass are the dominant among the seawater aquaculture, whereas Nile Tilapia and Catfish are the typical species applied within the freshwater aquaculture. Shrimps account for more than 70 per cent of the species grown in seawater aquaculture, and Nile Tilapia accounts for 98 per cent of the species grown in Fresh water aquaculture.

⁴⁹ MoEWA fish sector review study

⁵⁰ FAO Saudi, Fish value chain study, 2018

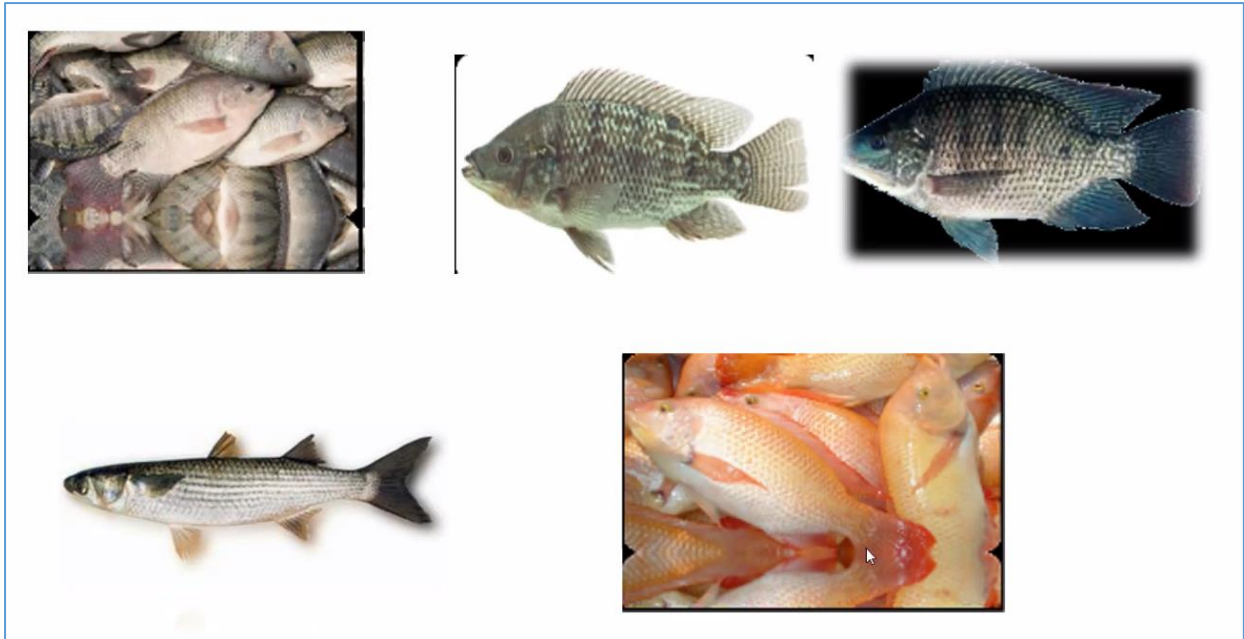


Figure 8.7: Freshwater culture species in KSA (source FAO KSA)

Consumers favor domestic fish over imported, and prefer to consume fresh fish over frozen. Consumers perceive domestic fish products to, fresher, safer, have better quality, have greater variety and have better taste.

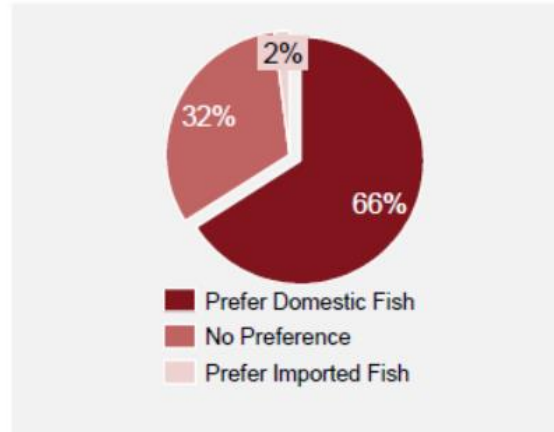


Figure 8.8: Consumers perception of imported vs. domestic fish products (source: FAO KSA)

8.2.6 Prices:

The imported products are generally more competitive priced than the fish produced in KSA. Quality characteristics such as color, taste and others play important role in the for prices for aquaculture products.

Capture fisheries products are brought to the market and are sold in the boxes via auction process. Fishermen may not get their choice prices via auction marketing, some are sold to the traders and sent to other cities for distribution. Fish markets are dominated by expats who control and manipulate prices.

Auction prices depends different factors such as session, demand and supply of fish and fish products to the market. Fish market retailers add around SAR 10 to the wholesale prices. Prices are cheap in the fish market and margins are added as it moves toward final consumption.

Table 8. 1: Fish prices paid to fishermen and paid by consumers along the supply chains (source FAO and prices from the field visit)

Types	Price paid to fishermen (SAR)/kg	Price paid by consumers (SAR)/kg
Tilapia fish	11 – 15	18 -20
Harida fish	13 - 17	40-70
Shaour fish	12 -16	35-60

8.2.7 Fish Market centers:

Al Qatif, Riyadh, Jeddah and Jazan are the 4 main fish markets and there are multiple smaller ones, all primarily located at the coasts. All types of fish such as fresh, aquaculture, imported are sold in these markets. Fish is sold via licensed Saudi auctioneers at markets.

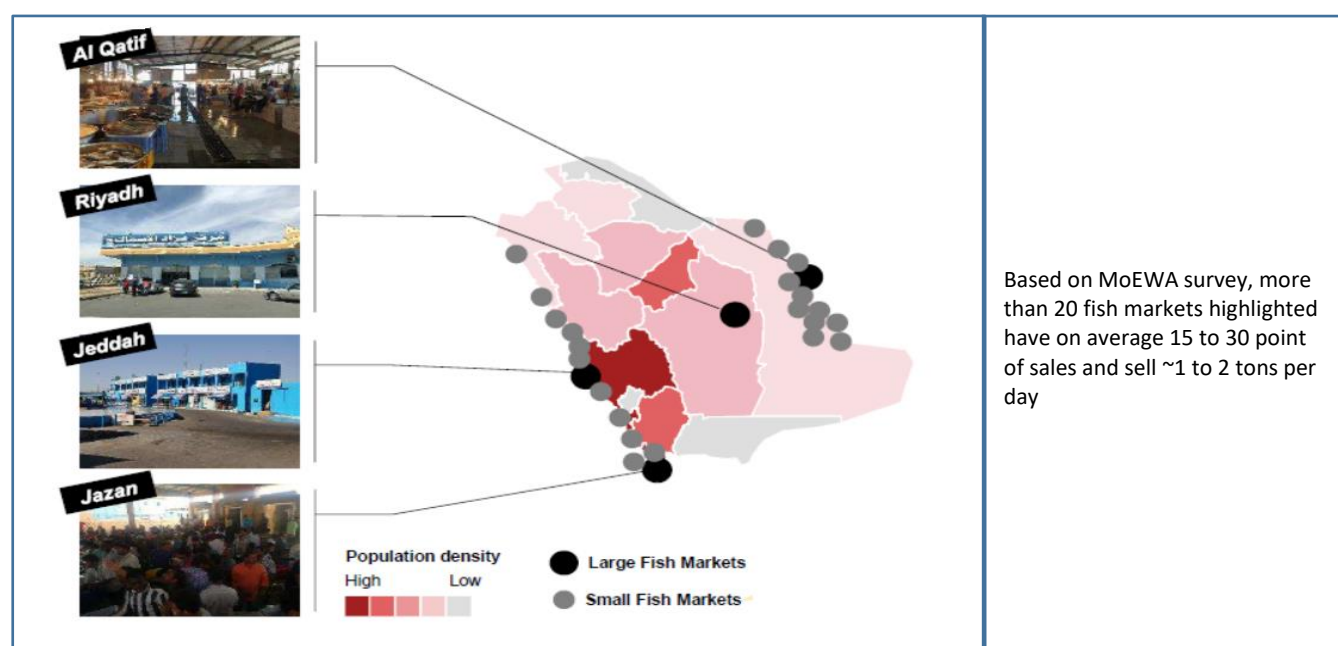


Figure 8. 9: Primary and multiple smaller fish markets in KSA (source: MoEWA)

Buyers, retailers, fish handling and wholesales supports jobs are dominated by expats in the fish markets. Saudi roles are very limited in the fish wholesales auctioning and retailing.

8.3 Capture fisheries & aquaculture marketing channels:

8.3.1 Captured fisheries marketing channels:

Fishermen use below marketing channels for the sale of their catch in KSA.

1- Sell in the auction markets:

Fishermen bring fish and shrimps in vehicle to the fish auction markets. Commission agent offers initial price after bidding starts - Weight is by estimation. Those quoting higher price make the purchase. Commission agents, charge 5-7 percent commission on sale. Key buyers are retail chains, big fisheries companies, restaurants and retail shops.

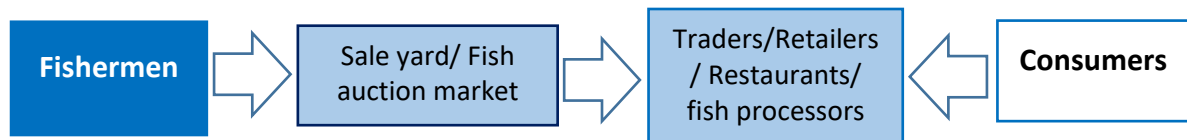


Figure 8.10: Captured fisheries auction marketing (indirect marketing)

Some imported fish are also sold via auction marketing. The auction process for the imported fish is organized in different timing at the same auction yards. Some fish processors buy the captured fish in the marketing centers and after processing, sell the processed fish in their outlets.

Selling captured fisheries and shrimps via auction marketing is very common. Shrimps captured in the Arabian gulf are sold via action in the Al Qatif region. The season captured start in August and end in December of each year. The shrimps are organized in 32 KG (it is called Maan) and are sold via auction. Some families also buy a maan for their own consumption. A maan during first week of the season cost around SAR 1,400. During this session, as most of the fishing vesicles allocate their time to capture shrimps only, the fish prices goes up.

2- Sell in the marketplace directly to consumers:

Some fishermen have their own shops in the fish markets and they sell their captured directly to the consumers. To meet the demand, they sometime buy from the other fishermen.



Figure 8.11: Marketing of the captured fish in the fish market centers

3- Sell in the port:

Under some arrangements fishermen sell the catch in the port to the commercial boat owners or other collector and traders.



Figure 8.12: Marketing of captured fish in the ports

Some small fishermen sell the good quality fish to the big boats inside the ocean. The fishermen think they may not get their choice price in the auction.

8.3.2 Aquaculture marketing channels:

Both shrimps and fish are produced through aquaculture farming. Some big aquaculture business companies are also involved in the aquaculture production. The big companies produce the shrimps for export market (around 80 percent) and distribute the remaining in the national markets. Some of the mentioned big companies have selling outlets and sell directly to the consumers.

1- Sell through selling outlets:



Figure 8.13: Aquaculture products marketing via marketing outlets

2- Sell through pre-agreed contracts with supermarkets

Some of aquaculture business companies have pre-agreed contracts with retailers/supermarkets and sell to them directly.



Figure 8.14: Aquaculture products marketing via retailers and supermarkets

3- Sell to the bigger aquaculture business:

some aquaculture producers sell their products to the bigger aquaculture companies or to the traders. For example, Saudi fisheries company buy from the aquaculture producers and sell it in their market outlets.

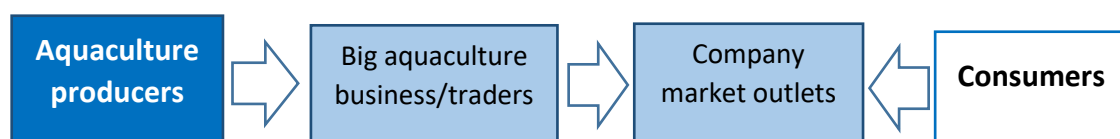


Figure 8.15: Aquaculture products marketing via bigger aquaculture companies

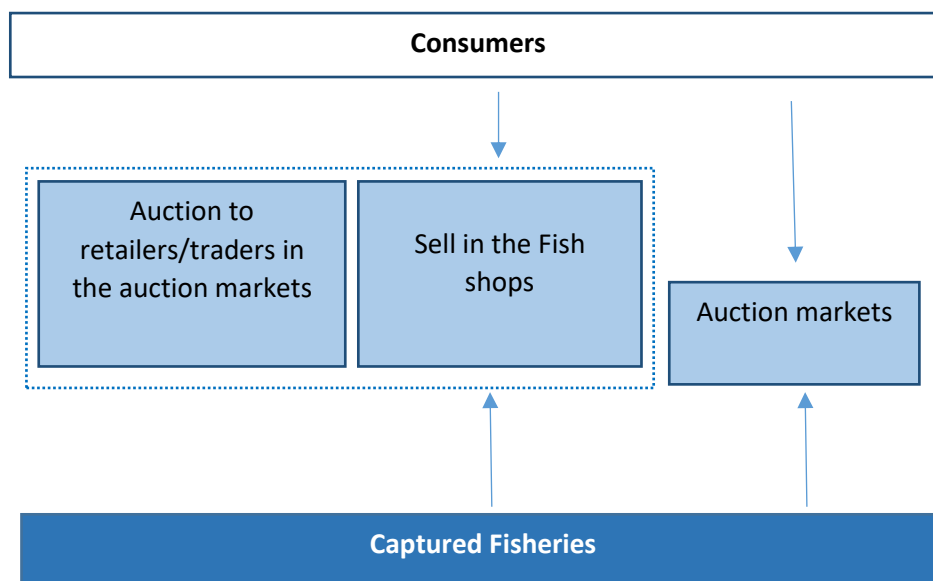


Figure 8. 16: Captured fisheries Marketing Channels

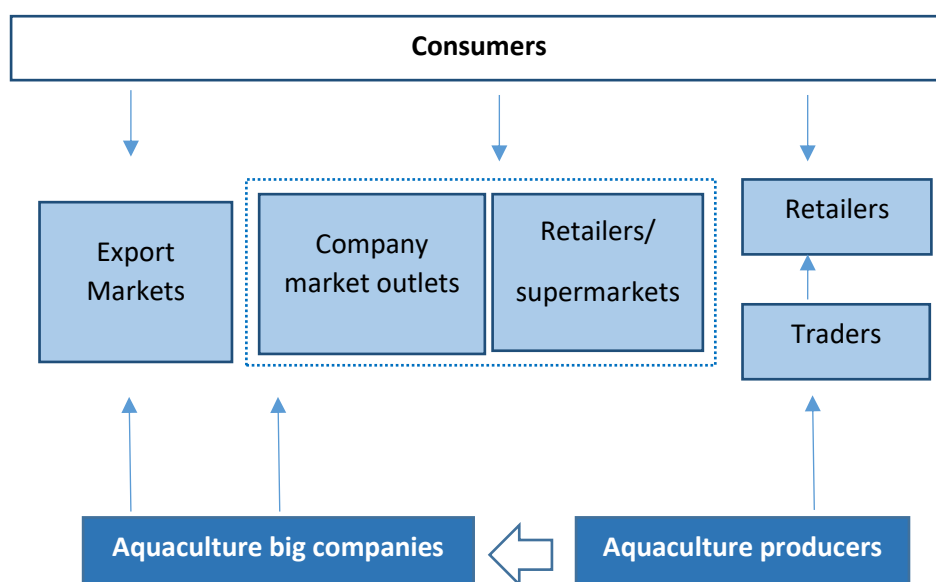


Figure 8.17: Aquaculture Marketing Channels

8.3.3 Imported fish marketing channels:

As has mentioned Saudi Arabia is importing around 40 percent (in 2018) of its fish products. The imported fish products are distributed via below marketing channels:

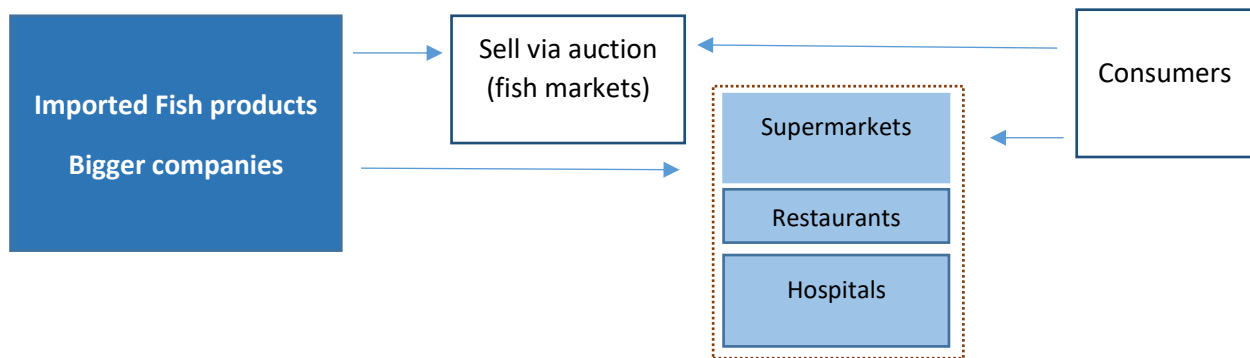


Figure 8.18: Distribution channels of imported fish products

8.3 Marketing challenges:

- Low and slowly growing fish consumption
- Competition of small fishermen with the passive locals selling fish in the markets (unregulated vessels accumulate largest catch from various vessels at sea - ships head back to shore with small and low quality fish and hand them to fishermen as the daily catch. Fish is shipped to markets with higher prices for caught fish)
- Small fishermen having challenges to compete with bigger business and imported fish products as they are sold in the same markets
- Absence of direct sales model (mostly captured fish are sold via auction marketing)
- Some fishermen choose to sell their fish themselves at the expense of spending less time at sea
- Weak facilities in the fish markets (lack of proper roofing, sewage and drainage systems, storage facilities and organized parking areas, the facilities are overcrowded at sales' peak times)
- Poor management of market operations (most markets are poorly organized, lacking access control (e.g., gated access), and internal partitions to organize operations and sales)
- Lack of sales transparency (prices and quantities across sale outlets are not showcased)
- Payments in the fish markets and auction yards are in cash, making it difficult to trace daily transactions, thus leaving room for price manipulation
- Limited quality control at markets (fish is moved in worn-out boxes and stacked on the floor for bidding)
- Markets lack well-defined sections (example, local fresh, imported, trucks unloading), with clear signage and gated passage to control traffic
- There is no specific brand for the local fish and it is always mixed in the markets with imported one
- Market are dominated by non-Saudis
- Weak transportation to transport fish from the port to the markets
- Fishing boats are not equipped with new technology and it reduce the quality of fish for marketing
- Lack of training capacity of fishermen and their cooperatives on marketing

Aquaculture specific:

- Feeding is imported and is expensive.
- Some companies use cheaper feedings and it affect the quality and demand for the end products
- Indirect sale models – they small and medium producers sell to other aquaculture companies and they don't have direct access to market
- Access to market information is limited

8.5 Opportunities:

- Fish tourism
- Willingness of consumers toward healthier diets and fish consumption
- MoEWA available support to promote cooperative and collective marketing
- Government priority under Vision 2030 to support fisheries sector
- Access to finance by Agriculture Development Fund (ADF)
- FAO technical support under SRAD programme
- Interest in the Contract Farming by big fisheries and aquaculture companies

8.6 Recommendations:

- In coordination with ministry of health, organize marketing campaigns to encourage the consumption of fish (fish festivals, newsletters, awareness materials)
- Promote fish tourism (integrate ports with seafood specialized restaurants and other marketing facilities)
- Prepare comprehensive regulatory framework to manage fish handling in the market places
- Support the establishment and development of fish marketing centers
- Support the establishment of “modernized fish markets”
- Build technical capacity to improve the “management of fish markets operations”
- Prepare separate sections for the fresh local fish in the market places
- Develop appropriate contract farming models and other direct marketing strategies
- Establish institutional sales agreements with potential buyers (airlines, hospitals, schools etc.)
- Facilitate access to market information and develop smallholder-adapted e-market information system.
- Support the development of fish online marketing and auction platforms.
- Support to prepare marketing brand for the local fish production
- Develop and implement training programme to strengthen business and marketing skills of herders and their cooperatives in the target regions.

8.7 Fisheries and aquaculture Ag-Marketing Interventions & implementation:

8.7.1 Stakeholders’ engagement:

To identify and map key stakeholders and draw out their interests and assess the appropriate way of their participation, stakeholder engagement guide⁵¹ was followed for data collection and will be further followed for the implementation of fisheries marketing interventions.

Table 8.2: Potential fisheries and aquaculture AgMarketing major stakeholders and their responsibilities and spheres of influence

Intervention	Stakeholders	Interests & Role	Priority
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⁵¹ This guide is prepared by the FAO KSA programme director and is available to all the staff

Market centers, Contract Farming, E-Market Info system	Firms, companies, and Investors/importers	Promote, guarantee markets; may advance inputs and technical advice to the contracted growers (under CF). Use market information.	High
Contract Farming, E-Market Info system, Capacity building and market centers	Target smallholders and their specialized cooperatives/lead farmers	Primary role in production Key partner for contract farming Better income Secure access to market, inputs, resources, and technical information Need capacity building on marketing Secure access to market centers	High
All	Presidency of Meteorology and Environment (PME)	Control for marine environmental and collaborate with neighboring countries on marine pollution and global warming	High
Market centers	Saudi Wildlife Authority (SWA)	Develop and implement plans to preserve marine wildlife, including the establishment of proper natural reserves and protected areas	High
Contract Farming	Saudi Export Development Authority (SEDA)	Support seafood exporters in accessing global markets with competitive products primarily through relationship building and access to practical tools	High
Market centres, E-Market info system	Saudi Commission for Tourism & National Heritage	Maximize the tourism and national heritage potential of current and planned fisheries developments	High
All , capacity building	Universities (KSU, KFU, KACST, KAUST)	Provide fisheries related degrees and programs & conduct research and development on fisheries related topics	High
All	Fisheries Co-operative Associations	Represent and support fishermen in fishing activities along the value chain	High
Contract Farming, E-Market Info system, Capacity building, market centers	Ministry of Environment, Water and Agriculture	Major responsibility for the enabling environment Key implementation partner Funding for infrastructures	High
Contract Farming	Agriculture Development Fund (ADF)	Provides finance and promote CF	High
Contract Farming, E-Market Info system	Ministry of Commerce	Responsibility for the enabling environment for CF	High
Contract Farming,	Saudi Chamber of Commerce and Industry	Could be focal point for CF	High
Contract Farming, Capacity building, E-Market Info system	Saudi Cooperative Societies Council	Responsibility to help and support cooperatives and farmers' group (for CF, Market Information) and capacity building	High
Capacity building, E-Market Information System	Extension services	Provided technical advice and disseminate market information	High
Contract Farming,	Financial Institutions (both private and governmental) such as Social Development Bank (SDB)	Provides finance and general banking services to firms and farmer for CF	High
Contract Farming, Capacity building, market centers	Development organizations and NGO	Facilitate / promote interventions	High
E-Market Info system, market centers	Consumers and their associations	Purchase the end product. Feedback on product acceptance and future demand,	High

		use market centers, encourage consumption	
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A combination of various techniques is identified to be used (already used during data collection for this report) to involve the identified stakeholder's representatives at various stages of the interventions since each of methods has pro and cons when it comes to engaging with stakeholders.

- **Multi-Stakeholder Focus Groups** will be formed to involve representatives from key stakeholders and to obtain quality information and feedback on specific issues/topics in a relaxed environment.
- **One-On-One Meetings** will be conducted with various stakeholders to gain a detailed understanding of the viewpoints and reasoning or explain issues and topics that are unclear to stakeholders and to request clarification of their responses.
- **Questionnaires/Survey** will be prepared and used as a useful way of gathering feedback from a wide range of stakeholders. Questionnaires were structured or unstructured and in some cases were delivered via the web, email, face to face, or over the phone.
- **Stakeholder Interviews** will be arranged to fully understand an issue and draw out a specific perspective of the most influential stakeholders. It includes in-person, phone and group interviews based on a series of questions related to a topic of interest to generate ideas, elicit feedback and/or answer a set of pre-determined questions.
- **Consultation Workshops or Forums** will be planned and organized with a defined agenda to discuss a topic, capture requirements, build teams, and develop their understanding of the matters.
- **Formal and Informal Reviews** will be organized with the specific intent to review existing proposal, report, document, or a prototype (under stage 2 of the methodology).
- **Online data:** Some data and information will be collected online from MoEWA, Saudi government websites and FAO (FAO STAT) and from other trustworthy websites.

8.7.2 List of “fisheries and aquaculture” Ag-Marketing interventions under SRAD project

- ✓ (3.3.4) Support the establishment and development of local fish marketing centers.
- ✓ (3.3.11) Review and assess status of contract farming and other direct marketing methods as implemented in Saudi Arabia.
- ✓ (3.3.12) Benchmark best models and success stories of contract farming regionally and globally.
- ✓ (3.3.14) Develop appropriate contract farming models and other direct marketing strategies for small fisheries and rural aquaculture producers;
- ✓ (3.3.20) Develop smallholder-adapted e-market information systems to enable access to useful, timely and transparent market and price information for improved decision making.
- ✓ (3.3.20) Develop and implement training programme to strengthen business and marketing skills of fishermen and aquaculture producers

8.7.3 Interventions Implementation:

The mentioned fisheries and aquaculture Ag-Marketing interventions are under implementation in four (4) categories:

5) Improve and establishment fish marketing centers

Based on collected information, the fish marketing centers improvement and development plan will be prepared and implemented. The improved fish marketing centers will provide opportunities to the small fishermen to directly sale their products to the consumers. Their involvement in the marketing will further generate employment – for youth and women.

6) Establish win-win Contract Farming models:

The implementation plan for overall responsible Contract Farming operations is prepared and is under implementation (more information regarding the Contract Farming plan is available with FAO KSA). Through the mentioned plan, Saudi small fishermen will be connected to the potential buyers and markets. Based on collected and analyzed information in this section, the Contract Farming field operation plan for “fisheries and aquaculture” will be prepared and implemented.

7) Develop smallholder-adapted e-market information system

Under the E-Market Information system, all information regarding the fisheries and aquaculture will be added and will be available online to the sector’s stakeholders. Based on the collected and analyzed information, part of fisheries and aquaculture E-Marketing information system plan will be prepared.

8) Strengthening capacity of fishermen and aquaculture producers on Marketing

Under this activity, a complete package of capacity building materials will be prepared, to train fishermen, their cooperatives and aquaculture producers marketing.

Chapter 9: Rain-fed cereals Marketing Situation Analysis

9.1 Summary:

In this chapter we have collected and analyzed “Rain-fed Cereal Marketing Situation” in KSA. Some information on rain-fed cereal global situation is provided in part one. Under the rain-fed cereal national context, information regarding local production and supply, demand, and importation of cereal products to KSA, range of available products and prices in KSA is provided.

In part three of this section, rain-fed cereal marketing channels are well explained. Marketing channels both direct and indirect are well explained. Imported cereal products and its distribution channels is also described.

In part four, five and six, marketing challenges, opportunities, recommendation and project interventions implementation are well elaborated. For additional information such as Contract Farming and Market centers development plans, you may need to read the mentioned plans, as it provides very details information and implementation details (this could be accessed from the project management unit).

9.2 Current situation:

9.2.1 Global context:

There is growing evidence for sorghum, millet and sesame to have beneficial properties for human health. This is related to their composition and specific compounds like fibre, phenols, antioxidants, unsaturated fatty acids, essential micronutrients, etc. This evidence is translated into growing market demand and higher value of these commodities. The consumers seeking alternative to wheat products may turn to these crops. Research and breeding programs in Australia, India and USA target these properties to develop high-yielding varieties and hybrids with improved nutritional value. The example is “Iron Millet” developed by ICRISAT (International Centre for Research in Semi-Arid Tropics) in India containing higher iron and zinc concentration with proven positive effects in human trials. Sesame breeding at private companies in USA also targets better and healthy oil composition. KSA rain-fed cereals production region is surrounded by the countries with established successful production of these crops: Sudan and Ethiopia in the West, India in the East. Therefore, it may benefit from research outcomes in the neighbouring nations.

India, China, Sudan, Nigeria and Ethiopia are the leading producers of sesame seed, millet and sorghum. India is big producer of sesame seeds. Ethiopia is the leading exporter of sesame seed and Japan is leading exporter of sesame oil. USA is the leading exporter and China the leading importer of sorghum. Ukraine is the leading exporter and Indonesia is the leading importer of Millet (FAO KSA, 2018).

9.2.2 Saudi context

Cereals are staple crops for both urban and rural population of the country. Per capita bread consumption in KSA is one of the highest in the world with 87.5 kg per person per year.

The rain-fed cereals are cultivated in the South-West of the country where climatic and soil conditions are suitable to grow crops well adapted to semi-arid dry and hot environment. These crops are

Sorghum (*Sorghum bicolor*), Pearl Millet (*Pennisetum glaucum*) and Sesame (*Sesamum indicum*). The latter is not strictly cereal but oil crop belonging to family *Pedaliaceae* instead of *Poaceae* as all cereals. However, for the convenience sake the project refers to Sesame as one of rain-fed cereals. Rain-fed wheat and barley are also grown at the high altitude valleys of South-Western region. The advantage of these crops is that they are mainly grown using “green” or “blue” water originating from the rainfall and either stored in soil (green) or flows on the surface (blue). Sorghum and millet grain is exclusively used for food through milling and preparation of various products. Sesame seeds are widely used in bakery, for oil production and sesame cakes as residue from oil industry is used as animal feed (FAO KSA cereal component report, 2021).

9.2.3 Local production and supply:

According to FAOSTAT, in 2019, domestic wheat production was around 0.5 million tons - meeting 15 percent of the need, barley production was 0.63 million tons – is entirely used for livestock fodder, maize domestic production was around 50,000 tons and is primarily used as feed though around 20-30 percent is used as food. The cultivation of these cereal crops is practised under irrigation with average water consumption of 1-1.5 tons per one ton of grain for barley and wheat and twice the amount for rise. Due to limited and shrinking water resources in the country, cultivation of these cereals under irrigation is limited and regulated by MoEWA to assure the balance between supply and demand and maintenance of natural resource base.

The total grain cultivated area in 2018 reached (2,683,312) acres barley was the most widely cultivated grain, with (938) thousand acres, representing (35 percent) of the total grain cultivated areas in the Kingdom. Wheat was the second cultivated grain, with (897) thousand acres. The total area cultivated with fodder reached (4,866,133) acres. Clover was the most widely cultivated fodder, with over 4 million acres, representing (86.5 percent) of total fodder cultivated area in the Kingdom⁵².

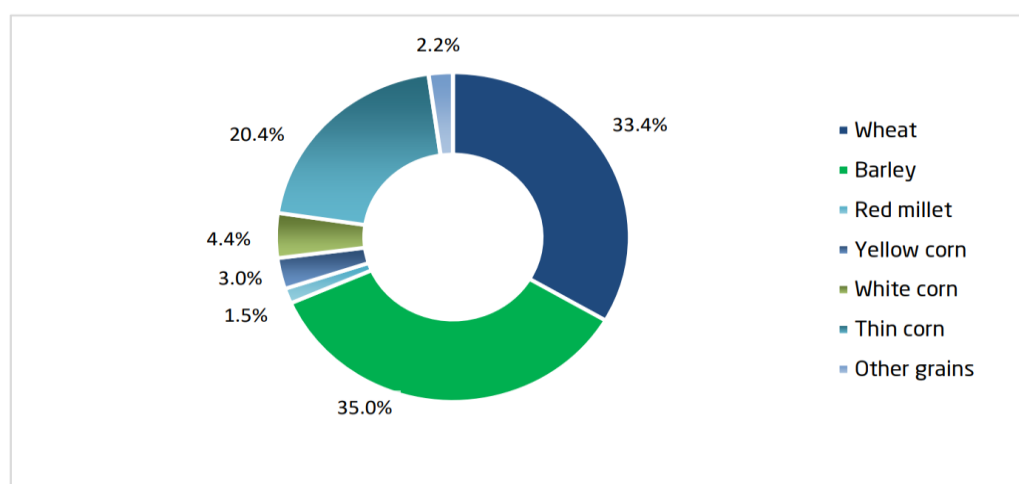


Figure 9.1: Percentage distribution of grain cultivated land by type in the Kingdom, 2018 (Source: General Authority of Statistic)

Rain-fed cereals (Sorghum, Pearl Millet & Sesame) are exclusively used for food through milling and preparation of various products. Current production of these crops covers the domestic demand by 60 -70 percent for Sorghum, 20-30 percent for Millet and only 10-20 percent for Sesame (FAO KSA). Sorghum forage is very important commodity in Jazan and other regions with farmers harvesting the

⁵² Agricultural Production Survey Bulletin. General Authority of Statistic, 2019.

same field 2-3 times to obtain biomass for animals. These three crops along with rain-fed wheat and barley are targeted by the current project in the provinces of Makkah, Aseer, Al Baha and Jizan.

Baked goods production is largely dominated by independent and traditional bakeries, which account for nearly half of the overall market share.⁵³ Since products like flour and bread have a regulated fixed price, bakery companies offer an expanded product range of value added products in order to capitalize on more profitable bakery market segments. Even though the number of supermarkets and hypermarkets in the country is consistently growing, baked products outlets are mostly traditional bakeries or stores. This challenges producers to building an efficient supply chain in order of maintaining fresh out of the oven products for Saudi consumers.

9.2.4 Demand and importation:

Saudi Arabia is a major importer of cereals, with a value of around US\$ 4.3 billion in 2020. In a top of most imported cereals rice places first, followed by barley, corn, and wheat. WHEAT- SAGO is the exclusive importer of subsidized food-grade wheat in Saudi Arabia. The major food suppliers of wheat are the EU, Germany, Lithuania, and Poland. BARLEY- Imported barley is used for animal feed. Approximately 80 percent of imported barley is fed to sheep, camels, and goats without further processing in combination with green forage⁵³.

In 2019 around 3 million tons' wheat, around 7 million tons' barley and around 1.5 million tons' rice were imported to KSA. In addition, maize imports were estimated at 5 million tons in 2020 with domestic production only around 50,000 tons (FAOSTAT).

KSA imports large quantities of sesame seed every year. In 2015, the import was doubled (47448 MT). The imported sesame seeds are processed into sesame oil for the domestic markets. The extracted oil is bottled and sold under a brand name across the country. KSA also import small quantities of sesame oil. The import of millet has trebled in the last two decades but sorghum import remained inconsistent. Millet and sorghum are consumed domestically (FAO KSA, 2018).

9.2.4 Famous type of cereals and its products:

Sorghum and millet grain is exclusively used for food through milling and preparation of various products. Sorghum grain has two main food applications: a) traditional steamed, baked boiled or deep fried foods; b) sorghum grain as addition to functional foods – snacks, staple food and beverages.

Millet may go through three pre-processing procedures: a) de-pearling/branning; b) conditioning; c) germination. Depending on the final product this may be followed by drying, milling and grinding. The final products groups are composite flour; bakery products, extruded snacks, traditional porridge, breakfast cereals and other foods.

Sesame seeds are widely used in bakery, for oil production and sesame cakes as residue from oil industry is used as animal feed.

9.2.6 Prices:

The retail prices vary widely within the city depending on the location of retail outlets. The produces are available in both packaged or loose forms. Some retailers use traditional measurement for the

⁵³ Best Food Importer. <https://bestfoodimporters.com/food-importers-and-food-import-trends-in-saudi-arabia-2020/>

loose produce (a metallic container with a carrying capacity of around 6kg) while in cities such as Riyadh and Jeddah they use weighing scales.

Table 9.1: Cereals prices paid to farmers and paid by consumers along the supply chains (source FAO KSA)

Types	Price paid to farmers (SAR)/kg	Price paid by consumers (SAR)/kg
Sorghum	3-4	6-7
Millet	5-8	15-17
Sesame seed	10-15	20-25

9.3 Rain-fed cereal and its products marketing channels:

9.3.1 Direct marketing channels:

Cereal producers use below marketing channels for marketing their products in KSA.

1- Sell in the market centers directly to consumers:

After harvest, some cereal farmers take their products to the government managed markets (ag-marketing centers) and sell directly to the consumers. Through this market, farmers get higher prices.

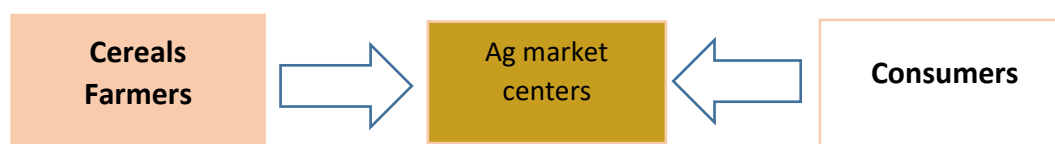


Figure 9.2: Marketing cereals in the Ag-marketing centers

2- Sell in the flourmills to consumers:

Some cereals farmers own the flourmills and further process their products and sell directly to the consumers. To meet the demand, they are also buying from other farmers.

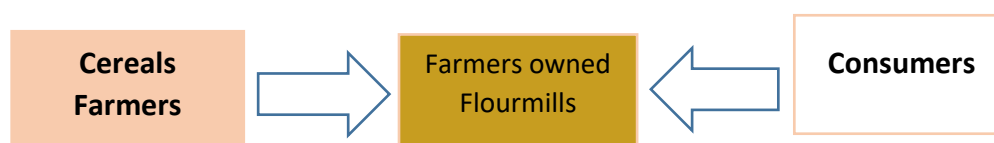


Figure 9.3: Marketing cereals from the farmer's own flourmills

9.3.2 Indirect marketing channels of locally produced cereals:

1- Sell to retailers: through this indirect marketing channel, farmers market their products to the retailers and retailers further sell it the consumers.



Figure 9.4: Farmers to retailers marketing channels

- 2- **Sell through flourmills:** Cereals farmers sell their products to the flourmills and flourmills further sell to the consumers. Flourmills could further sell to the retailers and supermarkets (sesame seeds and sesame oil).



Figure 9.5: Marketing cereals through the flourmills

- 3- **Farmers sell to traders:** Farmers supply to the local traders. Local traders further supply the products to the bigger suppliers and the bigger suppliers sell to the retailers and some time to the wholesalers. In some cases, the sesames seeds could be exported for the big suppliers.

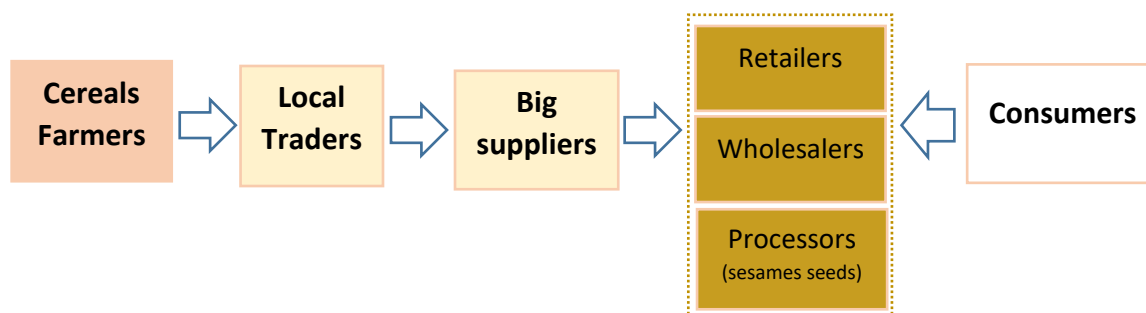


Figure 9.6: Marketing cereals through local traders and big suppliers

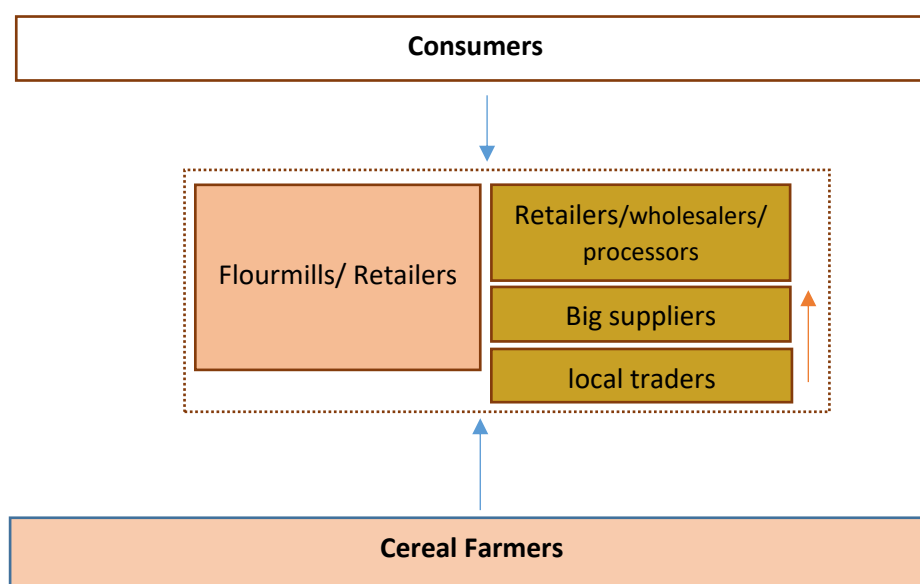


Figure 9.7: Locally produced cereals (sorghum, millet and sesame) indirect Marketing Channels

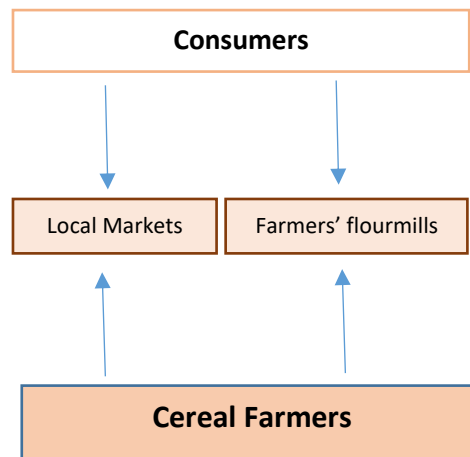


Figure 9.8: Locally produced (sorghum, millet and sesame) direct Marketing Channels

9.3.3 Imported cereal products marketing channels:

Cereals and cereal's products are imported by big suppliers or directly by the retailers' chains. The imported products are further distributed to the retailers, flourmills, wholesalers, processors (sesame seeds). Big retail chains procure through their own procurement units both within and outside the country and distribute directly to the consumers.

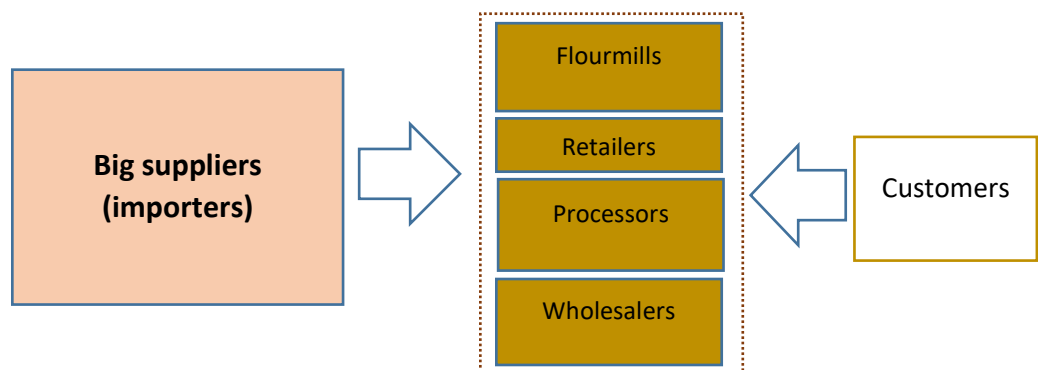


Figure 9.9: Distribution channels of imported cereals products

9.4 Marketing challenges:

- Competition with cheaper imported products. Local processing units and flourmills prefer to buy cheaper imported produce
- Lack of grade quality standards
- No brand for the local products such as "Saudi products, Produced in Saudi etc.". This will provide opportunities to mix or sell imported as local produces
- Mostly farmers sell without any value addition
- Limited market access of small farmers to sell directly to final consumers
- Lack of established market linkages with big suppliers and retail chains

- Weak collective and group marketing
- Weak storage facilities, which effect quality and marketing
- Lack of smallholder's skill on business and marketing

9.5 Opportunities:

- Available support to promote cereals cooperative and collective marketing
- Huge local demand for cereals' products
- Good demand for the local quality cereals products
- Government support for the cereals sector development
- Access to finance by Agriculture Development Fund (ADF)
- MoEWA support for the cereals development through SRAD programme
- Interest and willingness of big retail chains to procure directly from small producers through their associations/ cooperatives
- Available support for the digital and online sales
- MoEWA to provide direct subsidies to the small cereal farmers

9.6 Recommendations:

- Support the establishment of cereal marketing centers
- Develop standards and quality grades for the local produces
- Prepare pricing guidelines and standards based on quality grade
- Develop appropriate contract farming models and other direct marketing strategies for the rain-fed cereals farmers
- Facilitate access to market information
- Support the development of rain-fed online marketing platforms
- Assist small producers to produce and market value-added products. And
- Support to prepare "national brand" for the local products
- Develop and implement training programme to strengthen business and marketing skills of the target rain-fed cereal producers

9.7 Rain-fed Cereal Ag-Marketing Interventions & implementation:

9.7.1 Stakeholders' engagement:

To identify and map key stakeholders and draw out their interests and assess the appropriate way of their participation, stakeholder engagement guide⁵⁴ was followed for data collection and will be further followed for the implementation of rain-fed cereal's marketing interventions.

Table 9.2: Potential Rain-fed cereal Ag-Marketing major stakeholders and their responsibilities and spheres of influence

Intervention	Stakeholders	Interests & Role	Priority
Market centers, Contract Farming, E-Market Info system	Firms, companies, and Investors/importers	Promote, guarantee markets; may advance inputs and technical advice to the contracted growers (under CF). Use market information.	High

⁵⁴ This guide is prepared by the FAO KSA programme director and is available to all the staff

Contract Farming, E-Market Info system, Capacity building and market centers	Target smallholders and their specialized agricultural cooperatives/lead farmers	Primary role in production Key partner for contract farming Better income Secure access to market, inputs, resources, and technical information Need capacity building on marketing Secure access to market centers	High
Contract Farming, E-Market Info system, Capacity building, market centers	Ministry of Environment, Water and Agriculture	Major responsibility for the enabling environment Key implementation partner Funding for infrastructures	High
Contract Farming	Agriculture Development Fund (ADF)	Provides finance and promote CF	High
Contract Farming, E-Market Info system	Ministry of Commerce	Responsibility for the enabling environment for CF	High
Contract Farming,	Saudi Chamber of Commerce and Industry	Could be focal point for CF	High
Contract Farming, Capacity building, E-Market Info system	Saudi Cooperative Societies Council	Responsibility to help and support cooperatives and farmers' group (for CF, Market Information) and capacity building	High
Capacity building, E-Market Information System	Extension services	Provided technical advice and disseminate market information	High
Contract Farming,	Financial Institutions (both private and governmental)	Provides finance and general banking services to firms and farmer for CF	High
Contract Farming, Capacity building, market centers	Development organizations and NGO	Facilitate / promote interventions	High
E-Market Info system, market centers	Consumers and their associations	Purchase the end product. Feedback on product acceptance and future demand, use market centers	Medium

A combination of various techniques is identified to be used (already used during data collection for this report) to involve the identified stakeholder's representatives at various stages of the interventions since each of methods has pro and cons when it comes to engaging with stakeholders.

- **Multi-Stakeholder Focus Groups** will be formed to involve representatives from key stakeholders and to obtain quality information and feedback on specific issues/topics in a relaxed environment.
- **One-On-One Meetings** will be conducted with various stakeholders to gain a detailed understanding of the viewpoints and reasoning or explain issues and topics that are unclear to stakeholders and to request clarification of their responses.
- **Questionnaires/Survey** will be prepared and used as a useful way of gathering feedback from a wide range of stakeholders. Questionnaires were structured or unstructured and in some cases were delivered via the web, email, face to face, or over the phone.
- **Stakeholder Interviews** will be arranged to fully understand an issue and draw out a specific perspective of the most influential stakeholders. It includes in-person, phone and group interviews based on a series of questions related to a topic of interest to generate ideas, elicit feedback and/or answer a set of pre-determined questions.
- **Consultation Workshops or Forums** will be planned and organized with a defined agenda to discuss a topic, capture requirements, build teams, and develop their understanding of the matters.
- **Formal and Informal Reviews** will be organized with the specific intent to review existing proposal, report, document, or a prototype (under stage 2 of the methodology).

- **Online data:** Some data and information will be collected online from MoEWA, Saudi government websites and FAO (FAO STAT) and from other trustworthy websites.

9.7.2 List of “Rain-fed cereals” AgMarketing interventions under SRAD project

- ✓ (3.3.5) Support the establishment and development of local rainfed crop marketing centres.
- (3.3.11) Review and assess status of contract farming and other direct marketing methods as implemented in Saudi Arabia.
- ✓ (3.3.12) Benchmark best models and success stories of contract farming regionally and globally.
- ✓ (3.3.13) Develop appropriate contract farming models and other direct marketing strategies for rainfed cereals small producers;
- ✓ (3.3.20) Develop smallholder-adapted e-market information systems to enable access to useful, timely and transparent market and price information for improved decision making.
- ✓ (3.3.20) Develop and implement training programme to strengthen business and marketing skills of cereal's farmers

9.7.3 Interventions Implementation:

The mentioned rain-fed cereal Ag-Marketing interventions are under implementation in four (4) categories:

1) Establishment marketing centers

Based on collected information, the rain-fed cereal marketing centers development plan will be prepared and implemented. The rain-fed cereal marketing centers will provide opportunities for those small cereal farmers to directly market to the consumers.

2) Establish win-win Contract Farming models for rain-fed cereal:

The implementation plan for overall responsible Contract Farming operations is prepared and is under implementation (more information regarding the Contract Farming plan is available with FAO KSA). Through the mentioned plan, Saudi rain-fed cereal farmers will be connected to the potential buyers and markets. Based on collected and analyzed information in this section, the Contract Farming field operation plan for rain-fed cereal will be prepared and implemented.

3) Develop smallholder-adapted e-market information system

Under the E-Market Information system, all information re the Saudi rain-fed cereal will be added and will be available online to the rain-fed cereals' stakeholders. Based on the collected and analyzed information, part of rain-fed cereal E-Marketing information system plan will be prepared.

4) Strengthening capacity of rain-fed cereal farmers on Marketing

Under this activity, a complete package of capacity building materials will be prepared, to train rain-fed cereal farmers and all stakeholders on marketing.

Chapter 10: Coffee Arabica Marketing Situation Analysis

10.1 Summary:

In this chapter we have collected and analyzed “Coffee Arabica Marketing Situation” in KSA. Some information on coffee global situation is provided in part one. Under the Arabic coffee national context, information regarding local production and supply, demand, and importation of coffee products to KSA, range of available products and prices in KSA is provided.

In part three of this section, coffee marketing channels are well explained. Marketing channels both direct and indirect are well explained. Imported coffee products and its distribution channels is also described.

In part four, five and six, marketing challenges, opportunities, recommendation and project interventions implementation are well elaborated. For additional information such as Contract Farming and Geographical Indications development plans, you may need to read the mentioned plans, as it provides very details information and implementation details (this could be accessed from the project management unit).

10.2 Current situation:

10.2.1 Global context:

Coffee is one of the historical and important socio-economic crops impacting livelihoods of over 120 million people across the globe. It receives increasing attention due to its positive interlinkages with the economic growth and on the gross domestic product for most of the producing countries, particularly, developing and least developed countries. Over the past 55 years, both production and consumption of coffee have risen considerably. Consumers have reaped some of the benefits through a greater variety of coffee products, improved quality and lower real prices. Some coffee producing countries have seen considerable benefits through higher yields and growing volumes of sales. But many, especially smallholders, who produce the majority of the world’s coffee, are also facing growing challenges from climate change and more difficult natural growing conditions.

There are about 124 species of the genus coffee. However, only two of these species, arabica (*Coffea arabica* L) and robusta (*Coffea canephora* Pierre) are responsible for all the world production, contributing nearly 60 percent and 40 percent respectively⁵⁵.

According to the ICO, total production for coffee year 2020/21 is estimated at 169.50 million bags of 60 kg each, representing a 0.3 percent increase on 168.94 million bags in coffee year 2019/20. Arabica production is expected to increase by 2.2 percent to 99.1 million bags while the production of Robusta coffee is expected to decrease by 2.1 percent to 70.4 million bags. Although world consumption is increasing, it remains 1.4 percent below world production⁵⁶.

Globally, coffee is traded in variety of forms including green coffee, roasted coffee, coffee extracts, coffee husks and skins. Although coffee is produced in nearly 80 countries, it is traded in over 160 countries and consumed across the globe⁵⁷.

⁵⁵ FAO KSA, 2018

⁵⁶ International Coffee Organization (ICO), accessed August 10, 2021

⁵⁷ FAO KSA –coffee value chain report, 2018

Established markets in North America, Europe and Japan account for almost 53 percent of world coffee consumption. Per capita consumption varies considerably from one country to another. There is thus considerable potential for increasing global consumption⁵⁸.

10.2.2 Saudi context

In Saudi Arabia, the suitable environmental conditions in the highland of the south-western part of the Assarawat mountains from Jazan province south until Shada mountain in Al-Baha north, and in Asir helped coffee to grow in the regions. The region of Jazan contains 16 provinces, and six of them practice the cultivation of Khawlani coffee beans⁵⁹.

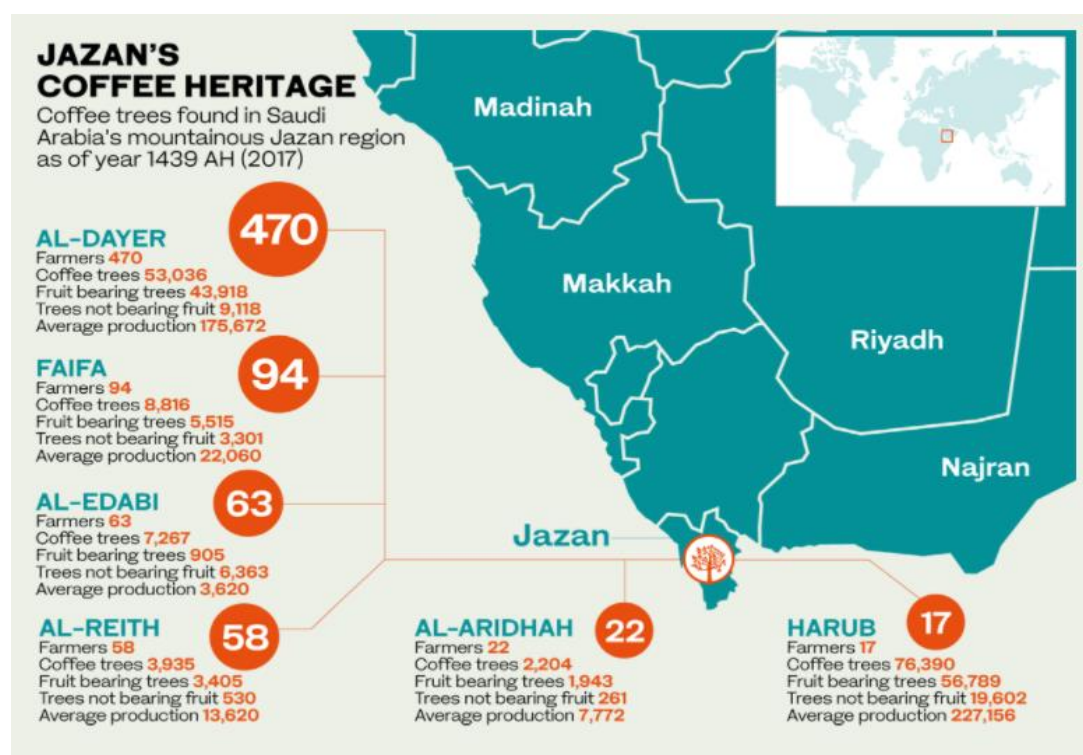


Figure 10. 1: Numbers of farmers and coffee trees in Jazan by 2017 (source, Arab news)

However, despite the relative comparative advantage of coffee cultivation in large areas and growing demand for coffee in the local markets, coffee cultivation in Saudi Arabia has not received the deserved prominence. Coffee production holds promise and therefore, promotion of coffee supply chain systems may go a long way in benefiting the small coffee farmers in the kingdom.

Market overview:

In recent years, Saudi Arabia coffee market grew at a considerable rate due to the fast-paced lifestyle, growing working-class population, changing consumers' preferences, and rising demand from the youth in line with the trend of cafes outing culture. The growing popularity of café culture and restaurant meetings amongst the corporates would further boost the coffee demand in the country. It is projected that the Saudi Arabia Coffee Market to grow at a CAGR of 6.2 percent during 2021-2027. In addition, the coffee market in Saudi is majorly import-driven and African, Asian, and Latin American

⁵⁸ International Coffee Organization (ICO)

⁵⁹ Araba News "The case for protecting Saudi Arabia's ancient art of Khawlani coffee production". January 2020

nations are the major exporters of coffee to the Kingdom. Arabica occupied the majority of revenue share in 2020, and the same trend is expected during the forthcoming years, owing to end-consumer taste combined with health benefits ⁶⁰. In addition, 50 percent of the imported coffee was imported in the coffee green or unroasted form.

10.2.3 Local production and supply:

Saudi Arabia grows coffee Arabica. Traditional Arabica coffee has a long history and great social significance and it is used to welcome guests, celebrate weddings and other events.

The significance of Khawlani coffee goes beyond its cultivation. The process entails a celebration of familial ties and heritage as well as respect for the local land. Arabica coffee is an economically important crop and the local supply stands today at ~325 tons (MoEWA) which only covers 0.6 percent of demand, with the country relying on imports for the rest (figure 3).

9.2.4 Demand and importation:

At the core of Khawlani coffee is the beauty of generosity. Offering small cups of coffee to guests is an age-old tradition in Saudi Arabia — one practiced since ancient times. For the community of Khawlan, it is of utmost importance to offer visitors coffee using beans harvested from their farms. It's a sign of honour and respect. Demand for both local and imported coffee and coffee products is high. In 2018, in Saudi Arabia coffee consumption was 1.6 kg per capita per year⁶¹.

The last decade also saw the rapid rise in the number of café/bars in the kingdom, driven largely by the rising urban culture, increasing and working youth population, changing food habits and high disposable incomes. Accordingly, there was a rapid growth in the footprints of global chains of coffee houses and local entrepreneurs run coffee houses. It contributed to higher coffee consumption and import as well due to limited local production.

The local coffee production only covers 0.6 percent of the demand and the rest is imported. Saudi Arabia imports coffee green (unroasted), coffee roasted, coffee extracts, coffee husks and skins, and coffee substitutes containing coffee. In 2019, Saudi Arabia imported 96,856 tons of coffee in which 50 percent was imported in coffee green or unroasted form. Saudi Arabia also re-export a small quantities of green coffee to other markets.

⁶⁰ Saudi Arabia Coffee Market Report 2021: Market is Projected to Grow at a CAGR of 6.2% During 2021-2027. Research and Markets, 2021.

⁶¹ FAO KSA, 2018

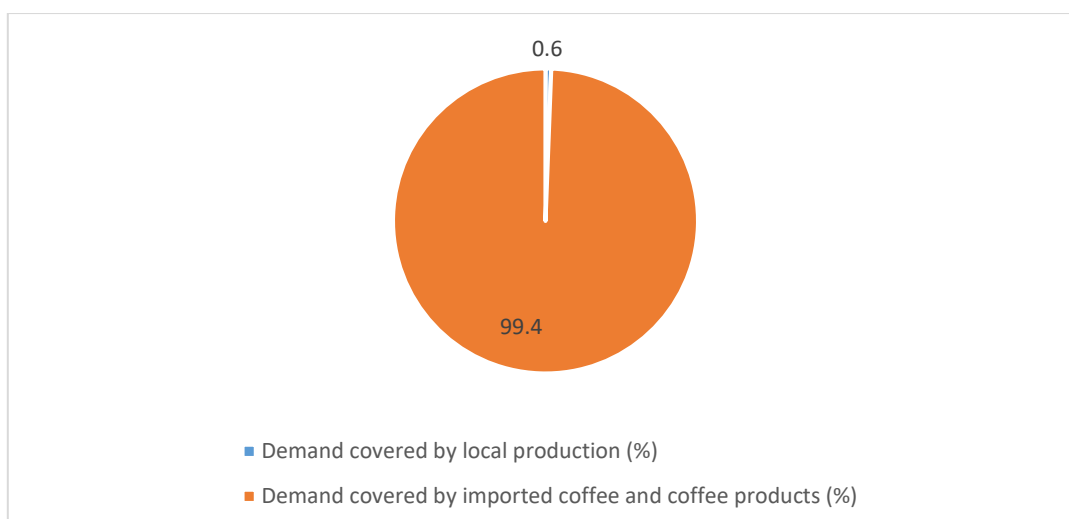


Figure 10.2: Local demand for coffee covered by local and imported coffee (percentage)

Table 10.1: Coffee importation and consumption in KSA (2013 – 20019), (source, FAO KSA coffee sector review study)

Year	Green coffee Tons	Roasted (tons)	Coffee extract (tons)	Substitutes containing coffee (tons)	Total imports (tons)	Consumption
2013	38,253	1,639	16,141	4,781	60,184	
2014	42,575	1,836	16,097	5,028	65,535	
2015	50,464	2,300	20,394	4,091	77,249	
2016	44,248	2,822	9,515	169	71,077	85,800
2017	52,398	3,855	8,656	125	83,343	87,540
2018	55,176	4,511	26,889	2,769	89,345	91,670
2019	48,694	9,982	25,493	12,687	96,856	95,880

10.2.4 Range of coffee products:

The coffee and coffee products are available in the local markets in different forms such as green beans, roasted beans, soluble powder mixed with spices such as cardamom, clove and saffron, branded instant packaged coffee, substitutes and coffee skins/husks.

Locally produced coffee bean are used to prepare “Qahwa” or Arabic coffee. In Saudi Arabia Qahwa ingredients could be light roasted coffee, cardamom, cloves, ginger and saffron. Offering small cups of Qahwa to guests is an age-old tradition in Saudi Arabia. Coffee Husk (Skin) of the locally produced coffee is also used for drinking.

9.2.6 Prices:

The price of local green coffee beans is four to five times higher than the imported green coffee beans, and therefore, may not compete in the international markets. However, it can get premium price as a specialty coffee.

As the retail prices for the locally produced coffee are high. This sometime could become a reason for adulteration. The cheaper imported coffee beans are mixed with the locally produced coffee and in some cases imported coffee from Ethiopia and Yemen is sold as local in Jazan region. In some cases, imported coffee is sold in the festivals as “Jazan coffee”.

Table 10.2: Locally produced coffee prices along the supply chain (source FAO KSA)

Types	Price paid to farmers (SAR)/kg Green beans	Price with traders (SAR)/kg Roasted beans	Price with retailers (SAR)/kg Roasted beans
Local coffee	80 - 100	100 -120	120 - 180

10.3 Local coffee marketing channels:

10.3.1 Direct marketing channels:

Coffee producers use below marketing channels for marketing their products in KSA.

1- Sell in the coffee festivals:

After harvest, coffee producers sell their products to the consumers. Visitors from around the country visit the festivals and purchase the locally produced coffee. Coffee festivals take place on a yearly basis in coffee specific regions (Jazan) as well as in Riyadh (in December).



Figure 10.3: Marketing coffee in the coffee festivals

- 2- **Sell through Social Media:** Farmers displays coffee beans on social media channels (such as Facebook, Whatsapp, Instagram) and communicate with customers for deals.
- 3- **Sell in the local markets and sales points:** In some cases, farmers sell the coffee bean in the nearby available market places.

10.3.2 Indirect marketing channels of locally produced coffee:

Sales highly dependent on farmer relations, reputation and negotiation skills instead of coffee quality and taste.

- 4- **Sell to retailers/roasters/traders:** through this marketing channel, farmers market their products to the retailers/rosters and traders. The roster company roast the beans and further

sell it the consumers and to the coffee houses. Farmers usually build relationships with neighboring roasting companies and sell them their green beans.

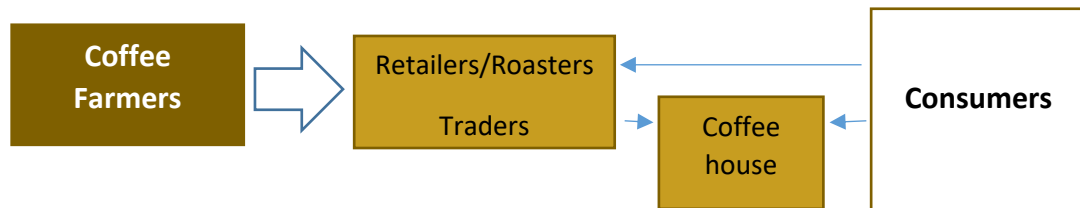


Figure 10.4: Coffee farmers to retailers and roasting companies - marketing channels

- 5- **Sell through pre-agreed contracts with retailers:** Some retailers have some sort of agreement and buy directly from the farmers. This is to source and guarantee their access to the local coffee production.

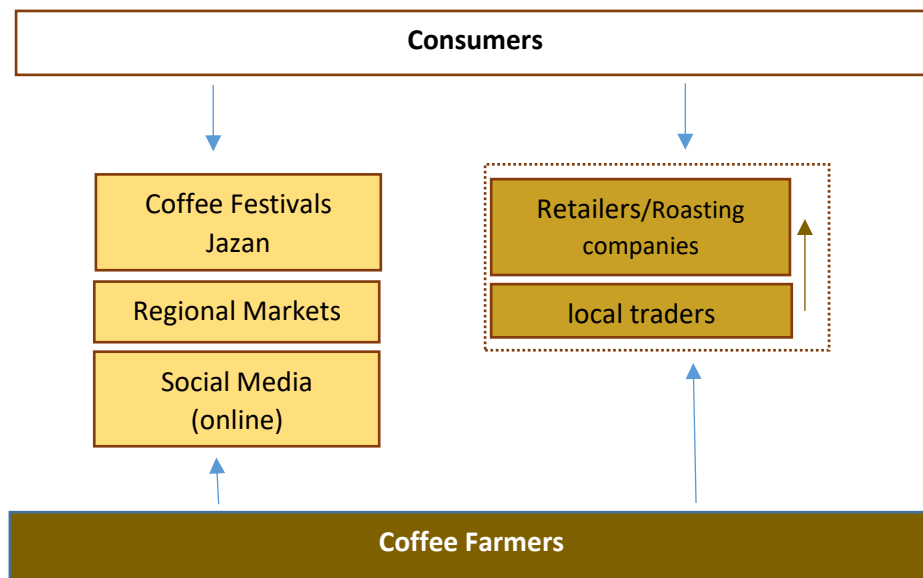


Figure 10.5: Marketing Channels of the locally produced coffee

10.3.3 Imported coffee marketing channels:

- (i) Coffee (green, roasted, extract and other forms) is imported by big importers and companies. Some of the mentioned importers are processors and process the green beans into roasted or other coffee products such as powder. The imported coffee is further distributed through wholesalers, retailers and coffee houses. Some small volume coffee is re-exported by the importer and processors.

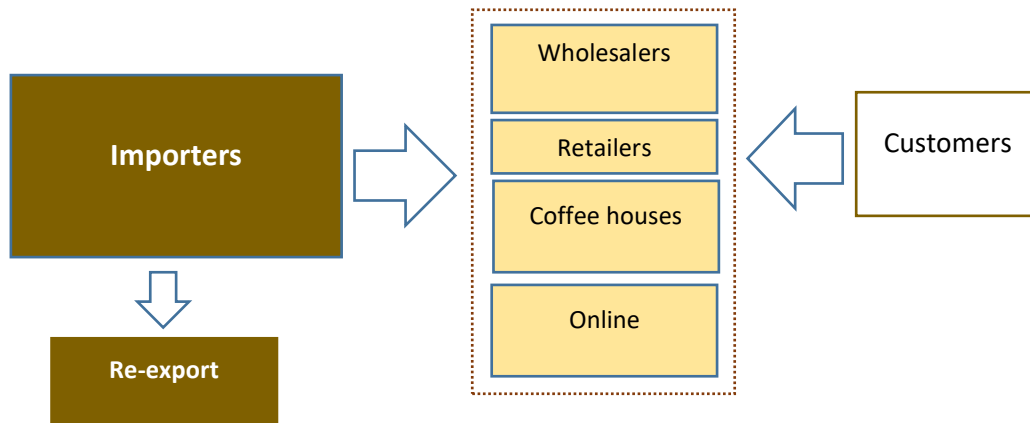


Figure 10.6: Distribution channels of imported coffee by importers

- (ii) Big retail chains import and sell through their chain of outlets and online. Retail chains also procure from big importer and companies and sell through their chain of outlets. Some retail chains sell packed instant coffee in their own brand name as well.

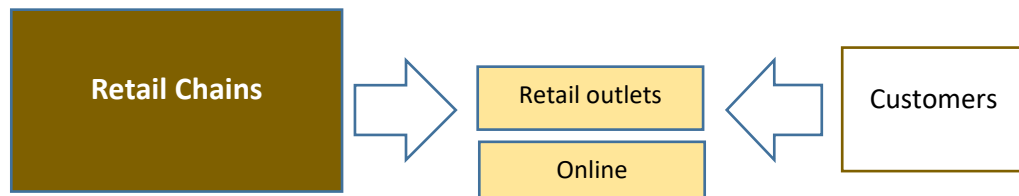


Figure 10.7: Distribution channels of imported coffee and coffee products by retail chains

- (iii) Ccoffee house chains import green coffee beans, roast it and sell various specialty coffee drinks and products to the consumers. Individual coffee house procures from the importers or import directly. There are numbers of global coffee house chains operating in the kingdom such as Dunkin Donuts, Star bucks, Caribou, Tim Hortens, Dr. Café Coffee, Java and Nespresso.

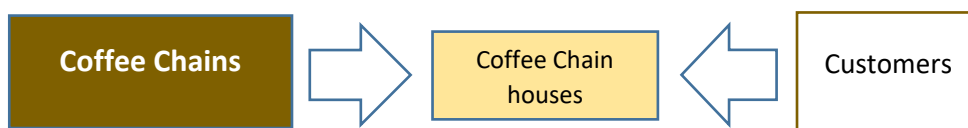
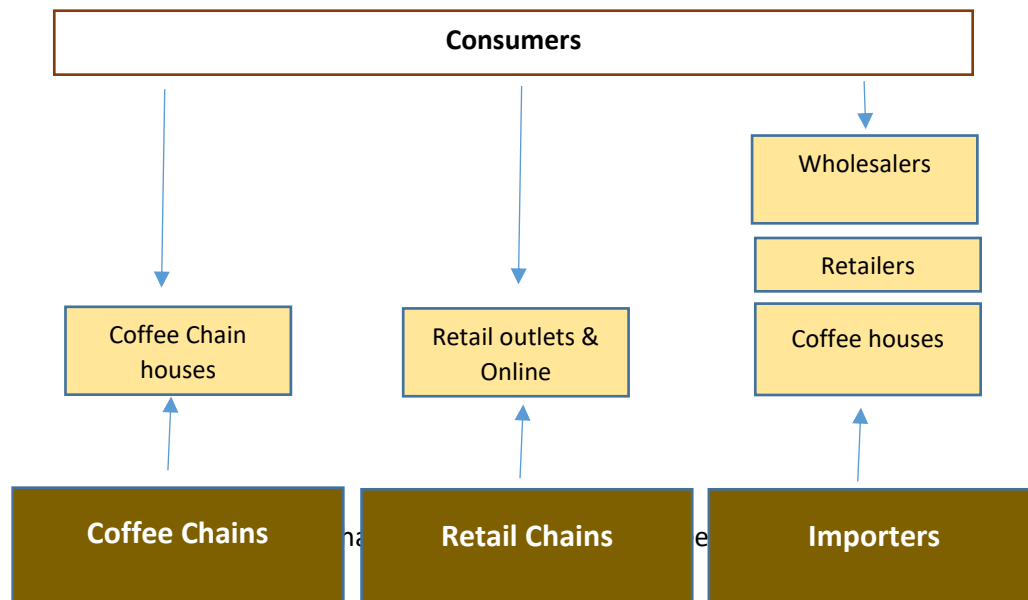


Figure 10.8: Distribution channels of imported coffee by the coffee chains



As has mentioned, 50 percent of the imported coffee was imported in the coffee green or unroasted form (table 1).

10.4 Marketing challenges:

- Lack of coffee grade and quality standards
- No national brand for the Saudi products such as “Saudi products, produced in Saudi, origin linked – Geographical Indication etc.”. This provides opportunities to adulterate or sell imported as local products
- High cost of production and lack of economies of scale
- Mostly farmers sell without any value addition
- Farmers lack knowledge on modern processing
- Limited market access of small farmers to sell directly to final consumers
- Weak collective and group marketing – no well-established and skilled coffee cooperative
- Poor postharvest handling – affect the quality for marketing
- Lack of access to market information
- Lack of smallholder’s skill on business and marketing

10.5 Opportunities:

- High coffee consumption in KSA
- Huge demand for the local quality coffee
- Traditional coffee culture
- Available support to promote local coffee cooperative and collective marketing
- Government support for the coffee sector development
- Access to finance by Agriculture Development Fund (ADF)
- MoEWA available subsidy directly to the small coffee farmers
- MoEWA support for the coffee development through SRAD programme
- Interest and willingness of big retail chains to procure directly from small producers through their associations/ cooperatives
- Available support for the digital and online sales

10.6 Recommendations:

- Increase coffee production to levels that can support a market niche
- Support the establishment of marketing centers
- Develop standards and quality grades for the local coffee
- Prepare pricing guidelines and standards based on quality grade
- Promote coffee –agro tourism
- Develop appropriate contract farming models and other direct marketing strategies for the coffee farmers
- Strengthen collective marketing
- Facilitate access to market information
- Support the development of coffee online marketing platforms
- Assist small producers to produce and market value-added products.
- Support to establish “national brand” for the local products
- Develop and implement training programme to strengthen business and marketing skills of the target coffee producers

10.7 Arabic Coffee Ag-Marketing Interventions & implementation:

10.7.1 Stakeholders’ engagement:

To identify and map key stakeholders and draw out their interests and assess the appropriate way of their participation, stakeholder engagement guide⁶² was followed for data collection and will be further followed for the implementation of coffee marketing interventions.

Table 10.3: Potential coffee Ag-Marketing major stakeholders and their responsibilities and spheres of influence

Intervention	Stakeholders	Interests & Role	Priority
Processing and marketing	Saudi Cooperative Societies Council , Farmer Cooperatives	Form, establish and operationalize coffee cooperatives Central processing and marketing of coffee gain from economies of scale	High
Contract Farming, E-Market Info system	Firms, companies, and Investors/importers	Promote, guarantee markets; may advance inputs and technical advice to the contracted growers (under CF). Use market information.	High
Contract Farming, E-Market Info system, Capacity building	Target smallholders and their specialized agricultural cooperatives/lead farmers	Primary role in production Key partner for contract farming Better income Secure access to market, inputs, resources, and technical information Need capacity building on marketing Secure access to market centers	High
Geographical Indication	Saudi Arabia Intellectual Property Authority (SAIP)	Register and protect GI Need capacity building on GI registration and protection	High
GI	Saudi Arabia Standardization Organization (SASO)	Responsible for developing quality standards, GI, postharvest handling management	High
GI	Farmer cooperatives/associations	Development of BOR, adherence to the GI	High

⁶² This guide is prepared by the FAO KSA programme director and is available to all the staff

Contract Farming, E-Market Info system, Capacity building,	Ministry of Environment, Water and Agriculture	Major responsibility for the enabling environment Key implementation partner Funding for infrastructures	High
Contract Farming	Agriculture Development Fund (ADF)	Provides finance and promote CF	High
Contract Farming, E-Market Info system	Ministry of Commerce	Responsibility for the enabling environment for CF	High
Contract Farming,	Saudi Chamber of Commerce and Industry	Could be focal point for CF	High
Contract Farming, Capacity building, E-Market Info system	Saudi Cooperative Societies Council	Responsibility to help and support cooperatives and farmers' group (for CF, Market Information) and capacity building	High
Capacity building, E-Market Information System	Extension services	Provided technical advice and disseminate market information	High
Contract Farming,	Financial Institutions (both private and governmental)	Provides finance and general banking services to firms and farmer for CF	High
Contract Farming, Capacity building	Development organizations and NGO	Facilitate / promote interventions	High
E-Market Info system	Consumers and their associations	Purchase the end product. Feedback on product acceptance and future demand,	Medium

A combination of various techniques is identified to be used (already used during data collection for this report) to involve the identified stakeholder's representatives at various stages of the interventions since each of methods has pro and cons when it comes to engaging with stakeholders.

- **Multi-Stakeholder Focus Groups** will be formed to involve representatives from key stakeholders and to obtain quality information and feedback on specific issues/topics in a relaxed environment.
- **One-On-One Meetings** will be conducted with various stakeholders to gain a detailed understanding of the viewpoints and reasoning or explain issues and topics that are unclear to stakeholders and to request clarification of their responses.
- **Questionnaires/Survey** will be prepared and used as a useful way of gathering feedback from a wide range of stakeholders. Questionnaires were structured or unstructured and in some cases were delivered via the web, email, face to face, or over the phone.
- **Stakeholder Interviews** will be arranged to fully understand an issue and draw out a specific perspective of the most influential stakeholders. It includes in-person, phone and group interviews based on a series of questions related to a topic of interest to generate ideas, elicit feedback and/or answer a set of pre-determined questions.
- **Consultation Workshops or Forums** will be planned and organized with a defined agenda to discuss a topic, capture requirements, build teams, and develop their understanding of the matters.
- **Formal and Informal Reviews** will be organized with the specific intent to review existing proposal, report, document, or a prototype (under stage 2 of the methodology).
- **Online data:** Some data and information will be collected online from MoEWA, Saudi government websites and FAO (FAO STAT) and from other trustworthy websites.

10.7.2 List of “Arabic Coffee” AgMarketing interventions under SRAD project

- ✓ (3.3. 8) Explore and establish geographical indication and develop effective branding strategies for Arabic coffee
- ✓ (3.3.11) Review and assess status of contract farming and other direct marketing methods as implemented in Saudi Arabia.
- ✓ (3.3.12) Benchmark best models and success stories of contract farming regionally and globally.
- ✓ (3.3. 17) Develop appropriate contract farming models and other direct marketing strategies for Arabic coffee producers.
- ✓ (3.3.20) Develop smallholder-adapted e-market information systems to enable access to useful, timely and transparent market and price information for improved decision making.
- ✓ (3.3.20) Develop and implement training programme to strengthen business and marketing skills of coffee farmers

10.7.3 Interventions Implementation:

The mentioned coffee Ag-Marketing interventions are under implementation in four (4) categories:

1- Establish Geographical Indications (GI) for Jazan coffee:

The overall implementation plan for GI is prepared and is under implementation. Through the mentioned GI implementation plan, Jazan coffee is a potential candidate and will receive GI certification (more information regarding the GI plan is available with FAO KSA). Based on collected and analyzed coffee information, the GI field operation plan for coffee will be prepared and implemented.

2- Establish win-win Contract Farming models for coffee:

The implementation plan for overall responsible Contract Farming operations is prepared and is under implementation (more information regarding the Contract Farming plan is available with FAO KSA). Through the mentioned plan, Saudi coffee farmers will be connected to the potential buyers and markets. Based on collected and analyzed information in this section, the Contract Farming field operation plan for coffee will be prepared and implemented.

3- Develop smallholder-adapted e-market information system

Under the E-Market Information system, all information regarding the Saudi coffee will be added and will be available online to the coffee's stakeholders. Based on the collected and analyzed information, part of coffee E-Marketing information system plan will be prepared.

4- Strengthening capacity on Marketing

Under this activity, a complete package of capacity building materials will be prepared, to train coffee farmers and all stakeholders on marketing.

Chapter 11: Subtropical Fruits (pomegranates, grapes and figs)

Marketing Situation Analysis

11.1 Summary:

In this chapter we have collected and analyzed “Subtropical fruits Marketing Situation” in KSA. Some information on the fruits global situation is provided in part one. Under the subtropical fruits national context, information regarding local production and supply, demand, and importation of fruits to KSA, range of available products and prices in KSA is provided.

In part three of this section, subtropical fruits marketing channels are well explained. Marketing channels both direct and indirect are well explained. Imported subtropical fruits and its distribution channels are also described.

In part four, five and six, marketing challenges, opportunities, recommendation and project interventions implementation are well elaborated. For additional information such as Contract Farming and Market centers development plans, you may need to read the mentioned plans, as it provides very details information and implementation details (this could be accessed from the project management unit).

11.2 Current situation:

11.2.1 Global context:

An estimated 80 percent of all fruits, grown globally, are sold as whole fresh fruit, and about 9 percent of all fruits grown, are traded internationally, and that share is still increasing. The fresh fruit market is still growing, mainly outside of the United State of America and the European Union. In mature markets, consumer preferences seem to be shifting towards fruit with a more natural and fresher image, including frozen fruit. This is at the expense of shelf-stable products like juice and canned fruits. In the last decade, global demand for frozen fruit has increased by 5 percent a year. At the same time, global demand for preserved fruit (in cans, pouches, and bottles) has remained flat on a global basis and decreased by over 1 percent a year in Europe, Australia, and the US. Bananas, apples, citrus fruits, and grapes are traded worldwide, with Latin America as a dominant global export force and China as a giant and increasing import market. A large share of fruit is processed, with juice being a major industry.

The global fresh fruits market is set to experience favourable growth driven by factors such as rising middle-class population, an upsurge in disposable income, rapid urbanization, changing consumer lifestyles and rise in veganism.

China, Italy and the USA are the leading producers of grapes in the world. Saudi Arabia was ranked 52nd in the grape production (in 2016) with a modest productivity of around 11 MT /Ha. In the case of figs, Turkey is by far the leading producer in the world, followed by Egypt and Algeria. In 2018, top ten producers of pomegranate in the world includes Iran, USA, China, India, Israel, Egypt, Spain Turkey, Afghanistan and Belgium. Iran is the leading producer with an annual production of 1 million tons.

11.2.2 Saudi context

Tropical fruits are grown across the country, dates, grapes and watermelon are most widely produced fruits in Saudi Arabia.

Pomegranate has been a revered fruit of Saudi Arabia for its taste, health, and medicinal qualities. Its ancient roots in Mediterranean and Arabian Peninsula have social and cultural citations as “Bounty of Paradise”. In traditional folkloric medicine in the Middle East, powdered pomegranate peelings are used to treat burns and infected cuts and wounds over the years. Pomegranate cultivation has distinctly located in the regions of Al Baha and Taif for growing iconic red pomegranates and local “mangultai” variety. The regional presence in cultivation and socio-cultural significance needs promotion and conservation with demarcated geographic identity.

Saudi Arabia is biophysical potentially suitable for fig production as it grows in desert and semi-desert conditions with little rainfall and humidity. Fig tree has high water use efficiency and potential for conservation of natural resources. Fig farms spread in south-west regions of KSA with Jazan and Makkah as most important regions for fig production.

Different grape varieties are produced in the regions of the KSA. The grape cultivated area in KSA is estimated at 8300 ha.

Market overview:

Saudi Arabia is the region’s largest producer and consumer of fresh fruits and vegetables. Sales of fruits and vegetables in Saudi Arabia grew by 12 per cent per year in recent years, driven by growing disposable income of the local households, increasing health concerns of the Saudi population and accelerating urbanization trends. The rapid number increase of modern retail outlets throughout Saudi Arabia is enabling higher consumption of fresh fruits and vegetables. Hypermarkets and modern supermarkets have distribution channels and in-store equipment, increasing shelf life of fresh offerings, and allowing for greater varieties of fresh fruits and vegetables⁶³.

The Saudi Arabian fruits market is expected to register a CAGR of 3.7 percent (2021 -2023). Dates and watermelons are the most widely produced fruits while potatoes and tomatoes are the most widely produced vegetables in Saudi Arabia. The main fruits import countries are Egypt, Turkey, India, and also China, Chile and the USA⁶⁴.

11.2.3 Local production and supply:

The increased production of fruits and vegetables in Saudi Arabia has been paired with improved agricultural techniques, and infrastructure linking farmers with urban populations. Pomegranates are grown in Albaha and Taif areas but pomegranates from Taif remain popular among the local population. The valleys of Hada, Shifa, Wadi Moharram and Bani Malik in Al-Taif are known for harvesting quality pomegranate.

Pomegranate cultivation in al-Bahah is one of the oldest, and goes back to hundreds of years where it was depended on as a source of livelihood in the region. Pomegranate cultivation is a skill passed down from generation to generation. In 2015, pomegranates production was 13,483 tons (FAO KSA). In Al-Bahah over 1,000 farms host about 200,000 pomegranate trees, which produced 30,000 tons of

⁶³ The food and beverage, Market Entry Handbook: Saudi Arabia. Development Solutions, 2017.

⁶⁴ Saudi Arabia fruits and vegetables market - analysis of consumption and production trends of fruits and vegetables (2018 - 2023). Market Reports World, 2018.

pomegranates in 2018⁶⁵. Dates, grapes, and watermelons are widely produced fruits in Saudi Arabia. In 2019, Saudi Arabia produced 117,639 tons of grapes, which shows 18,000 tones increase comparing to 99,939 tons in 2018. In 2019, Saudi Arabia has exported 5,255 tons of grapes (FAOSTAT).

Fig tree is considered one of the oldest fruit trees in KSA. It grows naturally and can compete regionally and globally. In 2015, Saudi Arabia has produced 7,472 tons of figs (FAOKSA, 2018). In 2019, Saudi Arabia has exported 6,699 tons fresh and 25 tons dried figs (FAOSTAT).

11.2.4 Demand and importation:

A change in diet from the traditional low levels of consumption to more consumption of fruits and vegetables has increased demand for fresh fruits and vegetables. In addition, a growing concern about increased levels of obesity, and in the importance of good health has led to growth in the consumption of fresh fruits and vegetables. The main categories of fresh fruits produced and consumed in Saudi Arabia are dates, grapes, watermelons, bananas, and pomegranate.

Demand and market for pomegranate has increased due to its various nutritional and medical values and benefits. Al-Baha pomegranate is one of the best types of pomegranate globally because of its size, taste and color. Local and regional markets are available for fresh and manufactured pomegranate products. Local demand for pomegranate and products has been increased due to population growth, high income and improved consumer health awareness. In 2018, pomegranates production in Al-Bahah was 30,000 tons. Imported pomegranate from Egypt, Yemen, India and other also enter the Saudi Arabia markets.

The domestic demand for grape and grape juice has been increasing over the past two decades. Both the export and import of grape and grape juice increased. In 2019, Saudi Arabia produced 117,639 tons' grapes, and at the same time Saudi Arabia has imported 60,157 tons of grapes (FAOSTAT).

Saudi Arabia export and import both fresh and dried figs. There is an increase in demand for fig products due to population growth, high income and improved consumer health awareness. In 2019, Saudi Arabia has imported 248 tons' fresh and 3,352 tons of dried figs. Mostly the demand for fresh figs are covered through local figs production.

11.2.5 type of tropical fruits and its products:

The locally produced subtropical fruits (pomegranates, grapes and figs) are sold in the fresh forms to the consumers. Figs are also sold in the dried form to the consumers. Imported fruits products are available in wide range such as gems, juice, frozen, dried and etc.

11.2.6 Prices:

There are big variations in fruits prices, depending on quality and variety, the source of origin, and supply and demand equations. The best quality of the local produce doesn't come to the auction markets and is generally handpicked by traders. The fruits are sold in packs, without weighing, from farmers to auction markets to wholesalers but by weightment to consumers in the retail markets.

Table 11.1: Subtropical fruits prices along the supply chains (source FAO KSA and field data 2021)

Types	Price paid to farmers (SAR)/kg	Prices at wholesale level (SAR)/kg	Prices at retail level (SAR)/kg
-------	-----------------------------------	---------------------------------------	------------------------------------

⁶⁵ The Saudi farms that produce 30,000 tons of pomegranate a year in 2018. <https://english.alarabiya.net/life-style/travel-and-tourism/2018/09/09/IN-PICTURES-The-Saudi-farms-that-produce-30-000-tons-of-pomegranate-a-year>

Figs (fresh)	5-10	7-10	15-20
Pomegranate	4-8	5-8	6-20
White grapes	3-8	3-6	4-14

11.3 Subtropical fruits marketing channels:

11.3.1 Direct marketing channels:

Pomegranates, grapes and figs producers use below marketing channels for marketing their products in KSA.

1- Sell in the market centers directly to consumers:

After harvest, farmers take their products to the government managed markets (ag-marketing centers) and sell directly to the consumers. Through this market, farmers get higher prices.



Figure 11.1: Marketing subtropical fruits in the Ag marketing centers

2- Sell online: some farmers, particularly youth farmers use Social Media and other online platform to sell their fruits.

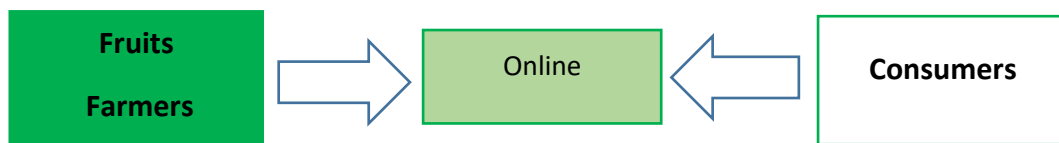


Figure 11.2: Online Marketing of subtropical fruits

3- Sell in the festivals: some farmers, participate in the festivals and sell their products directly to the consumers. Festivals for commodities such as pomegranate festival organized in Al-Bahah region.

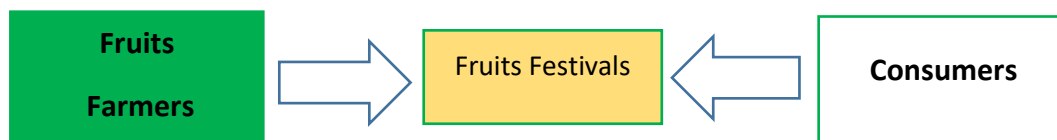


Figure 11.3: Selling to the consumes in the festivals

11.3.2 Indirect marketing channels:

- 4- **Sell to the local retailers:** through this indirect marketing channel, farmers market their products to the local retailers and the local retailers further sell it in the local agriculture market centers to the consumers.

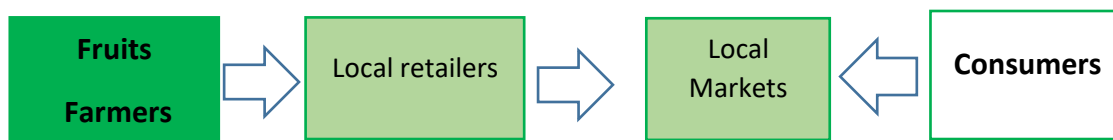


Figure 11.4: Farmers to retailers marketing channels

- 5- **Sell to the Retail chains:** Some big fruits' farmers or their cooperative directly sell to the Retail chains and the retail chains further distribute through their outlets to the consumers.



Figure 11.5: Marketing directly to the Retail Chains

- 6- **Sell through auction marketing:** Farmers take their products to the nearby auction markets/yards and sell through commission agents from where it passes through a chain of wholesalers and retailers to consumers. Products are packed in open boxes on estimation basis and price is fixed by the auction process.

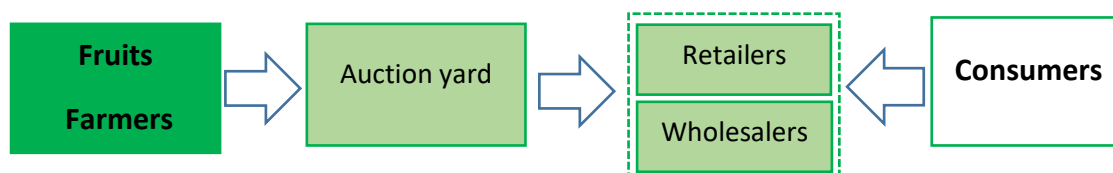
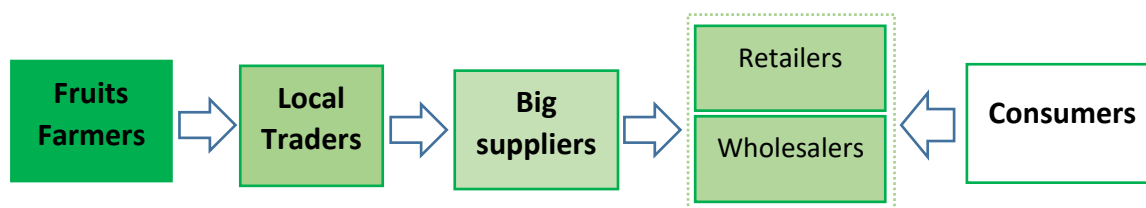
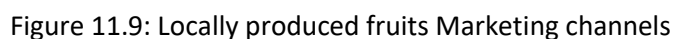
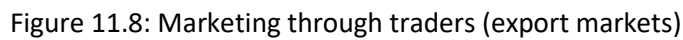


Figure 11.6: Marketing through auction marketing

- 7- **Farmers sell to traders:** Farmers supply to the local traders. Local traders further supply the products to the bigger suppliers and the bigger suppliers sell to the retailers and some time to the wholesalers. In some cases, the sesames seeds could be exported for the big suppliers.



8- Farmers sell to traders (export): Farmers supply to the local traders. Local traders further supply the products to the bigger suppliers (exporters – trading houses) and the bigger suppliers export the products.



(i) Fruits and fruits' products are imported by big suppliers (importers – trading houses). The imported products are further distributed to the retailers, supermarkets and wholesalers.



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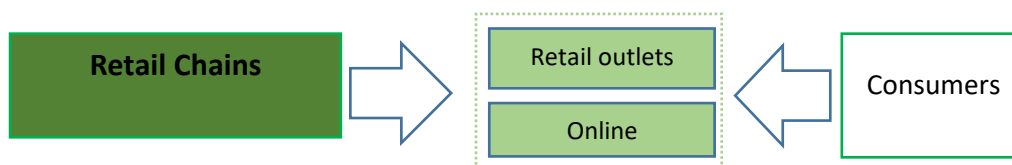


Figure 11.11: Distribution channels of imported fruits by the retail chains

11.4 Marketing challenges:

- Price competition from cheaper imported fresh and processed fruits
- Lack of grade quality standards
- No brand for the local products such as “Saudi products, Produced in Saudi etc.”.
- Mostly farmers sell without any value addition or very basic value addition such as drying
- Limited market access of small farmers to sell directly to final consumers
- Lack of established market linkages with big suppliers and retail chains
- Scattered small volume of production, make it difficult for an individual to carry the products on a long distance, so they farmer sell it in the closely markets
- Weak collective and group marketing
- Inadequate post-harvest handling practices (high postharvest losses) including poor storage and processing facilities.
- Weak marketing strategies and facilities. Current marketing strategy lack Key marketing components (branding, packaging, Nutrition Labelling and advertising).
- Lack of smallholder’s skill on business and marketing
- Lack of access to market information and production and trade related data of pomegranate and figs

11.5 Opportunities:

- Available support to promote subtropical fruits cooperative and collective marketing
- International as well as domestic demand is on rise for subtropical fruits consumption
- Huge local demand for the locally produced quality fruits and products
- Linkages to the origin and cultural heritage
- Availability of indigenous skills
- Certified fresh and processed fruits can target growing demand for organic and origin linked products
- Government support for the fruits sector development
- Access to finance by Agriculture Development Fund (ADF)
- MoEWA support for the fruits development through SRAD programme
- Interest and willingness of big retail chains to procure directly from small producers through their associations/ cooperatives
- Available support for the digital and online sales
- Available direct subsidy to the farmers

11.6 Recommendations:

- Support the establishment and improvement of fruits marketing centers
- Develop standards and quality grades for the local produces

- Prepare pricing guidelines and standards based on quality grade
- Develop appropriate contract farming models and other direct marketing strategies for the fruits farmers
- Facilitate access to market information
- Support the development of fruits online marketing platforms
- Assist small producers to produce and market value-added products.
- Support to prepare “national and origin linked brand” and “organic brand” for the local products
- Develop and implement training programme to strengthen business and marketing skills of the target subtropical fruit’s producers

11.7 Tropical Fruits Ag-Marketing Interventions & implementation:

11.7.1 Stakeholders’ engagement:

To identify and map key stakeholders and draw out their interests and assess the appropriate way of their participation, stakeholder engagement guide⁶⁶ was followed for data collection and will be further followed for the implementation of subtropical fruit’s marketing interventions.

Table 11.2: Potential Subtropical Fruits Ag-Marketing major stakeholders and their responsibilities and spheres of influence

Intervention	Stakeholders	Interests & Role	Priority
Contract Farming, E-Market Info system	Firms, companies, and Investors/importers	Promote, guarantee markets; may advance inputs and technical advice to the contracted growers (under CF). Use market information.	High
Contract Farming, E-Market Info system, Capacity building	Target smallholders and their specialized agricultural cooperatives/lead farmers	Primary role in production Key partner for contract farming Better income Secure access to market, inputs, resources, and technical information Need capacity building on marketing Secure access to market centers	High
Geographical Indication (GI)	Saudi Arabia Intellectual Property Authority (SAIP)	Register and protect GI Need capacity building on GI registration and protection	High
GI	Saudi Arabia Standardization Organization (SASO)	Responsible for developing quality standards, GI, postharvest handling management	
Contract Farming, E-Market Info system, Capacity building,	Ministry of Environment, Water and Agriculture	Major responsibility for the enabling environment Key implementation partner Funding for infrastructures	High
Contract Farming	Agriculture Development Fund (ADF)	Provides finance and promote CF	High
Contract Farming, E-Market Info system	Ministry of Commerce	Responsibility for the enabling environment for CF	High
Contract Farming,	Saudi Chamber of Commerce and Industry	Could be focal point for CF	High

⁶⁶ This guide is prepared by the FAO KSA programme director and is available to all the staff

Contract Farming, Capacity building, E-Market Info system	Saudi Cooperative Societies Council	Responsibility to help and support cooperatives and farmers' group (for CF, Market Information) and capacity building	High
Capacity building, E-Market Information System	Extension services	Provided technical advice and disseminate market information	High
Contract Farming,	Financial Institutions (both private and governmental)	Provides finance and general banking services to firms and farmer for CF	High
Contract Farming, Capacity building	Development organizations and NGO	Facilitate / promote interventions	High
E-Market Info system	Consumers and their associations	Purchase the end product. Feedback on product acceptance and future demand,	Medium

A combination of various techniques is identified to be used (already used during data collection for this report) to involve the identified stakeholder's representatives at various stages of the interventions since each of methods has pro and cons when it comes to engaging with stakeholders.

- **Multi-Stakeholder Focus Groups** will be formed to involve representatives from key stakeholders and to obtain quality information and feedback on specific issues/topics in a relaxed environment.
- **One-On-One Meetings** will be conducted with various stakeholders to gain a detailed understanding of the viewpoints and reasoning or explain issues and topics that are unclear to stakeholders and to request clarification of their responses.
- **Questionnaires/Survey** will be prepared and used as a useful way of gathering feedback from a wide range of stakeholders. Questionnaires were structured or unstructured and in some cases were delivered via the web, email, face to face, or over the phone.
- **Stakeholder Interviews** will be arranged to fully understand an issue and draw out a specific perspective of the most influential stakeholders. It includes in-person, phone and group interviews based on a series of questions related to a topic of interest to generate ideas, elicit feedback and/or answer a set of pre-determined questions.
- **Consultation Workshops or Forums** will be planned and organized with a defined agenda to discuss a topic, capture requirements, build teams, and develop their understanding of the matters.
- **Formal and Informal Reviews** will be organized with the specific intent to review existing proposal, report, document, or a prototype (under stage 2 of the methodology).
- **Online data:** Some data and information will be collected online from MoEWA, Saudi government websites and FAO (FAO STAT) and from other trustworthy websites.

11.7.2 List of “Subtropical Fruits” Ag-Marketing interventions under SRAD project

- ✓ (3.3.3) Support the establishment and development of local subtropical fruit marketing centers.
- ✓ (3.3.11) Review and assess status of contract farming and other direct marketing methods as implemented in Saudi Arabia.
- ✓ (3.3.12) Benchmark best models and success stories of contract farming regionally and globally.
- ✓ (3.3.16) Develop appropriate contract farming models and other direct marketing strategies for small scale subtropical fruit growers
- ✓ (3.3.20) Develop smallholder-adapted e-market information systems to enable access to useful, timely and transparent market and price information for improved decision making.

- ✓ (3.3.20) Develop and implement training programme to strengthen business and marketing skills of subtropical farmers
- ✓ Additional activity (3.3.10 a) Explore and establish geographical indication and develop effective branding strategies for pomegranates

11.7.3 Interventions Implementation:

The mentioned subtropical fruits Ag-Marketing interventions are under implementation in four (5) categories:

1- Establish Geographical Indications (GI) for pomegranates:

The overall implementation plan for GI is prepared and is under implementation. Through the mentioned GI implementation plan, Saudi pomegranates is a potential candidate and will receive GI certification (more information regarding the GI plan is available with FAO KSA). Based on collected and analyzed coffee information, the GI field operation plan for pomegranates will be prepared and implemented.

2- Establishment marketing centers

Based on collected information, the subtropical fruits marketing centers development plan will be prepared and implemented. The subtropical fruits marketing centers will provide opportunities for those small farmers to directly market to the consumers.

3- Establish win-win Contract Farming models for subtropical fruits:

The implementation plan for overall responsible Contract Farming operations is prepared and is under implementation (more information regarding the Contract Farming plan is available with FAO KSA). Through the mentioned plan, Saudi subtropical fruits farmers will be connected to the potential buyers and markets. Based on collected and analyzed information in this section, the Contract Farming field operation plan for subtropical fruits will be prepared and implemented.

4- Develop smallholder-adapted e-market information system

Under the E-Market Information system, all information regarding the Saudi subtropical fruits will be added and will be available online to the subtropical fruits' stakeholders. Based on the collected and analyzed information, part of the subtropical fruits E-Marketing information system plan will be prepared.

5- Strengthening capacity of subtropical fruits farmers on Marketing

Under this activity, a complete package of capacity building materials will be prepared, to train subtropical fruits farmers and all stakeholders on marketing.

Chapter 12: Conclusion

As has mentioned in chapter one of this report, a three phases implementation strategy will be followed, to implement the Ag-Marketing crosscutting theme. Under the phase one, a comprehensive market situation analysis has been conducted. The findings of the comprehensive marketing situation study are available in section one and two of this report. In each commodity specific chapter, marketing challenges, opportunities and recommendations are provided.

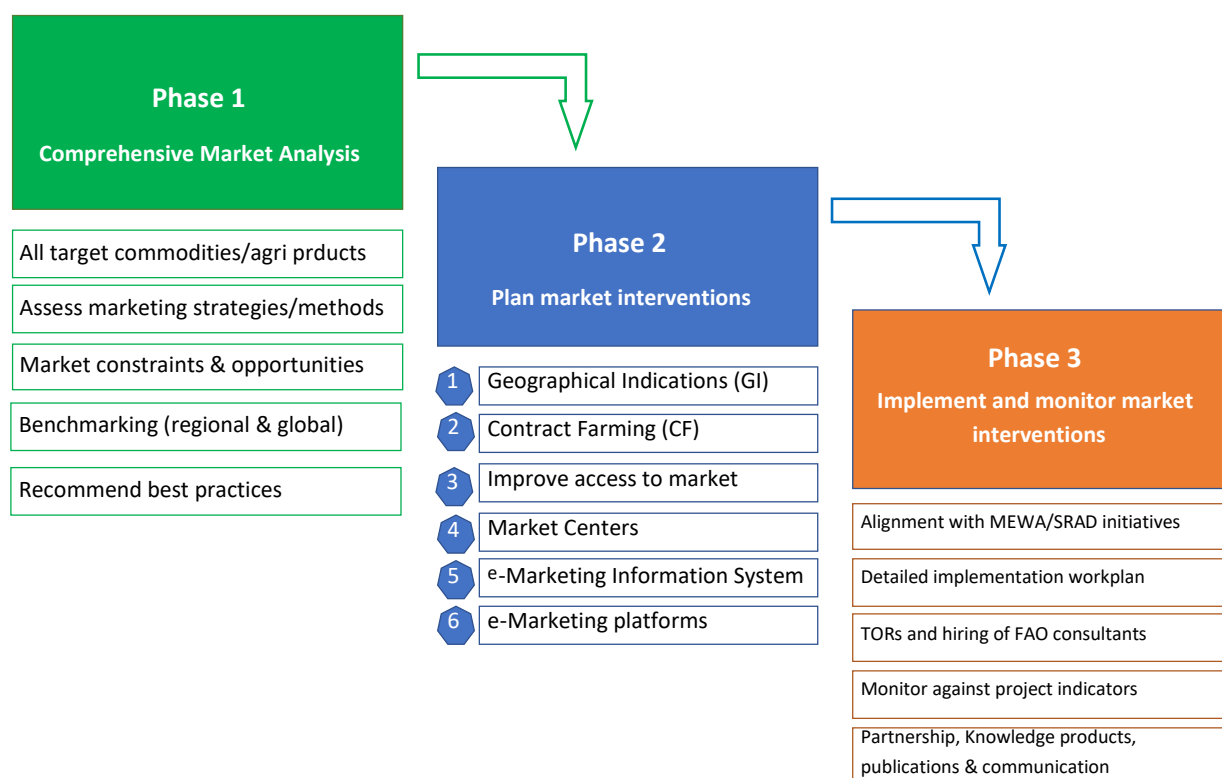


Figure 12.1: Three phases implementation strategy of Ag-Marketing theme (source: author)

Based on the provided recommendations for each commodity, in phase two of the thematic plan, an “implementation and field operation plans” will be prepared for each intervention. Some the implementation plan such for Contract Farming and Geographical Indications are already prepared and based on the findings, field operation plans will be prepared.

Once the implementation and field operation plans are prepared, phase three will focus on the implementation of prepared implementation and field operation plans. For more details, you may read “Agricultural Marketing Crosscutting theme – Implementation plan”.

Annexes:

Annex 1: Survey questionnaire

Agricultural Marketing Questionnaire (Field Visits)

FARMERS

A. FARMER'S MARKETING STRATEGIES

1. List Products/Commodities you produce and sale?

- a.
- b.
- c.
- d.
- e.

2. Do you do some primary processing as well?

- a.
- b. No.....
- c.

3. What is the proportion of self/family consumption?

- a. Low proportion
- b. Significant proportion.....
- c. Major proportion.....

4. List key buyers/consumers for your products/commodities

- a.
- b.
- c.
- d.
- e.

5. Where are your buyers/consumers located?

- a. Local governorate
- b. Other region in Saudi.....
- c. Exported.....

6. List your marketing promotions activities?

- a. Do you have brand/mark for your products/produces?
- b. Do you advertise (social medica etc.) for your products/produces?
- c. Is your product/produce famous among consumers?
- d. Do consumers distinguish between your and imported products?

7. Current Market Channels

- ☐ - Agriculture Market Center
- ☐ - Farm gate
- ☐ - Roadside
- ☐ - Local Shop
- ☐ - Support markets (name)
- ☐ - Middleman
- ☐ - Contract Farming
- ☐ - Hotels/Restaurants
- ☐ - Social Media
- ☐ - Online platforms.....
- ☐ - Other (please specify)

8. What are the preferred Marketing Approaches?

- ☐ - Direct Sale How.....
- ☐ - Sale through group
- ☐ - Contract Basis
- ☐ - Other (please specify).....

9. Who sets Market Price?

- ☐ - Farmer
- ☐ - Middleman
- ☐ - Contractors
- ☐ - Others (please specify)

10. Who are the key competitors for your products/produces?

- a. Local products
- b. Local adulterated products (mixed with inexpensive imported products)
- c. Inexpensive imported products

- d. Good quality imported products

11. Farmers Market Specific Problems

- ☐ - Access to market
- ☐ - Access to market information
- ☐ - Transportation issues
- ☐ - Distance to market centers
- ☐ - Time required to take produces/products to market
- ☐ - Packaging
- ☐ - Postharvest losses
- ☐ - Cheaper imported products
- ☐ - Imported products mixed with local and sold as local (quality issues)
- ☐ - Need technical training on Marketing

B. FARMER'S ACCESS TO MARKET CENTRES

1. Distance to market centers

- a. Less than 5km b. between 5- 10 km c. between 10- 20 km d. More than 20
km

2. Time required to be spent in the market centers

- a. Less than 3 hours (hrs) b. between 3 – 5 hrs c. between 5- 8 hrs d. more than 8
hrs

3. Transportation to market centers

- a. appropriate transportation available b. not available c. high transport cost

4. Storage's facilities in the market centers

- a. Appropriate storages available in the market centers – could store produces if not sold
- b. Storage facilities not available in the market centers
- c. Cold storage facilities needed and available in the market centers

- d. Cold storage facilities needed but not available

5. Possible issues in the market centers

- a. Middleman/auctioneers dominate the market centers
- b. Low prices in the market centers
- c. Middleman/auctioneers set price for products/produces
- d. Issues to enforce regulations in the market centers
- e. High postharvest losses in the market centers
- f. Market centers are very far from my farm
- g. Others (please specify).....

C. FARMER'S ACCESS TO MARKET INFORMATIONS

1. Do you have access to products/commodities specific information?

- Yes..... how..... No.....

2. Do you have access to pricing information?

- Yes..... how..... No.....

3. Do you need to have access to online market information?

- Yes..... No.....

4. What are the key market information, you need to have access to?

- a.
- b.
- c.
- d.
- e.

5. Are you interested to sell your products/produces online?

- Yes..... No.....

BUYERS

(processors, factories, middleman, supermarkets, hotels/restaurants, hospitals etc.)

1. QUALITY PERCEPTIONS OF IMPORTED & LOCAL PRODUCTS

Do you buy and use imported products/raw materials?

a. Yes.....

b. No.....

If yes, please response to the below:

- | | | |
|-------------------------------|-----------------------------------|--------------------------------|
| 1. Good Quality | <input type="checkbox"/> Imported | <input type="checkbox"/> Local |
| 2. Good hygiene & cleanliness | <input type="checkbox"/> Imported | <input type="checkbox"/> Local |
| 3. Product shape | <input type="checkbox"/> Imported | <input type="checkbox"/> Local |
| 4. Shelf life | <input type="checkbox"/> Imported | <input type="checkbox"/> Local |
| 5. Packaging format | <input type="checkbox"/> Imported | <input type="checkbox"/> Local |
| 6. Consistency in supply | <input type="checkbox"/> Imported | <input type="checkbox"/> Local |
| 7. Competitive pricing | <input type="checkbox"/> Imported | <input type="checkbox"/> Local |

2. ACCESS TO RAW MATERIALS/PRODUCTS (processors specific)

1. Do you grow yourself and buy from the nearby farmers?

a. Yes

b. I grow myself only

c. I don't grow, I only buy

2. How do you procure raw materials/produces for your factory ?

a. Directly from the farmers

b. From middleman

c. From market centers

d. From Wholesalers

e. From Retailers

3. Do you have consistence supply of raw materials/produces?

a. Yes

b. No

4. What are the issues, for not having consistence supply of raw materials?

- a. High demand for the raw materials/produces (high competition).....
- b. Low volume of production/not enough production
- c. Quality issues/ Low quality of available raw materials
- d. Prices are very high.....

5. Do you any contractual agreement with farmers?

- a. Yes..... What sort of agreement.....
- b. No.....

6. Do you want to sign a contractual agreement (Contract Farming) with farmers?

- a. Yes.....
- b. No.....

7. What are the constraints, you do not want to sign contract agreement with farmers?

- a. I could easily buy raw materials in the market
- b. Farmers don't have capacity to meet the conditions of contract farming
- c. Farmers produce very small amount of raw materials/produces
- d. Farmers are not organized in groups
- e. I don't trust farmers
- f. There are no regulations, to enforce contract farming agreements
- g. Others issues (please specify).....

8. If you are interested in Contract Farming, what services/support you will provide to farmers?

- a. Planting materials b. fertilizers c. farming equipment d. extension services
- e. others

3. END USERS OF YOUR PRODUCTS: (processors specific)

1. Who are the end users of your products?

- a. Local consumers in the production region
- b. Local consumers in the other region of KSA

- c. Export markets

2. Key preferences of consumers?

- a. Cultural linkages
- b. Made with locally produced raw materials
- c. Have good quality
- d. Reasonable price

3. Key issues in marketing?

- a. Price is higher comparing imported products/produces
- b. Imported inexpensive products are adulterated and sold as local products
- c. Imported products are sold as Saudi products
- d. Weak enforcement of regulations in the marketing centers
- e. Lack of branding and promotion
- f. Others (please specify).....

Annex 2: References

Information from some key resources used in this report includes:

1. FAO SRAD programme document
2. FAO Saudi Arabia components value chain studies
3. FAO Component situation analysis reports
4. FAOSTAT <http://www.fao.org/faostat/en/>
5. MoEWA Sectors Review Studies
6. FAO reference manual - Helping small farmers think about better growing and marketing
7. Field visits
8. Other resources (information provided in the footnotes)

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