



Perspective:
**Export
Expertise**

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Making the most of the Middle East

The Middle East imports roughly 90 percent of the food it consumes—an astonishing figure that is unlikely to decline anytime soon. Limited water and limited arable land equal limited agricultural potential.

At the same time, the region boasts significant purchasing power, a growing middle class, a large, youthful population, rapid expansion in the retail, foodservice and food manufacturing sectors, and historical familiarity with the nutrition inherent in dairy.

It is a textbook recipe for greater dairy imports. Indeed, U.S. export value to the Middle East and North Africa grew 89 percent over the last five years to \$431 million in 2012. The Middle East plays a critical role in U.S. butter exports, accounting for three-quarters of total volume last year, and it is a rising cheese buyer, purchasing more than 30,000 tons in 2012.

Some of the world's biggest dairy suppliers in Oceania and Europe have named the Middle East a key growth market. They have backed their words by investing in manufacturing capacity specifically to serve Middle Eastern

demand, opening offices in key markets in the region and tailoring products to local taste and packaging preferences. In short, they are doing a strong job of demonstrating their commitment to serving the region's customers.

Competition from Europe, which benefits from far shorter delivery times due to geographic proximity and a long legacy of serving the market, is especially tight.

U.S. suppliers, in comparison, are sometimes viewed as lacking interest in the Middle East or familiarity with the region's markets. Middle Eastern buyers believe many U.S. dairy suppliers fail to consider the region a top priority, preferring to jump in and out of the market as conditions dictate.

In truth, although U.S. dairy export business to the Middle East is growing, too many U.S. suppliers still look at the region and say, "Maybe the Middle East isn't for me."

In a sense, it is understandable. Media portrayals of politics and events in the Middle East tend to give the impression of overriding hostility and high anti-American sentiment.

Such a vision, however, is overly simplistic. Certainly there is violence and political hotspots. Instability issues abound in Egypt, Syria and a handful of other countries. But political volatility is not endemic to the *entire* region, and by and large the Middle East is a relatively easy place to do business, with few of the market access hassles that often plague other importers.

For example, the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE)—as a whole is stable, and oil revenues provide

wealth. The GCC is also in the midst of an effort to prioritize food security and diversify away from the oil sector, both of which are spurring the growth of the retail, foodservice and food manufacturing sectors, as well as tourism.

Saudi Arabia, the largest GCC market, imports more than 70 percent of its dairy consumption. Milk demand is rising about 6 percent per year, boosted by national campaigns to promote healthier lifestyles and raise awareness of the health benefits of dairy consumption.

The UAE is prosperous, diversified and politically stable. Dubai's strategic location, state-of-the-art infrastructure and services, and progressive policies have made it a business hub—and a dairy re-export center.

UAE dairy consumption is rising at or near double-digits annually, and demand growth should continue. Population, expatriate and tourist numbers keep rising, and the GCC is heightening its focus on the importance of adopting a healthy lifestyle, including dairy as an integral part of the daily diet.

Large local dairy and food companies in Saudi Arabia, the UAE and Egypt as well are expanding and upgrading to meet demand. They rely on dairy imports as raw material for production. Many are looking for dairy-based alternatives to high-sugar beverages, opening doors for dairy ingredients like milk powder and whey protein. Algeria is one of the biggest milk powder buyers in the world. If U.S. suppliers can look beyond the volatile reputation of the region and see it for the grouping of diverse countries that it is—countries where U.S. products are in demand—the Middle East can be an even bigger market for us.

Across the region, U.S. suppliers are largely seen as producers of high-quality products, often superior to local or export competitor products. The U.S. food industry is seen as

an innovative product developer, offering unique items, such as American Originals cheese, with strong consumer insights. And we are seen as leaders in ready-to-eat foods, home meal replacement and fast food.

Middle Eastern buyers believe that U.S. suppliers want the business and are becoming more serious about securing it, but they also say that this intent needs to be supported by more visible action, especially more face-time in the market with customers.

Part of the U.S. Dairy Export Council's (USDEC's) efforts to elevate the image of the U.S. dairy industry as long-term committed suppliers to the Middle East is creating more opportunities for face-time. USDEC, primarily funded by the dairy checkoff, leads overseas marketing development on behalf of the U.S. dairy industry. This November, USDEC will partner with its members to host the U.S. Dairy Business Conference in Dubai—a first-of-its-kind interactive forum spanning both cheese and dairy ingredients and targeting high-prospect Middle Eastern and North African food and beverage industry decision makers.

U.S. suppliers have customers in the Middle East, interested in their products. Our recent increasing sales volumes have a considerable upside if we continue to develop as a consistent global dairy supplier and seize the opportunities that exist.

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Note: The U.S. Dairy Export Council is primarily supported by Dairy Management Inc. (DMI) through the producer checkoff that builds on collaborative industry partnerships with processors, trading companies and others to build global demand for U.S. dairy products.