



The next generation of Saudi Arabia agriculture



Najeeb Alhumaid

nalhumaid@farrellymitchell.com





Saudi Arabia agriculture is changing. As a food importer exposed to global food prices instability agriculture and food are important priorities for the Saudi government as it looks to diversify its economy away from energy and strengthen its food security in line with the goals of Saudi Arabia's Vision 2030.

Saudi Arabia inflation and economy

The Saudi Arabian economy benefited from high oil prices in 2022. Saudi Arabia's economy grew by 8.7% in 2022 compared to the previous year, according to flash estimates posted by the [General Authority for Statistics](#) (GASTAT).

Real GDP during the fourth quarter of 2022 grew by 5.4% compared to Q4 of 2021, while the real GDP during 2022 grew by 8.7% compared to 2021 (al Arabiya News, 2023).

Despite this growth high food prices drove inflation which was expected to reach 2.4% in 2022. The country remains reliant on imports for key staple food commodities. The Kingdom sourced around 45% of all its wheat from Russia and Ukraine in 2021. Data suggests the cost of purchasing wheat in Saudi Arabia rose by 40% during 2022 (Fortune Business Insight, 2022).

Saudi Arabia food industry

Saudi Arabia is home to a growing food manufacturing sector that benefits from population and income growth, lifestyle changes, state support, and favourable trade agreements.

Demand for packaged foods is growing and more multinational companies are entering the market as a result. In 2021, Saudi Arabia imported approximately US\$2.4 billion worth of intermediate food products.

According to [Euromonitor](#) the Saudi packaged food market was worth US\$22.7 billion in 2022. That represents an increase of 14.7% or US\$2.9 billion from 2018. Sales are forecast to reach US\$27.7 billion by 2026, an increase of US\$5 billion and 21.9% from 2022 (Food Export Association of the Midwest USA and Food Export USA–Northeast, 2022).

High-growth food products in the forecast include:

- Ice cream;
- Processed Meat, Seafood and Alternatives to Meat;
- Savory Snacks;
- Sweet Biscuits, Snack Bars and Fruit Snacks;
- Ready Meals;
- Confectionery;
- Dairy;
- Soup;
- Sweet Spreads.

The Saudi Arabia foodservice market size was valued at USD 12.57 billion in 2021 and is projected to reach a valuation of USD 14.16 billion in 2022 (Fortune Business Insight, 2022). The market is expected to reach USD 30.47 billion by 2029 with a CAGR of 11.57% during the forecast period.

Increasing adoption of western culture due to tourism and education activities is anticipated to drive market growth. The current spike in the number of food malls and food courts is expected to drive the market. The shift towards international brands and the entry of major international food chains are also expected to assist in market development.

In 2021, total retail food sales in Saudi Arabia were estimated at \$36.2 billion, and 55% was generated through traditional grocery stores. The other 45% passed through modern retail channels. The traditional retail sector is losing ground to hyper and supermarkets as demand for packaged food continues to increase. Major drivers of this transition include increasing disposable income, a growing population and the creation and expansion of urban centres (USDA, 2022).

Saudi Arabia agriculture 2022 performance

The Saudi agriculture sector grew by more than 7.8% in 2022 compared to 2021 (Arab News, 2023). The food and agriculture sectors are one of the most important contributors to the development of the national economy in the Kingdom of Saudi Arabia and meeting Vision 2030 goals, and have a major role in achieving food security.

The agricultural contribution to GDP amounted to about US\$ 19.37 billion in 2022 (Agrofood, 2022).

Key growth areas include (Agrofood, 2022):



- Aquaculture production has jumped by 183% during the past 5 years from 30,000 tons to 85,000 tons.
- Broiler chickens' production grew to over 60% of domestic demand.
- Greenhouse production increased by 58% from 257,000 tons to about 407,000 tons.
- Organic food farming increased by 18% to 52.800 tons during the same period.

Adoption of modern farming techniques and technology

Saudi Arabia is promoting the latest agricultural technologies, including vertical farming and controlled-environment agriculture. The kingdom has become a promising market for the next generation of farming know-how, engineering and technologies such as hydroponics, aquaponics, drones and automated farming. The sector is getting a further boost as the [Ministry of Economy and Planning](#) announced that the sector will receive US\$ 24.26 billion in investment.

Farming and greenhouse production was valued at US\$ 12.88 Billion in 2022. Population growth and rising incomes are driving large demand for increasing farming and production in greenhouses near urban centres. New investments, innovative technologies, and greenhouse solutions are being developed to improve productivity, quality, reliability, and food safety.

Poultry market in Saudi Arabia agriculture

In addition, the livestock market was valued at US\$ 5.2 Billion in 2022 with imports of livestock and animal products estimated at US\$ 5.2 billion. The Saudi poultry sector has experienced rapid growth in recent years and the local poultry market continues to grow rapidly (Agrofood, 2022). Within this, the poultry market was valued at 4.30 billion US\$ in 2022. The Saudi Arabia Poultry Meat Market stood at 4.30 billion US\$ in 2022 and is projected to register a CAGR of 1.64% to reach US\$ 4.74 billion in 2028. The Kingdom plans to invest as well US\$4.5 billion (2023- 2025). The local poultry market is forecast to grow at 3.47% per annum from 2022 to 2025 (Agrofood, 2022).

Rise of animal feeds market

This growth in livestock production is driving the animal feeds market which is expected to reach US\$

3.36 Billion in 2024 with a forecast growth rate of 5.93%. This makes Saudi Arabia one of the fastest-growing animal feed markets in the Middle East region. The government is supporting the continued improvement of veterinary facilities, services, and manpower which also drives the veterinary sector which is expected to reach US\$ 201.80 million by 2027 (Agrofood, 2022).

Saudi Arabia aquaculture

Driven by ever-increasing local and international demand, the Kingdom's fisheries and aquaculture market are projected to register a CAGR of 4.1% during the forecast period (2020-2025). Saudi aquaculture production is set to reach 970.000 tons per year by 2029 (Agrofood, 2022). The Kingdom has planned a US\$ 4 billion investment to modernize and significantly enhance aquaculture production.

Organic farming in Saudi Arabia

The Ministry of Environment, Water and Agriculture has also set a target to increase organic production by 300%. Large consumer demand is growing for organic foods, Honey & Dates. Honey producers are also gaining support from the government, which aims to promote the culture of beekeeping in the Kingdom. This is in line with the Vision 2030 plan to diversify the economy and encourage beekeepers to provide high-quality products for the local market.

Water use in agriculture

In addition to a strong economic performance, Saudi agriculture has also succeeded in reaching its environmental goals by reducing the use of water for agricultural purposes by more than 40% (Arab News, 2023).

Summary of key events in 2022 for Saudi Arabia agriculture

Food and agriculture's robust performance was underpinned by a range of developments during 2022.

Acquisitions

In 2022 Saudi companies made several acquisitions in the agriculture and food industry to secure food security. For example, Salic bought one-third of Singapore-based [Olam Agri](#) for over one billion dollars. Originally from Nigeria, Olam Agri is now one



of the top ten global agricultural traders, specializing in grains, oilseeds, rice, and animal feed (Bird & Zamfira, 2022). Salic is owned by a Saudi sovereign wealth fund with a mandate to ensure food security for the Gulf state.

Food Security Action Plan

In September 2022, Saudi Arabia, in coordination with its regional partners, launched a food security action plan with an initial funding of \$10 billion to tackle the global food supply crisis. Speaking at a meeting of G20 agriculture ministers in Indonesia, Abdulrahman Al-Fadhli said the Kingdom will continue its role in helping stabilize the global food production supply chain (Arab News, 2023).

Domestic Investment

Agricultural investment in Saudi Arabia continued to grow. For example, In September 2022, National Agricultural Development Co. (NADEC) signed a non-binding memorandum of understanding (MoU) with Leha to produce potato seeds (mini tuber seeds) in Saudi Arabia (Argaam, 2023). The agreement will establish a limited liability company to produce potato seeds and scale up its production in the Kingdom. The new company is expected to be up and running by next June 30. In a statement to Tadawul, NADEC said the new joint venture, which will be 51% owned by the latter, will operate with SAR 5 million capital.

Expanding Greenhouse Sector

Greenhouses and protected cropping are important elements of Saudi Arabian agriculture due to the harsh and arid nature of the environment. Greenhouses in the country can be profitable and an attractive investment, the financial returns from greenhouse operations in the Kingdom range from 15% to 60%(Saudi Gazette, 2023).

Vertical farming could be particularly helpful in the Middle East due to the harsh, arid environment. The country also has the necessary capital to invest in vertical farming due to its oil wealth (al Monitor, 2022). With limited water resources, many GCC States have seen significant investments in hydroponics, which uses nutrient solutions rather than soil to grow crops. This reduces total water requirements but increases energy requirements.

In 2022, the Minister of Environment, Water and

Agriculture Eng. Abdulrahman Bin Abdul Mohsen Al-Fadhli approved the expansion of greenhouse agriculture with a new investment worth SR4 billion (Saudi Gazette, 2023). In addition, loans provided by the Agricultural Development Fund (ADF) during 2022 exceeded about SR5 billion (Saudi Gazette, 2023). The project running from 2023 to 2025 will produce an additional 430,000 tons of horticultural products, bringing the total greenhouse production capacity up to more than 1 million tons per annum (Saudi Gazette, 2023).

Summary

International food markets in 2022 were severely impacted by events which led to rising food prices and food security shifting back up the political agenda. As a net food importer rising food prices have led to inflationary pressure within the Kingdom. Saudi Arabia is modernizing its farming sector and in 2022 made progress on a range of farming and food issues. Strong government support for the food and farming sector, along with private investment in new and innovative technologies are providing many market opportunities.

Talk to us about shaping sustainable policies and investing in the future

Our experts at Farrelly & Mitchell are based in key food and agriculture regions across the globe. We can help you to make informed decisions about future investments and key policies using our local knowledge and global understanding.

Working across the food system, we have an in-depth understanding of all the constantly evolving facets of the food and agricultural industry as well as insights and information on the latest practices and innovations.

[Contact us](#) to learn more about how we can empower you to make the right decisions.



Expert in this Insight

Najeeb Alhumaid

Partner (Saudi Arabia)

nalhumaid@farrellymitchell.com



Contact Details

www.FarrellyMitchell.com

EUROPE

Dublin (Head Office)

Malachy Mitchell, Managing Director

Farrelly & Mitchell

Unit 5A, Fingal Bay Business Park, Balbriggan Co.
Dublin Ireland. K32 EH70

Telephone : +353 1 690 6550
mmitchell@farrellymitchell.com

MIDDLE EAST & NORTH AFRICA

United Arab Emirates

Chaitanya GRK, Regional Director (MENA)

Farrelly & Mitchell (MENA)

Unit 1001, 10th Floor, Swiss Tower, Cluster Y
Jumeirah Lakes Towers, Dubai, United Arab
Emirates

Telephone : +971 4 279 8331
Mobile : +971 551991356
cgrk@farrellymitchell.com

SAUDI ARABIA

Riyadh

Najeeb Alhumaid, Partner (Saudi Arabia)

Branch of Farrelly & Mitchell Business Consultants Ltd

Jarir Plaza Building, Suite 106, King Abdullah Road,
Al Hamra District, Riyadh 12211-3857,
Kingdom of Saudi Arabia

Telephone : +966 11 4634406
Mobile : +966 54 338 7199
nalhumaid@farrellymitchell.com

AFRICA (SSA)

Ghana

Stephen Awuah, Regional Director, Africa (SSA)

Farrelly & Mitchell Ghana Limited

Utopia Office, 14 Senchi Street, Airport
Residential Area,
Accra Ghana

Telephone: +233 302 906850
Mobile: +233 59212 1723
sawuah@farrellymitchell.com

Connect with



Disclaimer

The information in this article is intended to give information in general nature, great efforts has been exerted to ensure the accuracy of this data at the time the article was written Farrelly & Mitchell Business Consultants Ltd. and its Branch offices or affiliates does not provide any implicit or explicit guarantees on the validity, timing or completeness of any data or information in this article. Also, we assume no responsibility on the appropriateness of the data and information for suiting any particular purpose or reliability in trading or investing.

Please note: Unless provided otherwise and in writing from us, all information contained in this article, including logo, pictures and drawings, are considered property of Farrelly & Mitchell Business Consultants Ltd and or its branch offices or affiliates.