



OVERVIEW ON THE AGRIFOOD SECTOR IN UAE

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EULER HERMES

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The Agrifood sector by its nature is a non-discretionary industry and therefore demand and growth is uncorrelated to the economic cycles of the Region.

Growing population, high disposable incomes, rising tourism, increasingly urbane lifestyles and evolving consumer preferences have been propelling food consumption growth in the GCC.

Supply and prices are dependent on climate changes, agricultural and technological developments in producing countries and trade relations with exporting countries.

The Covid-19 outbreak significantly impacted travel & tourism and hospitality sectors resulting in dual impact on the industry: Online food deliveries are skyrocketing whereas the sector is grappling with restrictions/controls on restaurants and cafes.

In 2020, sector saw high to stable growth across all segments, exceptions being entities which were exposed to HORECA segment and were unable to offset business loss in 1H2020.

From Euler Hermes perspective, an important challenging segment is the B2B distribution/wholesale with limited/non structured financial reporting which is impacting the insurance appetite and stance.

Euler Hermes does not issue direct policies in the Middle East. It operates in partnership with and provides reinsurance support to a number of selected locally licensed insurance companies, which issue Trade Credit Insurance Policies designed and approved by Euler Hermes in its capacity as a Reinsurer

AGRIFOOD SUPPLY CHAIN

In a Region that imports up to 90% its food requirements, the downstream market participants play a significant role within the supply chain. Processing, packaged-food companies, distributors, sub-distributors and traders operate in parallel to cater to consumers. Food & Beverages (F&B) as well HORECA form significant segments of the food value chain within the region.

Key challenges faced by value adding/processing companies and distributors are limited pricing power and surge in transport costs which they are unable to pass on to retailers. On the other hand, retailers operate with large capital investments, high competition, increasing popularity of online distribution channel as a means to reach end consumers directly.

Figure 1 : Supply chain

