EU funds for Malta 2014-2020

MINISTRY FOR FOREIGN AFFAIRS
AND TRADE PROMOTION

PARLIAMENTARY SECRETARIAT
FOR EUROPEAN FUNDS AND SOCIAL DIALOGUE

ARQ
partnership
in growth

Food and Beverage Manufacturing Under Private Label for the Middle East and Africa

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List of Acronyms

AGRA	Alliance for a Green Revolution in Africa
CAGR	Compound Annual Growth Rate
DTC	Direct-To-Consumer
EU	European Union
FAO	Food and Agriculture Organisation (United Nations)
FDI	Foreign Direct Investment
FMCG	Fast-Moving Consumer Goods
GCC	Gulf Cooperation Council
GCI	Global Competitiveness IndexWorld Bank
GDP	Gross Domestic Product
GNI	Gross National Income
GVA	Gross Value Added
IMF	International Monetary Fund
MEA	Middle East and Africa
MENA	Middle East and North Africa
NSO	National Statistics Office (Malta)
PLMA	Private Label Manufacturers Association
SIOT	Systematic Input-Output Table
SME	Small and Medium-Sized Enterprises
SSA	Sub-Saharan Africa
UAE	United Arab Emirates
WEF	World Economic Forum

1.0 Executive Summary

The subject of this report is an intriguing blend of the old and the new. On the one hand it deals with a region, namely the Middle East and North Africa, with which Malta holds a long-standing trading tradition, one that is based on linguistic and cultural familiarity as well as geographic proximity. In fact, we went into this assignment very aware of the successes already achieved by a number of larger Malta-based food and beverage companies in exporting their brands to the region. On the other hand, it also includes a second region, Sub-Saharan Africa, which though also relatively close in terms of distance, has not yet materialised as an established trading partner for Maltese industry to the level we might expect.

The 'new' also comes into play in terms of one of the export models being assessed here, that of private label. Some local firms are successfully exporting products under private label to a number of markets, however this report addresses whether this could be done more widely and whether the two markets under review offer significant advantages in this respect. This was done in the context of a sectoral economic review, carried out specifically for the purposes of this report. This review clearly points to the continuing importance of the food and beverage manufacturing sector as a key segment within a rapidly diversifying and expanding economy. It also acknowledges however that it is a sector continually faced by the challenges of a limited domestic market.

On this basis, our analysis of private label and the way it works indicates that it has two key advantages applicable to our manufacturing sector:

- **It can be a cost-efficient means of utilising spare capacity without detracting from own brand;**

- **It can offer a cost-efficient entry point into new markets, taking the product directly to the consumer and simplifying the distribution channel and supply chain involved.**

The latest research into private label indicates that it is on the rise, no longer a by-product of economic recession but now very much a force in its own right. Higher levels of quality and presentation, the so-called 'premiumisation effect,' is a key reason for this growth and this has helped make private label a consumer choice for reasons beyond price.

The same market data also points to the high penetration of private label in developed markets, particularly Europe. This implies that Malta-based producers aiming for export to these countries may be competing with an already saturated market at this point. At the same time, there are indications that private label, while still in its infancy in developing markets, could be set to grow there as it did in previous decades in Europe and North America – its growing popularity in India and South Africa are an indication of this. It therefore could provide a route through which local producers could access these growing markets.

On this basis the report provides a very current assessment of each region as potential markets, using World Bank and International Monetary Fund (IMF) data at an individual country level to map out regional profiles against key social, economic and business indicators. This analysis goes on to highlight specific countries within these regions which could be front-runners for Maltese companies seeking new markets for export.
In general terms, this report concludes that both regions offer attractive export destinations for Malta-based food and beverage producers. This is based largely on the current and forecast economic growth of both regions under review, coupled with contributing factors such as a rise in income levels, the expansion of the middle classes and the growth of urban centres.

We also conclude that private label can be a viable option in the case of both regions under review if approached in a highly targeted manner in line with the characteristics of that particular market:

- **With the rise of a larger middle-class, an emerging professional millennial consumer and a larger expatriate community, premium private label may be effective in the more affluent MENA states;**

- **In Sub-Saharan Africa, where levels of disposable income are lower but where the shift to supermarkets and discounters in the growing urban centres is evident, affordable private label may be the best route.**

On both counts Maltese producers stand to gain.

Finally, the last section presents the food and beverage segments in both regions, using the latest industry data to identify the categories that are most in demand. This data confirms that in both regions, which share a high dependence on food imports, this sector is one of the fastest-growing in the world for the foreseeable future, exhibiting rates of growth which vastly overshadow those in developed regions. In the case of the segments highlighted as being on the rise, there are a number which match the products which our local food and beverage manufacturers already excel in, whilst others may be a feasible option for those producers looking to diversify their current range.

2.0 | Economic Review: A Focus on the Manufacturing Sector

This section reviews current developments in the local economy with a focus on the manufacturing sector, including, where possible, particular reference to the food and beverage segment within that sector.

2.1 | General Economic Overview

The Maltese economy has grown at a rapid pace during the past couple of years, surpassing EU averages and converging to EU average GDP per capita. It has in fact grown consistently over the past 24 consecutive quarters. Figures 1 and 2 below trace Malta's growth trajectory and convergence to EU averages.

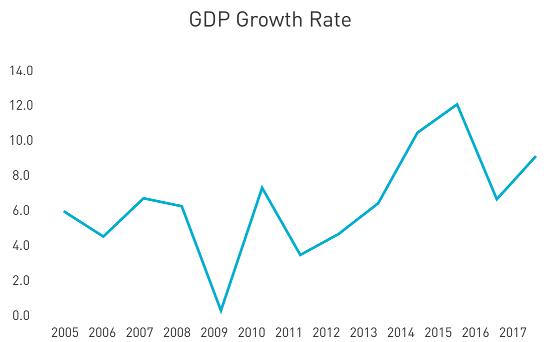

Figure 1: Malta's growth trajectory
Source: Central Bank

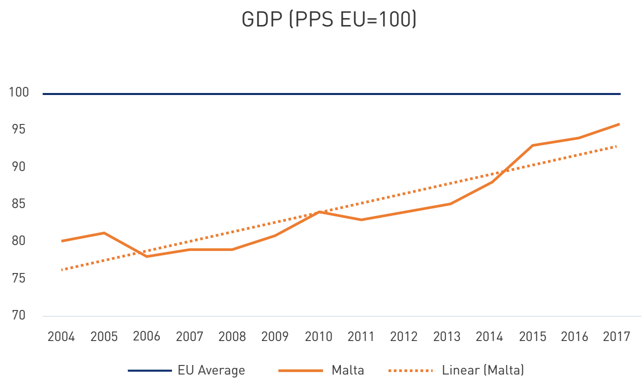

Figure 2: Malta's convergence to EU averages
Source: Central Bank

However, aggregate growth figures do not shed light on the structural make-up of the economy and resulting growth. In order to analyse the source of growth, an analysis of the contributors to growth was therefore carried out over the period 2012-2017, when growth averaged 8.5%.

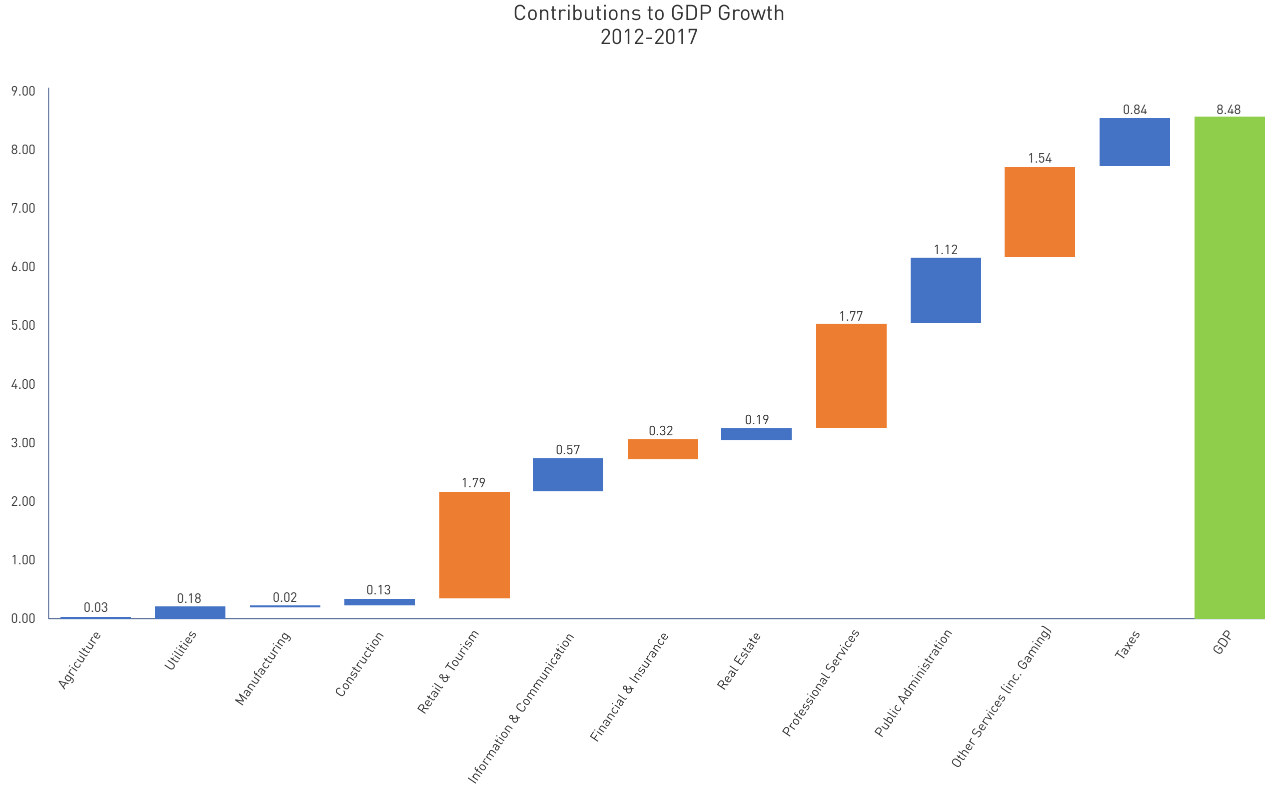

Figure 3: Contributors to growth 2012-2017
Source: Central Bank

From the above, it is evident that the economic growth was mainly service-driven with strong growth coming from tourism, professional services and remote gaming. Manufacturing's contribution was negligible from an economic growth perspective. Nonetheless, manufacturing remains an important economic sector from both a gross value-added and employment perspective.

Economic growth also had a positive impact on the employment market in Malta with the unemployment rate falling to the lowest levels and the labour supply growing at a fast pace as indicated in the Figures 4 and 5 below.

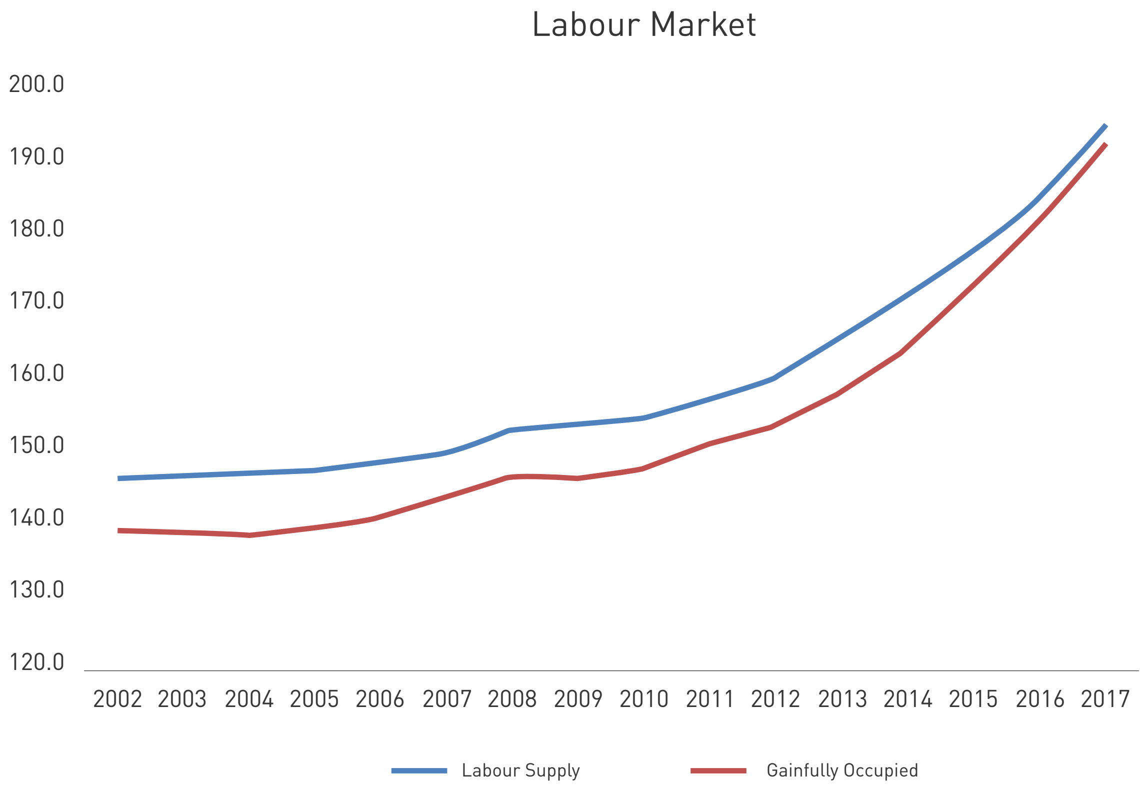

Figure 4: Malta's Labour Supply
Source: Central Bank

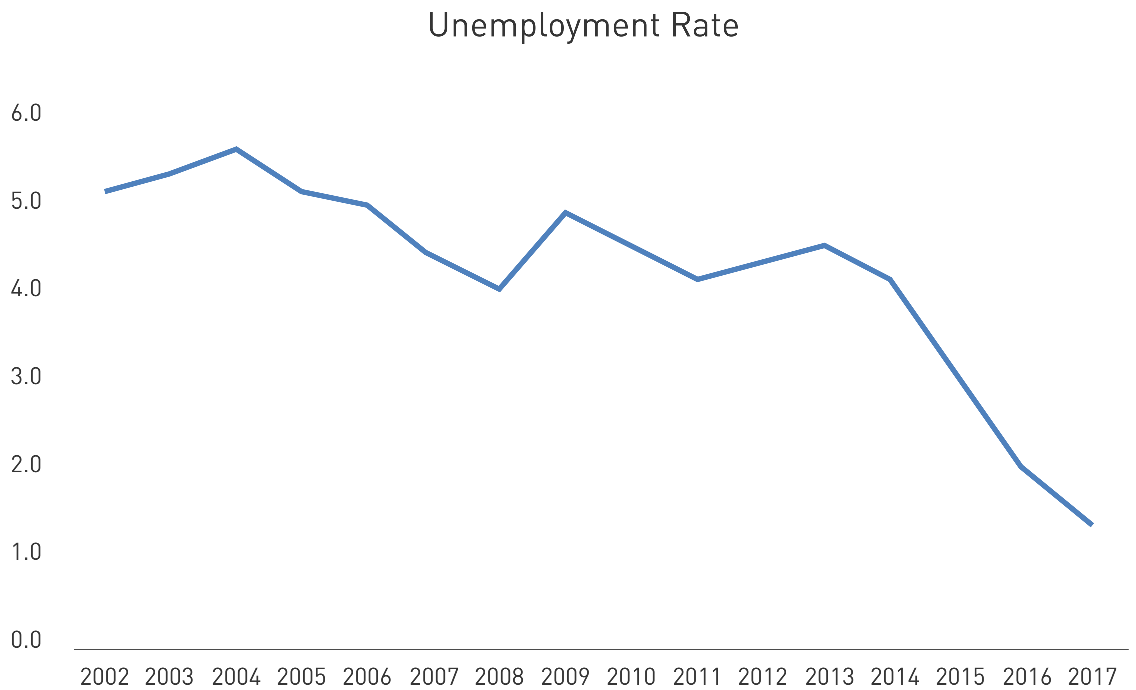

Figure 5: Malta's Unemployment Rate
Source: Central Bank

2.2 | Sectoral Analysis: Manufacturing

Although the manufacturing sector has not contributed significantly to the current growth rates seen, it has been instrumental in Malta's economic progress since Independence. The sector has been gradually transformed from a low-cost sector into one producing higher value-added products. The objective of this section is to better understand the key trends and developments in the manufacturing sector by looking at different sources of data, including business demographics as well as input-output analysis.

2.2.1 | Activity Indicators

Business demographic data published by the National Statistics Office (NSO) shows that the number of registered legal entities specialising in manufacturing stood at 3,929 in 2017, accounting for slightly less than 4% of the total business units registered for the whole economy. Around 92% (3,626 units) of manufacturing firms were micro-enterprises, accounting for 22% of total employment in the sector.

More than 7% of the firms were considered as small and medium enterprises (SMEs) which together offered slightly more than half of the jobs in the sector. The rest were large enterprises, generating 27% of total manufacturing employment. Compared with the rest of the economy, the distribution of firms in the manufacturing sector is skewed slightly more towards SMEs, while the share of micro enterprises is slightly smaller.

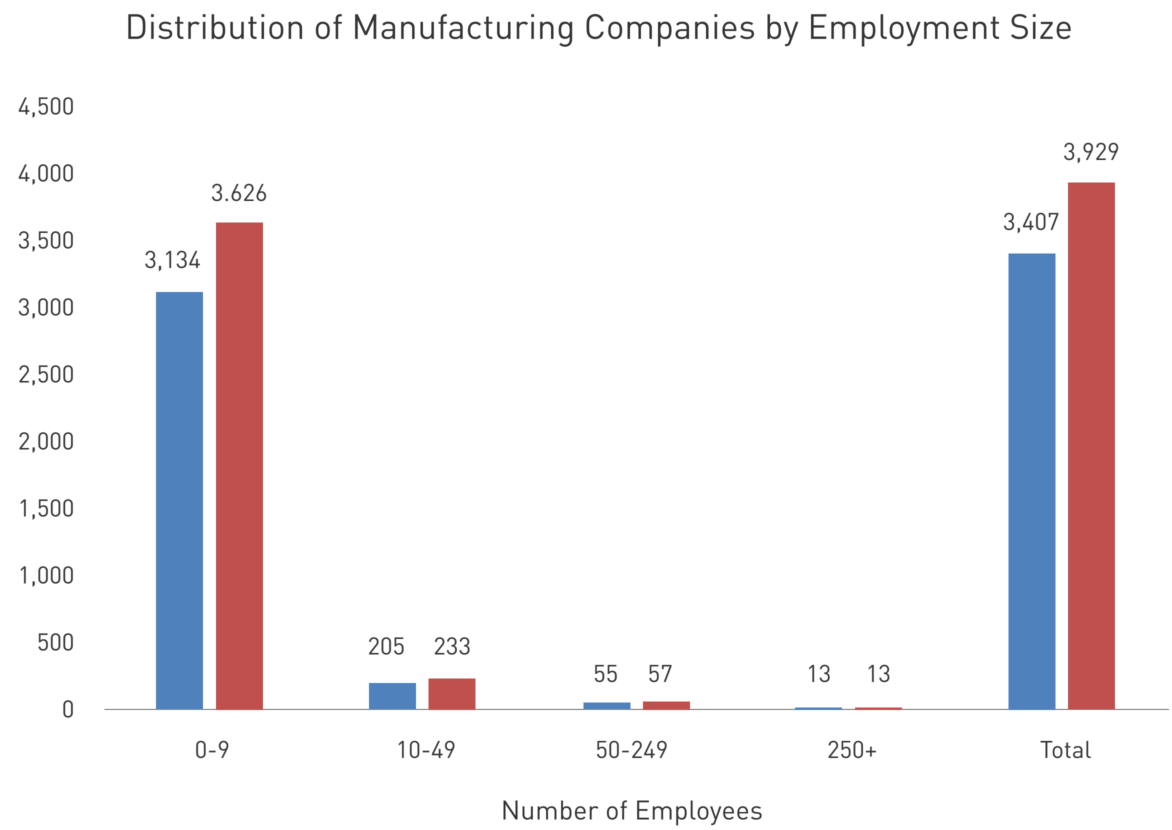

Figure 6: Distribution of manufacturing companies by employment size
Source: Central Bank

Data on the number of births and deaths of manufacturing units show that since 2013 the number of new registered businesses was higher than that of deregistered units. In 2017, the number of births stood at 325 units, while only 140 units were deregistered, giving a net increase of 185 units.

Statistics on the Gross Value Added (GVA) of the manufacturing sector indicate that the sector has shrunk over the years and that it has only recently recovered from the slowdown that followed the global financial crisis of 2009. Subsequent recovery was interrupted in 2013, largely reflecting industry-specific factors that affected the semi-conductor industry in Malta. Since then, GVA in manufacturing began to edge up again, reaching its highest level in 2017 since 2012. As other sectors of the economy – particularly services – recorded much faster growth, the share of manufacturing in total economy GVA has been trending downwards, standing at around 8.5% in 2017, from almost 21% in 1995.

Manufacturing Gross Value Added

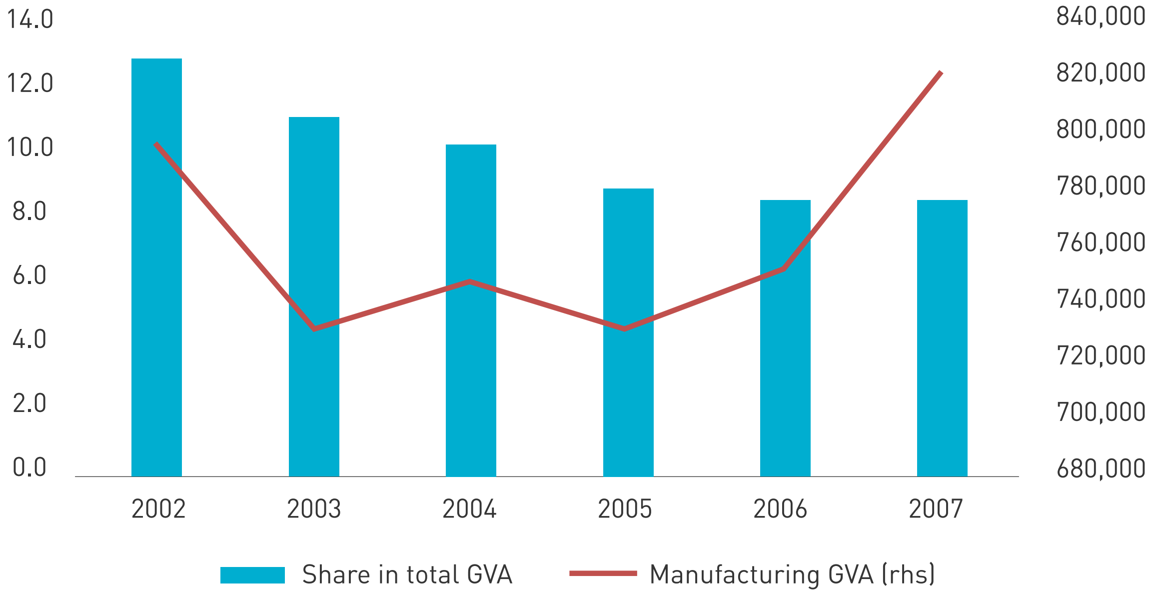

Figure 7: Gross Value Added in manufacturing
Source: Central Bank

Notwithstanding this relative decline, manufacturing remains an important sector for the Maltese economy. Although it is smaller than fast-evolving services sectors, such as those incorporating professional and business activities as well as arts and entertainment (mainly influenced by remote gaming), in 2016 it registered a higher level of GVA than the financial and insurance business and the information and communication sectors.

Moreover, after excluding flows associated with the financial sector, the manufacturing sector remains one of the largest recipients of foreign direct investment (FDI) flows: approximately 41% of FDI inflows have in fact been directed to the manufacturing sector since 2014.

41% of FDI inflows have in fact been directed to the manufacturing sector since 2014

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Share of FDI in Malta

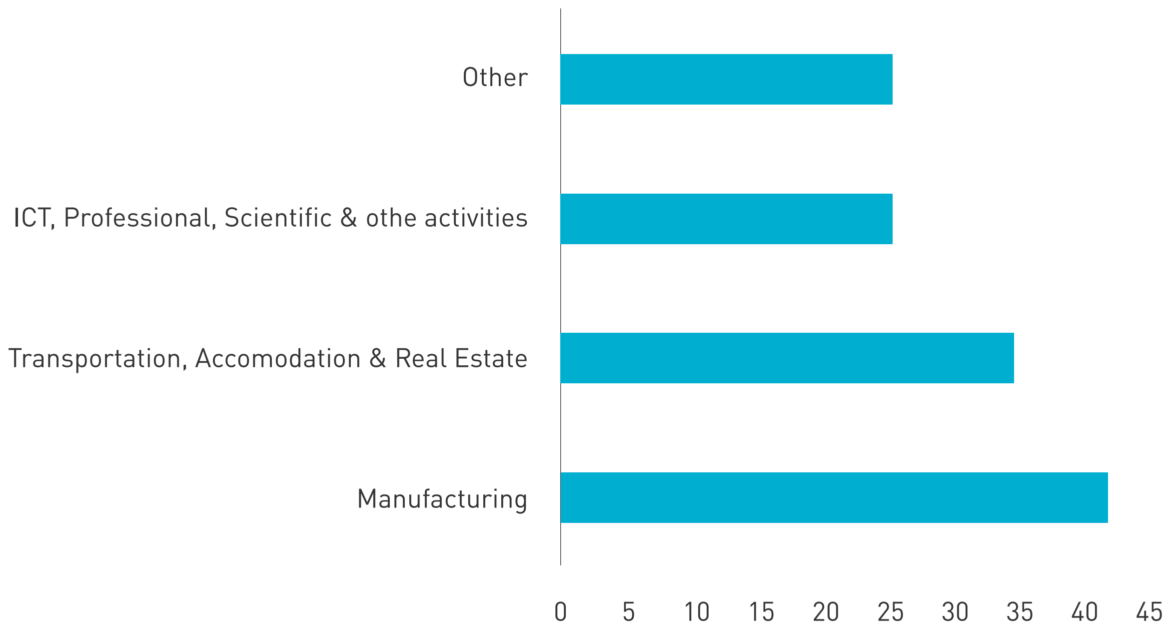

Figure 8: Share in FDI
Source: Central Bank

The manufacturing sector itself supplied €94 million (19%) with a further €76 million of locally-sourced inputs (15%) from the energy provider and other utilities.

The manufacturing industry also has important linkages with other sectors of the economy. The latest input-output tables for the manufacturing sector, dating from 2010, show that the manufacturing sector utilised around €1.7 billion in domestically produced inputs and imports to generate output worth €2.5 billion. This implies a very high import content of almost 70% of total intermediate consumption. Only around a third of the total intermediate consumption generated by manufacturing was sourced domestically.

Over half of the domestically-sourced inputs in 2010 were sourced from the services sector, particularly the distributive trades, financial and insurance sectors. The manufacturing sector itself supplied €94 million (19%) with a further €76 million of locally-sourced inputs (15%) from the energy provider and other utilities. Links with the construction sector were less significant, with the latter accounting for only around €21 million, representing five percent of the domestic inputs to the manufacturing processes.

Estimates of forward linkages by the Central Bank of Malta across various sectors show that the manufacturing sector is an important source of supply to other sectors within the Maltese economy. Slightly more than four-fifths of the manufacturing output generated during 2010 was final demand, primarily as exports (68%). Final consumption and gross capital formation represented 9.6% and 3.5% respectively of the final demand recorded. Almost 20% of the manufacturing output in 2010 was utilised as intermediate demand in the economy, partly within the same sector.

A recent study by the Central Bank of Malta calculated industry-specific multipliers on the basis of the demand driven input-output framework using 2010 data. The study puts forward a new set of Type I and Type II multipliers for the Maltese economy, including disaggregated sectors in the manufacturing industry. In addition, the study presents the accounting multipliers – these also account for the size of the sector generating the final demand.

The manufacturing sector as a whole has the highest income, value added and employment multipliers and the second-highest output multipliers. Disaggregated data shows that the firms within the electronics sector registered the highest ranking in the output, value- added, income and employment multipliers. This implies that changes in the final demand recorded in the electronics sector create strong direct and indirect effects. In 2010, the electronics sector generated almost 45% of the value-added in manufacturing and slightly more than five percent of the total economy. On the other hand, the sub-sector of food & beverages had the lowest accounting multipliers within the manufacturing sector.

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2.3 | Employment, Wages and Productivity in the Manufacturing Industry

After a trend decline from the mid-1990s, employment in the manufacturing sector remained relatively stable after 2009. This contrasts with the situation in the euro area, where this sector continued to record steady declines up to 2013. In 2016, employment in Malta's manufacturing industry stood at 22,214 persons, accounting for 11% of the whole economy's employment (compared to 24% in 1995). Most recent data ranks manufacturing third, with wholesale, retail and accommodation services and the public administration forming the first and second largest categories respectively. The decline in the sector's share in GVA was thus unsurprisingly also reflected in employment data.

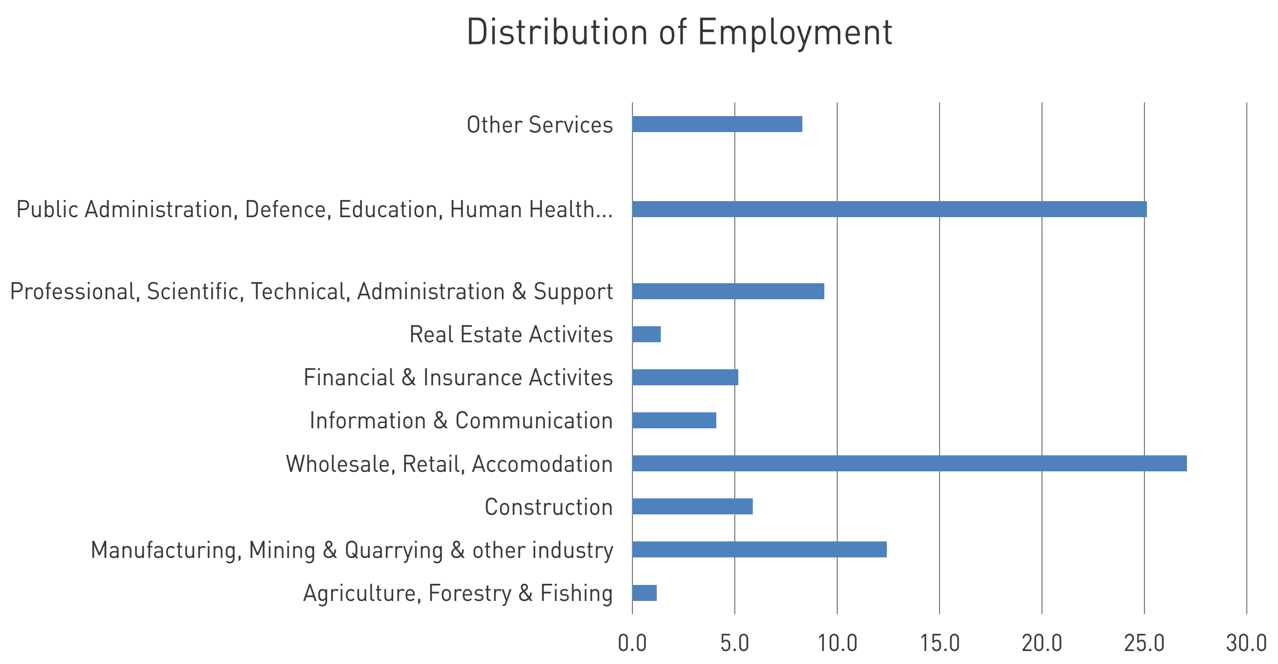


Figure 9: Distribution of employment
Source: Central Bank

The majority of persons employed in the sector are employees. For 2016 this figure stood at 20,123, equivalent to around 91% of all job holders in the industry. There were also 2,091 self- employed persons, equivalent to around 9% of total employment in industry.

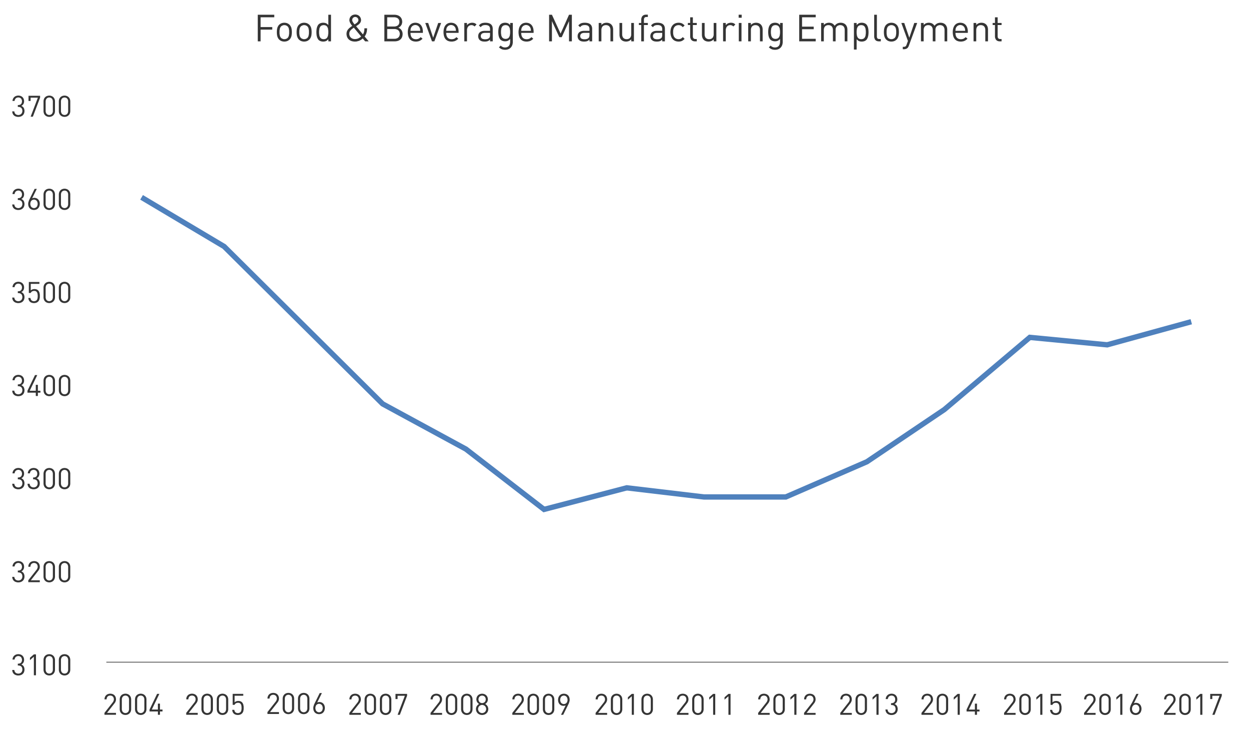


Figure 10: Employment food & beverage sector
Source: Central Bank

Employment in the food and beverage manufacturing sector has hovered between the 3,000 and 4,000 mark between 2004 and 2017. The sector has recovered following a post-EU accession downward trend but still employs less than the level employed in 2004.

Like the situation in other sectors of the economy, labour shortages have led to an increased reliance on foreign workers. Data issued by Jobsplus in fact shows that at the end of 2016 the manufacturing sector employed over 2,300 foreigners, with around two-thirds of them being EU nationals. The share of foreigners in manufacturing, however, remains lower than for the total economy. The share of foreign workers in manufacturing increased from around 4% of the workforce in 2012 to 10% in 2016. Most of the increase registered took place after 2012.

The Labour Cost Survey shows that the salaries and wages in the manufacturing sector stood at around €13 per hour in 2016, lower than in most euro area countries, even when compared with those that were severely affected by the economic crisis (such as Spain and Italy).

Average wage growth has been relatively stable since 2011, averaging around 2.6% per annum. In 2016, compensation per employee in the manufacturing sector stood at €20,966 compared with €23,317 for the whole economy. Average compensation in manufacturing was lower than that in fast-growing, services-oriented sectors, such as financial services, ICT and i-gaming. On the other hand, the manufacturing sector offers higher compensation than the construction, wholesale and retail sectors.

The manufacturing sector is highly heterogeneous, both in terms of productivity and wages. The pharmaceutical industry registered the highest levels of productivity, measured as GVA per worker, which was comparable to those registered in high value-added services sectors.

Similarly, compensation per worker in the pharmaceutical industry was significantly higher than the sector's average. Other sectors that are characterised by higher productivity include those producing electrical equipment, beverages, motor vehicles, repair and installation and printing. Meanwhile, productivity and compensation per employee were the lowest in firms producing wearing apparel, textiles and leather products.

At the end of 2016 the manufacturing sector employed over 2,300 foreigners, with around two-thirds of them being EU nationals.

2.4 | Conclusion

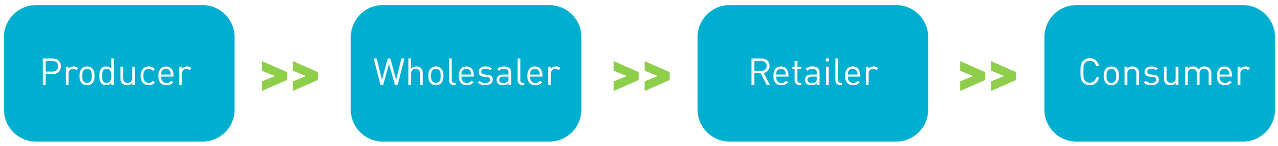
Although the Maltese economy has grown at a considerably fast pace, the manufacturing sector remains a challenging though important sector. The limited domestic market and the fact of insularity limits its potential in some sectors, especially food & beverage.

This notwithstanding, the sub-sector and sector itself remain important sources of value-added creation household income and employment and therefore any investments or schemes to support this sector have a positive effect on the economic outcomes.

3.0 | Defining Private Label

The standard definition of 'private label' refers to a product which is manufactured by a contract or third-party manufacturer for sale under another company's brand name[1]. It works as a direct link between manufacturers and retailers, with retailers contracting the manufacture and packaging of a specific product from a third party for retail under its own brand. This retail option applies particularly to fast- moving consumer goods (FMCGs) and has had a significant impact on the food and beverage industry.

This direct relationship between manufacturer and retailer is clearly a major departure from the distribution channel that has traditionally taken a product from the producer to the consumer which, as can be seen in the chart below, is normally based on a more complex chain involving other intermediaries:



In a private label context, the distribution channel is reduced to a direct engagement between the producer and the retailer, eliminating any intermediaries in the process:

[1] Private Label Definition – What is Private label. (n.d.).
Retrieved 24 November, 2018, from https://www.shopify.com/encyclopedia/private-label

Table 1 below describes the three main categories of private label manufacturers.

	Category	Description
1	**Dedicated Private Label Manufacturers**	Manufacturers who produce only private label products
2	**Dual Trackers**	Manufacturers who produce their own brand while in parallel engaging in private label production
3	**Opportunistic Dual Trackers**	Manufacturers who do produce their own brand but who from time to time take on private label orders to fill spare capacity

Table 1: Main categories of private label manufacturers
Source: Central Bank

The private label model has advantages for both retailers and manufacturers.

For manufacturers, particularly those that produce private label alongside their own brand, some of the key advantages are:

- Gaining a competitive edge by having direct access to consumer behaviour information directly sourced from retailers – this can also benefit the development of the manufacturer's own brand.
- Increasing profits through reducing operating costs: if the demand for the manufacturer's own brand is insufficient to generate maximum economies of scale, operating costs can be reduced through private label production.
- Building better relations with retailers (in the case of categories 2 and 3 this can also benefit the distribution of its own brand).
- Managing the impact of imbalances between supply and demand for own brand products by utilising any spare capacity to supply private label orders.
- Reducing time to market and distribution costs due to a more direct distribution channel.

The benefits for retailers are:

- Better Control over production;
- Better control over pricing;
- Increased adaptability to changing market demands;
- Better control over branding;
- Better control over profitability.

The following section will indicate how private label has been a fixture in the food and beverage industry for decades, largely limited however to retailer's own private brands produced and marketed as cut-price imitations of national brands. This position has changed drastically over the last decade and there is now growing consensus within the global industry that private label has been undergoing a revolution, and that it is gaining traction as a key segment in the retail industry.

According to a 2017 study carried out by Emerald Insight[2], private brands:

- Are now available in 55 countries worldwide;
- Had a total sales value of USD 1 trillion in 2016;
- Are now available as alternatives to over 90% of fast-moving consumer good categories (FCMGs) in Europe;
- Account for 16% of all global sales;
- Are set to exceed 50% of the market share by 2025.

[2] (2017) The Private Branding Phenomenon: Improving the Market Share of Private Brands in Emerging Markets, Strategic Direction, Volume 33 (10)

Nielson, the leading global data analytics company, issued a report[3] this year which described the 'rise and rise again' of private label as being a 'retail revolution'. Based on their data obtained from over 60 countries and focusing particularly on the food industry, Nielson project that private label products will continue to "gain share across all major geographies."

Figure 11 below highlights the value share growth in private label in key regions between 2015 and 2016, based on the most recent complete data issued by Nielson.

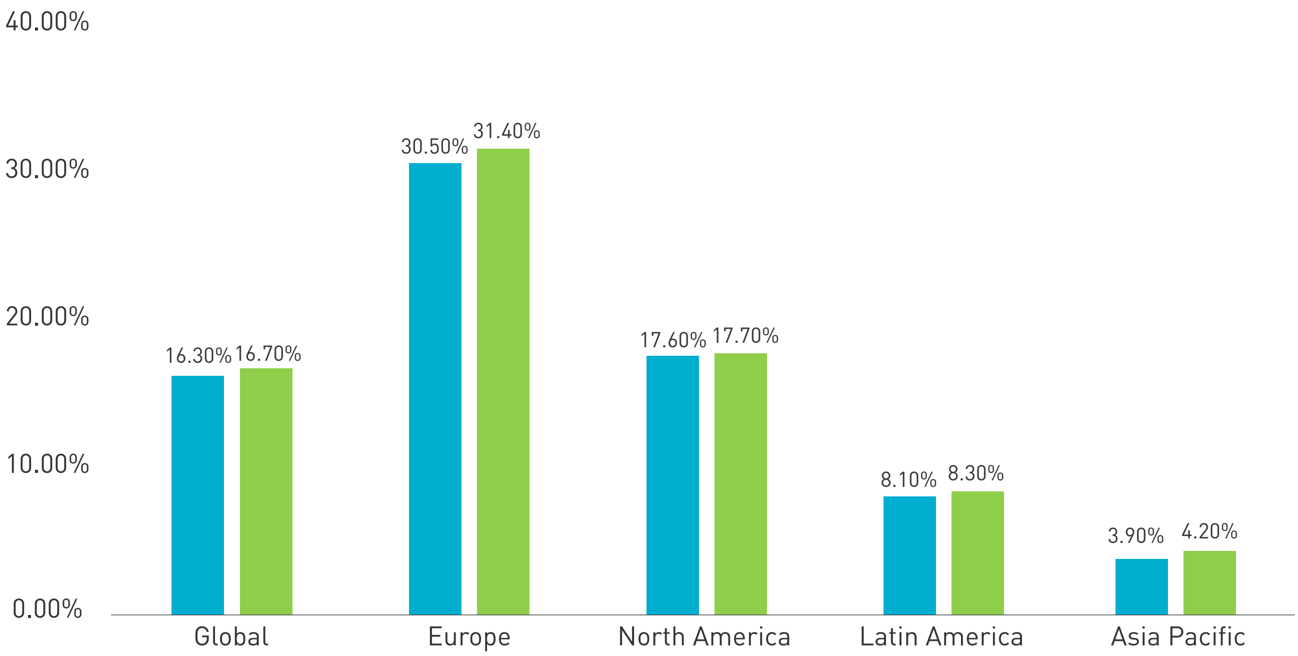


Figure 11: Global Private Label Value Share Growth: 2015-2016.
Source: Adapted from 'The Rise and Rise Again of Private Label', The Nielson Company, 2018

As indicated in Figure 11, private label penetration is highest in Europe by a significant margin. 2017 data issued by the Private Label Manufacturers' Association (PLMA) provides a breakdown of this growth across several European states (Figure 12).

[3] The Nielson Company. (2018). The Rise and Rise Again of Private Label.

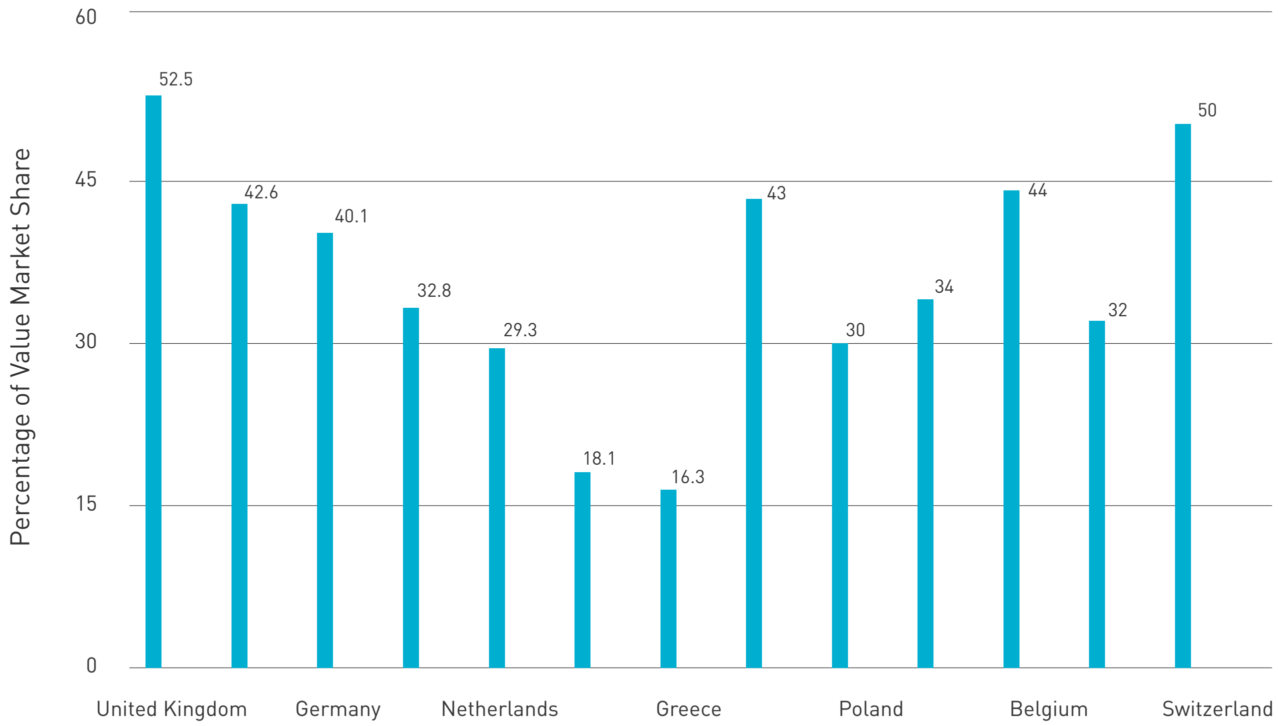


Figure 12: Private label market share in Selected European Countries 2017
Source: Adapted from Private Label Yearbook, The Private Label Manufacturers' Association, 2018

Global data indicates that, for reasons that will be discussed further in this report, private label growth has been consolidated and is now intensifying in developed countries. However, our desk research has also highlighted that the rapidly changing socio-economic landscape of developing countries presents a significant opportunity for private label penetration into these markets. Simply put, evolving social and economic developments in developing countries mirror, to some extent, the conditions and circumstances that originally drove the growth of private label in developed countries. This general situation, cou-pled with favourable and regionally-specific demographic and economic trends, pro-vides a major opportunity for private label food and beverage manufacturers to make strategic headway by accessing emerging markets that are less saturated with estab-lished private label products. The following section will outline the main milestones in the evolution of private label, highlighting how this segment's relatively static growth over a number of decades suddenly surged in response to a number of factors.

3.1 | How Private Label Has Evolved

Private labels were first introduced in the food and beverage industry in the United States and Europe in the 1950s. At the time, they were marketed by retailers as low-cost alternatives to national brands and their market shares were negligible in comparison. Their defining characteristic as a low-cost option for lower-income consumers was emphasised by minimal, often drab packaging and perimeter positioning in retail outlets. Quality was very hit or miss, with lower-cost ingredients often being used by manufacturers to keep production costs as low as possible.

This situation continued into the 1970s, based on consumer perception of private label commodities as low-priced products with an inferior quality to national brands, with the main reason for consumption being the low price[4]. The real shift in consumer perception, and the corresponding rise in private label production, started to be felt in the 1980s. This is when 'pseudo brands' appeared, marking a major strategic shift in private label marketing. These pseudo brands were essentially low-price private labels deliberately produced to mimic national brands, with slicker presentation and packaging and with quality levels approximating those same brands.

At that point private label began a steady rise in growth in most developed markets, notably in Western Europe and North America. Between 1990 and 2006 it gradually gained traction against national brands. The key shift occurred in terms of consumer perception, with the traditional image of the inferior 'cut-price' product evolving into a significantly more positive attitude, based on a perception of products that were not merely a make-do when income was tight, but rather a desirable purchase that offered good value for money by approximating the quality standards of established brands.

The expansion of private label continued throughout the economic downturn of 2007-2012, with many more consumers turning to private label products as their disposable income tightened. With the gradual onset of recovery after 2012, many industry observers predicted that the rise of private label would now falter, as consumers could now switch back to national brands. However, despite some short-lived plateaus, and against a backdrop of economic recovery and corresponding rise in consumer disposable income, growth has actually accelerated to reach the levels we are seeing today.

[4] Roosen, J. (2005). Private Labels for Premium Products. International Journal of Retail and Distribution Management, 33 (8).

This trend is indicated in Figure 13 below, which demonstrates that across all the selected mature and emerging markets, private label market share in 2015 had increased when compared to 2010, when economic recovery had yet to set in.

Private Label Penetration by Percentage of Value Market Share: Selected Mature and Emerging Markets (2010-2015 %)

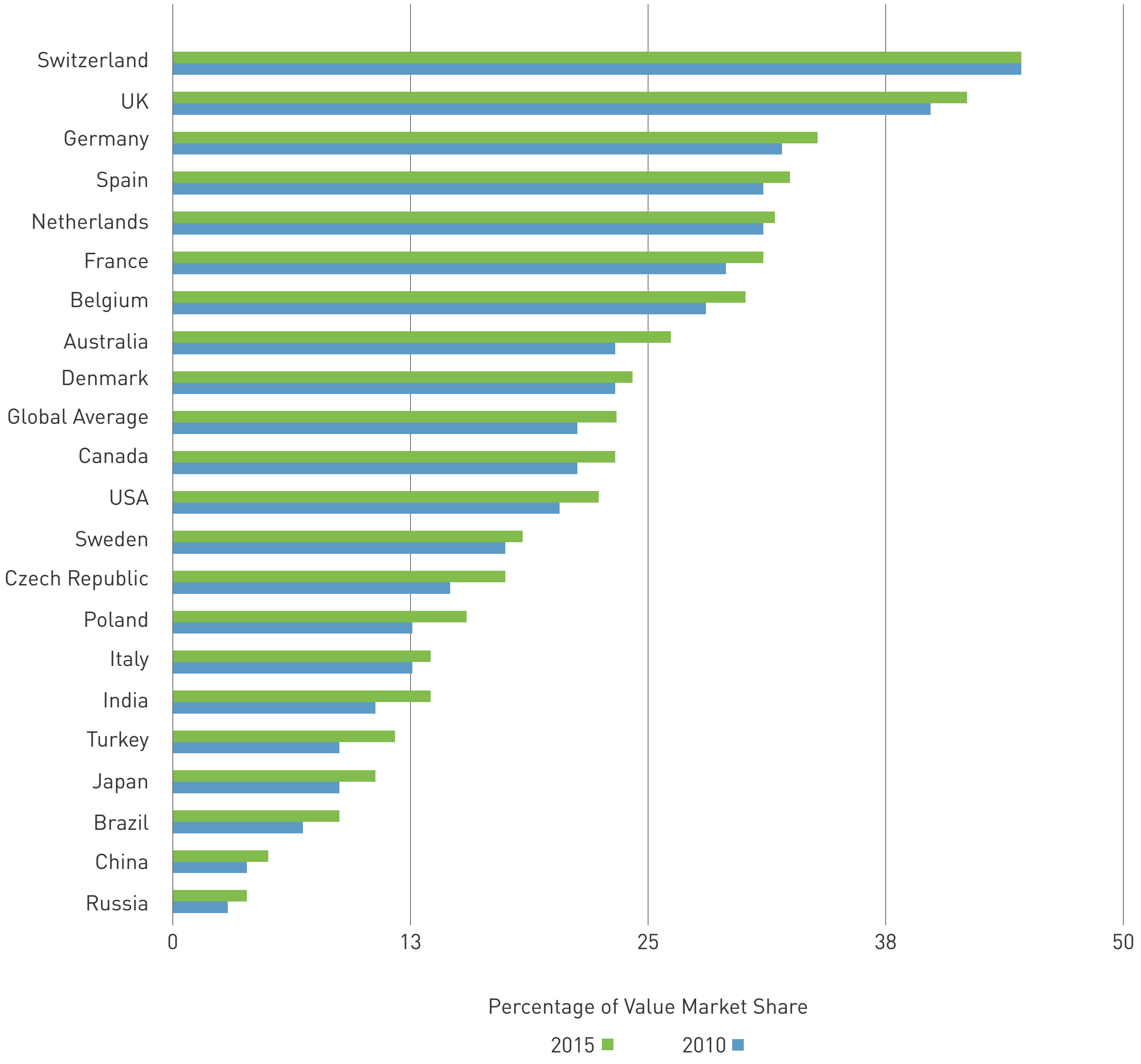


Figure 13: Private Label Penetration by Percentage of Value Market Share in Selected Markets (2010-2015
Source: Planet Retail RNG

3.2 | Key Growth Factors for Private Label

The latest Nielson report referred to above (The Rise and Rise Again of Private Label, 2018) concluded that while economic recession is a big driver of private label growth, as evidenced by the consolidation of this segment in 2007-2012, subsequent economic recovery does not significantly affect this growth. They argue that even as disposable income increases, consumer behaviour does not revert to pre-recession patterns and a significant number remain loyal to private label products.

This is due partly to maintaining a cautious approach to household expenses following their experiences in harder times, but also because their perception of private label products in terms of quality and value for money has now changed. Euromonitor's Global Consumer Trends Survey[5] in fact revealed that at the end of 2013, with the recovery now well underway, 89% of consumers in Europe had still bought private label products with only 11% claiming never to have done so.

A fundamental reason for this shift is highlighted in a recent study by the NPD Group[6] which argued that the "private label revolution" is now experiencing a second growth wave driven by consumer buy-in to the private brand concept. They sum up the reason for this buy-in as being the radical change in the positioning of private label:

"These aren't your grandmother's private-label products any more – they're not generic, and they're unique ... the focus is no longer on price, but on creating brands with distinctive personalities that appeal to consumers' desire for experience."

[5] Euromonitor International. (2013). The New Face of Private Label: Global Market Trends to 2018

[6] The NPD Group. (2018). Private Label Revolution: The Second Wave

Retailer Expansion

The rapid expansion of grocery retailers, and the increasingly competitive environment within which they operate, has contributed to private label growth: retailers are consolidating and marketing their own brands as a differentiator against competitors as well as to increase their profit margins.

Discounters have entered the European market in a big way and are also making inroads in the U.S. market. This has seen a corresponding rise in the consumption and positive perception of private label. This can be tied to the fact that, since 2000, discounters have deliberately moved away from their no-frills, low-budget formats catering mainly for low-income consumers to larger, more innovative outlets with vastly expanded product ranges. Opting now for fresh and current packaging, backed by better quality ingredients, discounters are successfully capturing higher income consumers who are recognising that they do not necessarily need to pay more for good quality products. According to the latest data released by the Boston Consulting Group (BCG), this growth shows no signs of slowing: by end 2020 discounters are projected to increase their number of store locations by 4.4% a year, compared to 2.9% for mainstream supermarkets and 1.6% for superstores and hypermarkets[7].

In food items particularly, this expansion of retail space has a further direct impact on the penetration of private label items. This ties in to increased placement of perimeter category items in stores, with these items tending to be far more private label-oriented than centre store categories. A recent study carried out by Cadent Consulting indicates that perimeter space has in fact grown at four times the rate of centre store space in the last five years[8].

By end 2020 discounters are projected to increase their number of store locations by 4.4% a year, compared to 2.9% for mainstream supermarkets and 1.6% for superstores and hypermarkets[7].

[7] The Boston Consulting Group. (2017). How Discounters are Remaking the Grocery Industry

[8] Cadent Consulting Group. (2017). Sea Change for Private Label

Role of Millennials

In their study, the Boston Consulting Group also conclude that there is a strong demographic factor at work here: millennials prefer discounters over mainstream grocers across most large, developed markets. They also tend to be more open to brand switching than older consumers and are more interested in transparent, clean and value-based labels, regardless of whether they are national brands or private label. In terms of numbers and aggregate spending power this segment rivals that of all other segments combined[9].

Rise of Direct-to-Consumer Channels

As discussed above, the traditional distribution channel for private label centred on three nodes: producer, retailer and consumer. This still left producers at the mercy of retailers in terms of securing visibility for their products and brands. The rise of eCommerce is subverting this completely, allowing direct-to-consumer (DTC) engagement that is going from strength to strength, particularly with the younger demographic. This allows private label producers to enter the market place directly: related developments that made an impact in the U.S last year was the sudden arrival of 'Brandless,' an online company built purely on private label, as well as Amazon's decisive entry to the private label market with its own line of products.

Brandless products.

[9] Boston Consulting Group. (2018). How Discounters are Remaking the Grocery Industry

3.3 | Future Direction

According to Nielsen's latest 'Total Consumer Report,'[10] 2017 was a pivotal year for private label. In terms of sales value, in the U.S. this segment grew at three times the rate of national brands.

There appears to be a consensus across a number of research studies and industry influencers that this upward trend is here to stay and the same Nielson Report concludes that private label penetration rates will likely increase "dramatically" over the next three to five years as retailers realised that "store brands play a key role in boosting profitability, differentiating themselves and improving customer loyalty." In Europe, market research also indicates that the private label food and beverage market will grow at a compound annual growth rate (CAGR) of approximately 7% by 2021, with enhanced brand visibility as a key growth factor.

On this basis differentiation will take on more importance, with an emphasis on more unique and innovative products and packaging to create a real point of difference in the marketplace. This will consolidate the rise of 'aspirational private label,' premium products that will continue to blur the lines between national and store brands and build their own brand loyalty. This has an impact on the food and beverage market where private label can take the 'premiumisation' route to further challenge established brands.

Retailers are also capitalising on changing consumer trends by expanding ranges with investment concentrated on premium tiers in categories such as chilled ready meals and health food ranges.

[10] Nielson. (June 2018). Total Consumer Report

3.4 | Private Label in Developing Markets

As indicated above, private label is primarily a feature of developed markets and is strongest in Europe, followed by the United States. However, it is worth noting that private label first emerged, and proceeded to grow, in market situations that are not very different from those we see in the developing markets today. In terms of private label emergence in developed markets, the critical drivers included:

- An expanding middle class with more disposable income that aspired to products that were aligned with national brands and yet remained cost-conscious in their buying choices;
- Increasing urbanisation and the associated growth of large department stores as opposed to small grocers.

Both of these key factors are also characteristic of developing countries today. They can therefore drive private label expansion in these markets as they continue to evolve in line with developed countries.

Data emerging from such markets indicate that this trend could indeed be a reality[11]:

> India is the least-developed retail market in Southeast Asia with modern trade penetration of only 5%. It is however the most successful private label market in the region with a growth of 27% between 2012 and 2014. This trend is being attributed to a new generation of consumers who are less brand-loyal and more open to trying new products if they feel that value for money is assured.

[11] The Nielson Company. (November 2014). The State of Private Label Around the World.

Private label is also making gradual inroads in Latin America, growing by 3% between 2010 and 2014; across that market over 76% of consumers confirmed a positive perception of private label products.

In the Middle East and Africa, the regions in the focus of this report, private label is still in its infancy. However, private label is present wherever supermarkets and discounters are gaining a foothold and, as will be discussed below, these are expanding in this region at a fast rate. South Africa is leading the way in this respect: by 2017 private label already represented 20% of sales and, across all FMCG categories, it has proved most successful in the grocery sector.

3.5 | Main Conclusions

There is growing consensus that private label is here to stay, and that it is now an established feature of the manufacturing and retail industries.

Private label has a number of advantages for manufacturers, retailers and consumers. It can be a sound strategic option for producers who have spare capacity, either temporary or permanent, who can utilise this to produce private label ranges in parallel to their own brand.

Associated primarily with FMCGs, it is increasingly a feature of the food and beverage sector with a number of factors driving its growth: economic recovery following the global recession; social media influences; millennial consumers who are likelier to switch brands rather than adhere religiously to national brands; e-commerce; the rise of supermarkets and discount-ers.

Recent data indicates that private label is no longer purely a cut-price option for lower-income consumers, and therefore a symptom of recession which tends to decrease in popularity once recovery sets in. In the U.S. and Europe, the sales value of private label has continued to grow despite the economic upturn and surveys demonstrate that a significant number of consumers continue to opt for private label products simply because they consider them to be better value for money in some cases than national brands.

This change in perception may be due to a key shift in private label strategy that continues to drive growth and take it to new heights. This is the 'premiumisation' of private label, i.e. relin-quishing its former defining characteristic as being a cut-price and bland version of an established brand to becoming a high-quality, aspirational product.

Private label is strong in developed markets, however due to a number of factors that characterise the retail environment in developing markets today, and which are similar to the forces that drove the growth of private label in developed markets in the 1980s and 1990s, there is every indication that private label could also thrive in regions beyond Europe and North America. The success achieved in India and South Africa indicate that this is the case.

For manufacturers starting out in private label, there are advantages to entering developing markets where this is still in its early phase rather than a developed market which may already be somewhat saturated.

4.0 | Regional Overview: The Middle East and Africa

The subject of this report is the feasibility of private label export by the Maltese food and beverage sector to the Middle East and Africa (North and Sub-Saharan). This section will therefore focus on this wide region and provide an overview of its current socio-economic situation. Focus will then shift to assessing the conditions in this developing market in terms of export and private label opportunities.

The Middle East and Africa is the world's second most populated region after Asia Pacific, with a total population of just over 1.5 billion[12]. Given the vastly different social, economic and environmental characteristics that differentiate North from Sub-Sharan Africa this report will follow the World Bank regional classification system and consider the geographical area under review as two distinct regions:

- **Middle East and North Africa (MENA); and,**
- **Sub-Saharan Africa.**

[12] World Bank 2017 Population Data

4.1 | Middle East and North Africa

The Middle East and North Africa (MENA) typically extends from Morocco in Northwest Africa to Iran in southwest Asia and down to Sudan in Africa. Table 2 below lists the 21 countries that make up this region[13] as per the World Bank regional classification system.

Algeria	Jordan	Qatar
Bahrain	Kuwait	Saudi Arabia
Djibouti	Lebanon	Syrian Arab Republic
Egypt	Libya	Tunisia
Islamic Republic of Iran	United Arab Emirates (UAE)	Iraq
Morocco	West Bank and Gaza	Israel
Oman	Republic of Yemen	Algeria

Table 2: List of countries within the MENA region
Note: Shaded countries are members of the Gulf Cooperation Council

As this list clearly shows, MENA is a diverse region, with countries at different stages of social, political and economic development and with varying degrees of internal security and stability. This diversity is accentuated by the fact that the region comprises both the oil-rich Gulf Arab states, many with similar rigid, monarchical systems of government, as well as resource-scarce countries hampered by internal political problems and conflict within or beyond their borders.

However, despite this volatility, the fact that it accounts for over 60% of the word's oil reserves and 45% of natural gas reserves means that the region plays a critical role in global economic stability.

[13] For the purposes of this report Malta will be excluded from this list: the World Bank currently classifies Malta as forming part of the MENA region (information retrieved 30 November, 2018, from https://datahelpdesk.worldbank.org/knowledgebase/articles/906519).

A significant factor that has shaped the region's development in the last few years has been the Arab Spring of 2011, which was expected to introduce democratic reforms in a number of countries. However, seven years on, these improvements have failed to materialise, and in some cases these changes have led to even greater unrest.

These are a few of the current hotspots:

- **A number of states in the Middle East are experiencing active conflict at this time, ranging from the endemic unrest in the West Bank and Gaza to full-scale war in Syria and Yemen.**

- **The rivalry between Iran and Saudi Arabia also continues to dominate the region, with other states divided in terms of which of the two they support.**

- **Although its territories and forces have been drastically reduced since 2015, the Islamic State remains a destabilising force in Syria, Iraq and beyond.**

The political situation in the six Gulf Arab states (Saudi Arabia, Bahrain, Qatar, Kuwait, Oman and the UAE) is somewhat different to the other countries in the region. Although there is ongoing political tension and rivalry between these states, most notably between Saudi Arabia and Qatar, these countries are relatively politically stable due to the prevailing monarchical governments that continue to exert control.

4.1.1 | Economic Outlook

The MENA region is economically diverse, spanning the oil-rich states of the Persian Gulf as well as relatively resource-scarce countries such as Egypt, Morocco, and Yemen. In 2016 and 2017 economic growth across MENA was slow, mainly due to the ongoing conflicts in Yemen, Syria and Iraq as well as the political crisis in Libya – all of these had spill-over effects across the region with a negative impact on trade, infrastructure and tourism. For different reasons, particularly a decline in oil revenues, growth also slowed in the Gulf states. However, the latest data issued by the World Bank indicates that "growth has picked up across the region and is projected to strengthen over the next few years."[14] This optimism was also reflected in the Regional Economic Outlook Update issued by the International Monetary Fund in May 2018.

By end 2018, regional economic growth is expected to rebound to an average of 2.0% from an average of 1.4% in 2017. Both the World Bank and the IMF agree that there are significant issues affecting this recovery, mainly the slow pace of economic reform, inflexible fiscal policies triggered mainly by higher oil prices, rising debt levels and high unemployment rates. However, there is consensus that the reform and stabilisation policies in place to date, together with the recent recovery in oil prices and external oil demand, should keep progress on track.

By end 2018, regional economic growth is expected to rebound to an average of 2.0% from an average of 1.4% in 2017.

[14] World Bank. (October 2018). MENA Economic Monitor

On this basis the World Bank forecasts that regional growth will average 2.6% in 2019-2020[15]. Tables 5 and 6 below provide a breakdown of the IMF's economic forecasts by country in terms of GDP growth, with data for previous years for comparison. These are divided into oil exporting countries (Table 3) and oil importing countries (Table 4).

	Average				Projections	
	2000-2014	2015	2016	2017	2018	2019
MENA	4.8	2.5	4.9	2.6	3.4	3.7
MENA oil exporters	5.0	1.9	5.4	1.7	2.8	3.3
Algeria	3.7	3.7	3.3	2.0	3.0	2.7
Bahrain	5.1	2.9	3.2	3.2	3.0	2.3
Iran, I.R. of	3.5	-1.6	12.5	4.3	4.0	4.0
Iraq	11.6	4.8	11.0	-0.8	3.1	4.9
Kuwait	4.8	-1.0	2.2	-2.5	1.3	3.8
Libya	-5.3	-13.0	-7.4	4.8	16.4	1.4
Oman	3.7	4.7	1.8	-0.3	2.1	4.2
Qatar	11.2	3.6	2.2	2.1	2.6	2.7
Saudi Arabia	4.1	4.1	1.7	-0.7	1.7	1.9
United Arab Emirates	4.8	3.8	3.0	0.5	2.0	3.0
Yemen	2.9	-37.1	-34.3	-13.8	-0.5	17.9

Table 3: MENA Oil Exporters: Real GDP Growth (Annual change; percent)
Source: IMF Regional Economic Outlook (May 2018)

	Average				Projections	
	2000-2014	2015	2016	2017	2018	2019
MENA	4.8	2.5	4.9	2.6	3.4	3.7
MENA oil exporters	4.3	3.8	3.7	4.2	4.7	4.6
Djibouti	4.0	6.5	6.5	6.7	6.7	6.7
Egypt	4.3	4.4	4.3	4.2	5.2	5.5
Jordan	5.2	2.4	2.0	2.3	2.5	2.7
Lebanon	4.4	0.8	1.0	1.2	1.5	1.8
Morocco	4.5	4.5	1.2	4.2	3.1	4.0
Syrian Arab Republic	/	/	/	/	/	/
Tunisia	3.7	1.1	1.0	1.9	2.4	2.9

Table 4: MENA Oil Importers: Real GDP Growth (Annual change; percent)
Source: IMF Regional Economic Outlook (May 2018)

[15] World Bank. (October 2018). A New Economy for the Middle East and North Africa

4.1.2 | Identifying the best potential markets within MENA

As highlighted in the overview above, the individual MENA countries present very different characteristics beyond their broad similarities, with political systems and economies at varying stages of development. There is also the negative factor of conflict and unrest which continues to impact this region, possibly more than any other in the global market.

However, despite this it retains significant potential as an export market, not least because it is experiencing the world's fastest rate of population growth. In the case of the Middle East, this is due largely to a rapidly increasing youth population as well as an influx of migrant workers attracted mainly by a thriving construction industry.

Population Trends

According to the latest United Nations' demographic data[16] MENA's total population will be double that of Europe by 2100, with a total of more than 1 billion people. Figure 14 below provides a breakdown by country of the population in 2018, as well as projections for 2030 and 2050. The rate of population growth across the region is significant and indicates growing consumer demand over the next few decades.

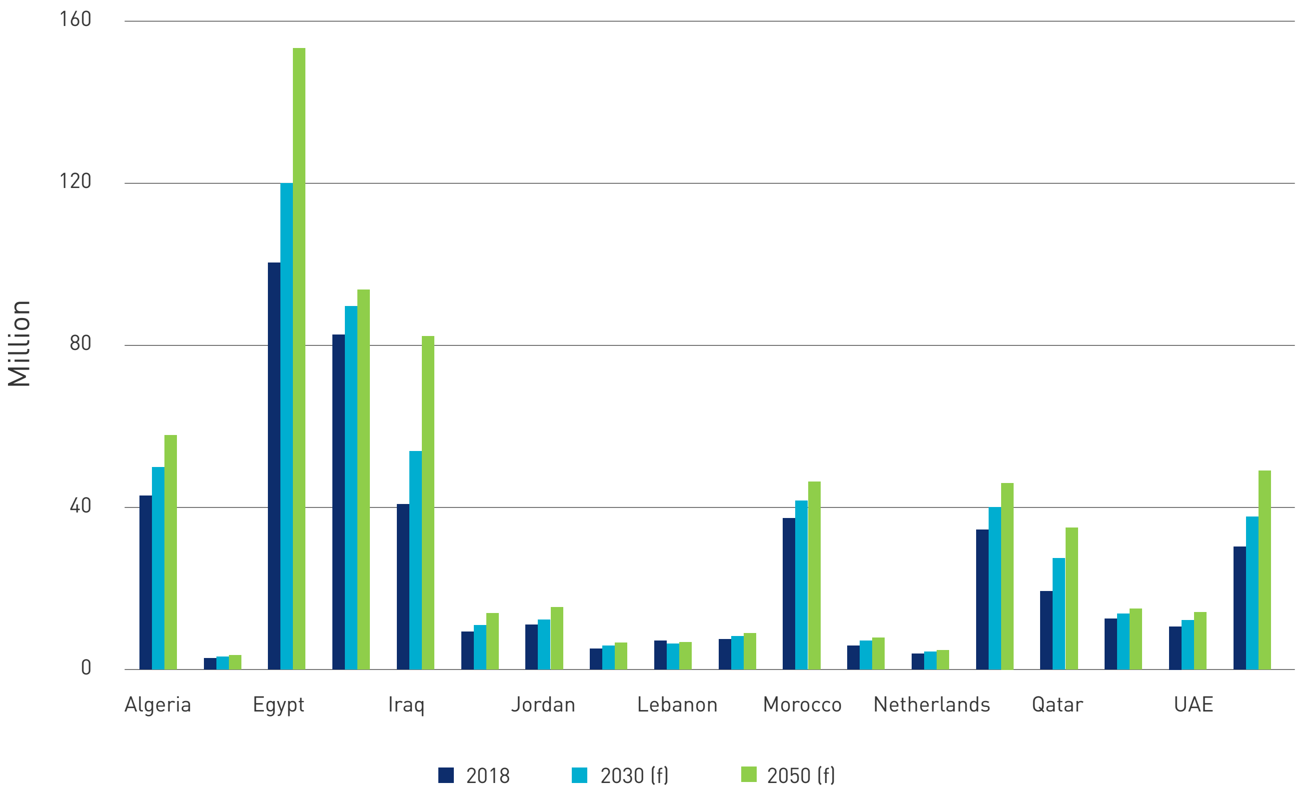


Figure 14: Forecast of population trends - MENA
Source: United Nations: World Population Prospects: The 2017 Revision.

[16] United Nations, Department of Economic and Social Affairs, Population Division. (2017). World Population Prospects: The 2017 Revision

Rate of Urbanisation

MENA's population growth is accompanied by rapid urbanisation, with the most recent data forecasting that over 75% of the region's population will be living in cities by 2050. However, this total figure factors in the least developed MENA countries (e.g. Yemen) and for the purposes of this report it must be emphasised that the urbanisation rate is significant higher today in a number of countries, notably the Gulf states where the figure already averages over 85%[17].

Figure 15 below highlights the share of urban population as a percentage of the total population in each country. As can be expected, the Gulf countries are the most urbanised, however developing economies such as Tunisia, Morocco and Algeria all have urban populations currently falling between 60 and 70% - a rate which is rising steadily as the youth population increases.

Data issued by the World Bank has also identified Qatar and the UAE as the top two countries in the region in terms of urban growth: at a rate of 7.9 and 7.5% respectively.

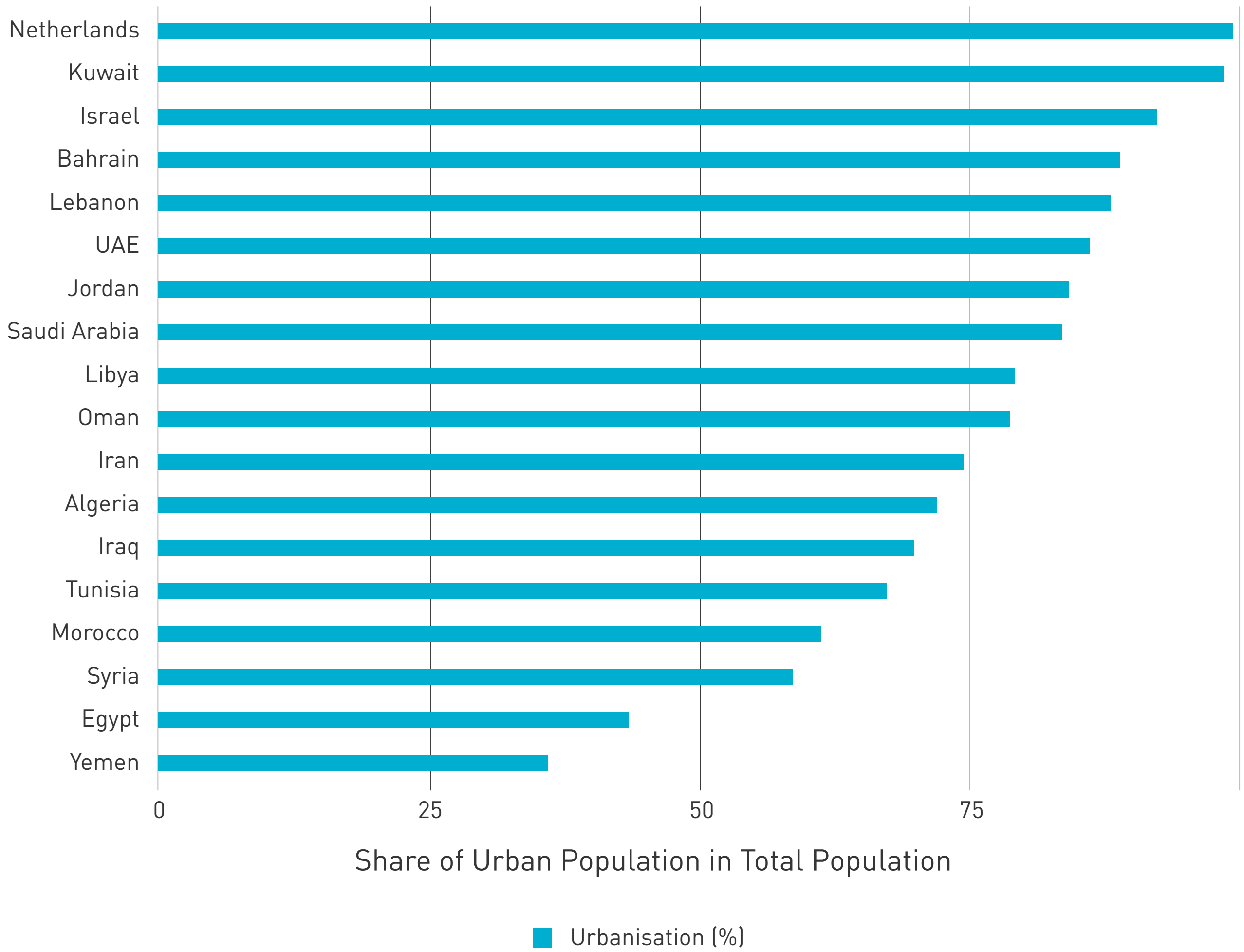


Figure 15: Urbanisation rates in MENA countries 2017
Source: World Bank

[17] Istituto Affari Internazionali. (October 2017). Demographic and Economic Material Factors in the MENA Region

Levels of Income

The World Bank 2016 regional classification provides data on income levels across the region: this is particularly relevant to this report since it serves as an indicator of consumer market maturity, with high income areas behaving more like markets in Europe in terms of the supply chain and distribution channel infrastructure, preferences in the levels of processed food and consumer spending. Table 5 below captures the income ranges used in the World Bank Atlas Method for calculating gross national income (GNI) in U.S. dollars.

Income	GNI in 2017
High	> $12,056
Upper Middle	$3,896 - $12,055
Lower Middle	$996 - $3,895
Low	< $995

Table 5: World Bank Atlas Method: GNI ranges
Source: World Bank. Country and Lending Groups – Country Classification

Table 6 below provides a snapshot of the MENA countries by income as per the World Bank country classification system:

High	Upper Middle	Lower Middle	Low Income
Bahrain	Algeria	Egypt	Syria
Kuwait	Jordan	Morocco	Yemen
Israel	Iran	Tunisia	
Oman	Iraq		
Qatar	Libya		
Saudi Arabia	Lebanon		
United Arab Emirates			

Table 6: Classification of MENA Countries by Income

Competitiveness

A further key indicator that can be applied when assessing potential markets in this region is competitiveness, specifically how each country rates in terms of the Global Competitiveness Index (GCI) as defined by the World Economic Forum (WEF)[18]. Amongst other things, the GCI factors in elements within each country under review that "create a favourable business-climate environment."

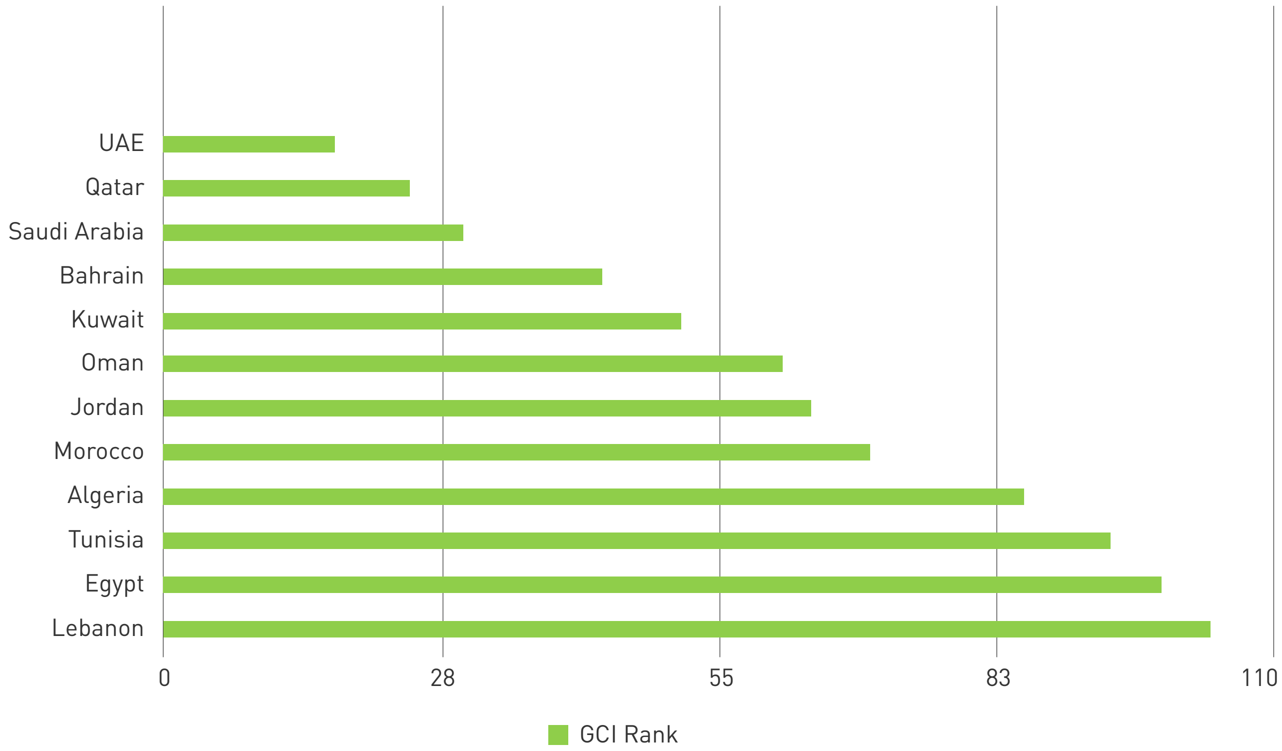


Figure 16: Arab World country rankings, GCI, 2017-2018
Source: World Economic Forum. Global Competitiveness Index 2017-2018

As indicated in Figure 16 above, the Gulf states once again rank highest in terms of overall competitiveness. It should be noted however that Tunisia, Algeria and Morocco perform relatively well. In the case of Tunisia, particularly, this is due largely to the "modest" economic recovery that is now under way and which has resulted in an "acceleration of growth, investment and exports"[19] - this follows the post-Arab Spring transition to a more democratic political system.

[18] The GCI is defined by the WEF as "a set of institutions, policies and factors that determine the level of productivity of a country, conditions of public institutions and technical conditions."

[19] World Bank. (May 2018). Tunisia Economic Update

Ease of doing business

The final indicator being considered is that of 'ease of doing business', based on the 'Doing Business 2019' report issued by the World Bank. This flagship annual report compares the regulatory and business environments in different markets and rates these in terms of the ease, and by extension the cost, of entering business transactions within that market.

Table 7 below ranks the MENA countries according to the global ranking achieved in the latest 2019 report, with the 2018 ranking provided to indicate any change.

Given the scope of this study, a ranking for the World Bank's 'Trading across Borders' is also provided: this indicator is defined by the World Bank as "recording the time and cost associated with the logistical process of exporting and importing goods" and focuses on three sets of procedures: documentary compliance, border compliance and domestic transport "within the overall process of exporting or importing a shipment of goods."[20]

Country	2018 Global Ranking	2019 Global Ranking	2019 Ranking within MENA	2019 Score/100: Trading Across Borders
UAE	21	11	1	71.5
Morocco	69	60	2	83.58
Bahrain	66	62	3	77.77
Oman	71	78	4	79.39
Tunisia	88	80	5	70.5
Qatar	83	83	6	71.51
Saudi Arabia	92	92	7	54.31
Kuwait	96	97	8	54.24
Jordan	103	104	9	79.03
Egypt	128	120	10	42.23
Lebanon	133	142	11	57.9
Algeria	166	157	12	38.43
Iraq	168	171	13	25.33
Syria	174	179	14	29.83
Libya	185	186	15	64.66
Yemen	186	187	16	0

Table 7: MENA countries ranked in terms of 'Doing Business 2019' rating, World Bank

[20] World Bank. (2015). Doing Business: Measuring Business Regulations

It is evident from this data that for obvious reasons unstable countries tend to rank lowest. The UAE has made significant progress in just one year, halving its ranking to achieve the eleventh global spot. Apart from the other Gulf states, which understandably have high MENA rankings, Morocco and Tunisia also rank amongst the top five, with positive scores for the 'Trading Across borders' indicator.'

4.1.3 | Focusing on the Right MENA Markets for Maltese Food and Beverage Exports

This report scoped out the markets within MENA which at this point appear to present the best prospects for the export of food and beverages manufactured in Malta. This assessment was based on the following indicators:

- **Population (current and forecast);**
- **Level of political stability and continuity;**
- **Level of urbanisation;**
- **Rate of current and forecast economic growth;**
- **Economic competitiveness;**
- **Ease of doing business (particularly trade);**
- **Levels of consumer disposable income.**

Tables 8 and 19 on the following pages list the countries selected based on this assessment.

Country	Population	Economic Growth	Income	Stability	Doing Business	Competitiveness	Urbanisation
Qatar	Steady Increase	Highest forecast growth among the Gulf states.	High	Relatively stable	Relatively high 2019 regional ranking	Second highest GCI ranking in the region	Highest urbanisa-tion rate in the region (close to 100%)
Oman	Steady Increase	High rate of growth forecast to super-sede Qatar by 2020	High	Relatively stable	2019 ranking amongst the top 5 in the region	Relatively high ranking	Close to 80% urbanisa-tion rate
UAE	Steady Increase	Steady rate of growth	High	Stable	Highest 2019 ranking in the region	Highest GCI ranking in the region and eleventh in global terms	Over 80% urbanisa-tion rate
Saudi Arabia	Signifi-cant forecast increase and larger than combined popula-tion of other GCC states	Steady rate of growth	High	Tensions in foreign policy but relative internal stability	Relatively high 2019 regional ranking	Third highest GCI ranking in the region	Over 80% urbanisa-tion rate

Table 8: Gulf states assessed as best potential markets for Malta-based food and beverage exporters

Country	Population	Economic Growth	Income	Stability	Doing Business	Competitiveness	Urbanisation
Morocco	Steady Increase	Among the highest growth rates in North Africa	Lower Middle	Relatively stable; some dissent following Arab Spring but since stabilised	Ranked second in MENA after the UAE	Highest GCI ranking in the region for North African states	'Fast rate of urbani-sation; currently exceeds 60%'
Tunisia	Steady Increase	Steady growth forecast	Lower Middle	Relatively stable; some dissent following Arab Spring but since stabilised	2019 ranking amongst the top 5 in the MENA region	Third GCI ranking in the region for North African states	Close to 70% urbanisa-tion rate
Algeria	Above average growth rate forecast	Steady growth forecast	Upper Middle	Internal political unrest from time to time	Ranked relatively low in the region	Second GCI ranking in the region and eleventh in global terms.	Highest urbanisa-tion rate among North African states (over 70%)

Table 9: North African states assessed as best potential markets for Malta-based food and beverage exporters

4.2 | Sub-Saharan Africa

Sub-Saharan Africa (SSA) refers to the area of the African continent which lies south of the of the Sahara Desert. It is a region made up of over 1 billion people settled across over fifty countries, characterised by ethnic, religious and linguistic differences. Like the MENA region, it presents a mix of relatively stable states with others coping with or emerging from decades of conflict. In economic terms it also has countries at different stages of economic development, from thriving South Africa and Mauritius to the poorer nations of Ethiopia and Zimbabwe. Table 10 below lists the countries that make up this region.

Angola	Gabon	Nigeria
Benin	Gambia, The	Rwanda
Botswana	Ghana	São Tomé and Principe
Burkina Faso	Guinea	Senegal
Burundi	Guinea-Bissau	Seychelles
Cabo Verde	Kenya	Sierra Leone
Cameroon	Lesotho	Somalia
Central African Republic	Liberia	South Africa
Chad	Madagascar	South Sudan
Comoros	Malawi	Sudan
Congo, Dem. Rep.	Mali	Swaziland
Congo, Rep	Mauritania	Tanzania
Côte d'Ivoire	Mauritius	Togo
Equatorial Guinea	Mozambique	Uganda
Eritrea	Namibia	Zambia
Ethiopia	Niger	Zimbabwe

Table 10: List of countries within the SSA region (as per the World Bank regional classification system)

When reviewing this region, our desk research highlighted the fact that there is consensus, particularly between the World Bank and the IMF, that this is a region in transition, sustaining steady economic growth since the 1990s and with a significant number of emerging high-performing economies that are successfully turning their public institutions, educational systems and infrastructure around to consolidate further growth.

According to the latest IMF and World Bank economic reviews (May and October 2018), half of the world's fastest-growing economies are in Africa, earning it the label of the 'Lion on the Move.' Many challenges remain, not least widespread poverty, persistent conflict and repressive regimes, however the general indication is that Sub-Saharan Africa may finally be tapping into its social and economic potential.

4.2.1 | Economic Outlook

As with the MENA countries, Sub-Saharan African economies differ widely, shaped in many cases by the availability or otherwise of natural resources and the relative stability of government and institutions. In many cases, economic growth is being triggered in those countries that are diversifying their economies beyond a reliance on natural resources towards a more knowledge or technology-based economic platform. These differences result in a relative unevenness in the economic performance of the different states that make up the region.

At a regional level, and in a further similarity to the MENA region reviewed above, Sub-Saharan Africa also experienced an economic slowdown in 2015 and 2016. However, by the first quarter of 2017 gradual but sustained recovery across the region set in, supported by higher commodity prices, improving agricultural systems and increasing domestic demand and consumer spending. This resulted in an average growth rate of 2.6% by the end of that year (up from 1.4% in 2016).

As indicated in Figure 18 below, the current situation sees this economic growth continue to increase steadily, forecasted to peak at 3.1% in 2018 and to rise to an average of 3.5% in 2019–20[21] as the recovery gradually strengthens in the largest economies. This has led the World Bank to state cautiously that this improved regional performance may be the 'turning of the tide' for the region.[22]

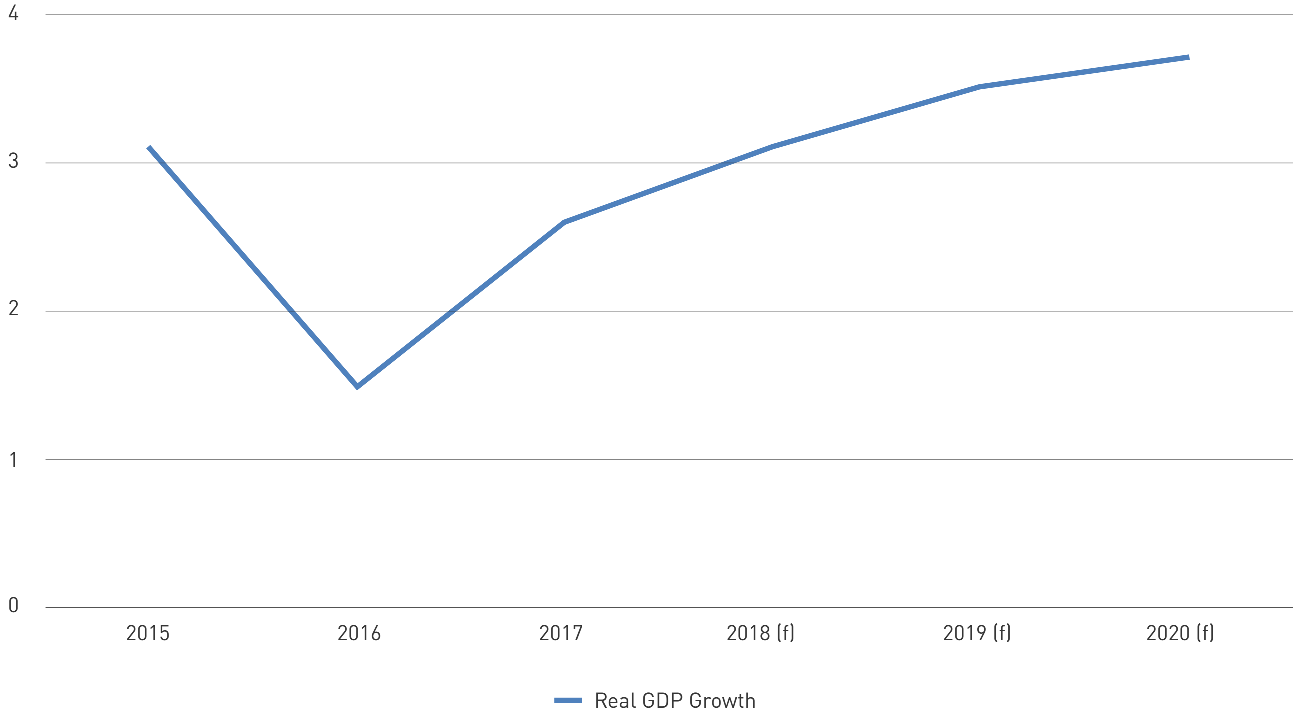


Figure 17: Sub-Saharan Africa: real GDP growth 2015-2020 (as a percentage change from previous year)
Source: Global Economic Prospects, Sub-Sharan Africa, World Bank, June 2018

[21] World Bank. (May 2018). Sub-Saharan Africa Economic Outlook
[22] World Bank. (June 2018). Global Economic Prospects Regional Overview: Sub Saharan Africa

One of the most interesting elements of this recovery is the fact that this is not being led by the more mature, large economies that have traditionally been the region's top performers (e.g. South Africa and Nigeria). It is rather a few 'new' countries that have emerged as the top performers which are driving this economic recovery forward. These include:

- **Ghana: identified by the World Bank and the IMF as currently the world's fastest growing economy, Ghana is successfully diversifying from a reliance on oil production into other business activities backed by sound, business-oriented government policies.**
- **Ethiopia: with an economy concentrated in the services and agriculture sectors and with a government-backed push to boost manufacturing and energy generation, Ethiopia's economy is growing at 10% a year and, at this rate, it is expected to have become a middle-income nation by 2025.**[22]
- **Senegal: driven by strong mining, construction, tourism, fisheries and agriculture industries, Senegal's economy grew at a rate of 7.1% in 2017 and this trend is forecast to continue in 2018 and 2019.**

Apart from the above the economies of Ivory Coast, Rwanda, Tanzania and Djibouti are also performing particularly well and the outlook for these countries is positive.

Regional growth is expected to continue into 2020, although at a slightly more moderate rate over the next two years. According to the World Bank, growth will be "supported by firming investment in advanced economies, a continued recovery in commodity-exporting emerging market and developing economies, and still robust growth in commodity-importing ones."[24]

Ethiopia's economy is growing at 10% a year and, at this rate, it is expected to have become a middle-income nation by 2025.22

[23] World Bank. (October 2018). Ethiopia Overview
[24] World Bank. (June 2018). Global Economic Prospects Regional Overview: Sub Saharan Africa

Table 11 below provides a breakdown of the World Bank's economic forecasts by country in terms of GDP growth with data from previous years for comparison. Information is also provided as to current IMF categorisation in terms of whether countries are oil exporters, benefit from natural resources as well as whether they are currently considered as 'fragile' states.[25]

	2014	2015	2016	2017	2018 (f)	2019 (f)
Angola	4.7	3.0	-0.8	0.7	2.2	2.4
Benin	6.4	2.11	4.0	5.6	6.0	6.3
Botswana	4.1	-1.7	4.3	2.2	4.6	4.5
Burkina Faso	4.3	3.9	5.9	6.4	6.0	6.0
Burundi*	4.5	-4.0	-1.0	0.0	0.1	0.4
Cabo Verde	0.6	1.0	3.8	4.0	4.3	4.0
Cameroon	5.9	5.7	4.5	3.2	4.0	4.5
Central African Republic*	1.0	4.8	4.5	4.0	4.0	4.0
Chad*	6.9	1.8	-6.4	-3.1	3.5	2.8
Comoros*	2.0	1.0	2.2	2.5	3.0	3.0
Congo, Dem. Rep*	9.5	6.9	2.4	3.4	3.8	4.0
Congo, Rep*	6.8	2.6	-2.8	-4.6	0.7	4.6
Ivory Coast*	8.8	8.8	8.3	7.8	7.4	7.1
Equatorial Guinea	-0.7	-9.1	-9.7	-4.4	-8.5	-2.8
Eritrea*	2.9	2.6	1.9	5.0	4.2	3.8
Ethiopia	10.3	10.4	8.0	10.9	8.5	8.3
Gabon	4.4	3.9	2.1	0.8	2.7	3.7
Gambia*	0.9	4.3	2.2	3.5	5.4	5.2
Ghana	4.0	3.8	3.7	8.4	6.3	7.6
Guinea	3.7	3.5	6.6	6.7	5.8	5.9
Guinea-Bissau*	1.0	6.1	5.8	5.5	5.5	5.5
Kenya	5.4	5.7	5.8	4.8	5.5	6.0
Lesotho	3.0	2.5	3.1	3.1	1.7	2.6
Liberia*	0.7	0.0	-1.6	2.5	3.2	4.7
Madagascar*	3.3	3.1	4.2	4.1	5.1	5.6
Malawi*	5.7	2.9	2.3	4.0	3.5	4.5
Mali*	7.0	6.0	5.8	5.3	5.0	4.7
Mauritius	3.6	3.5	3.9	3.9	3.9	4.0
Mozambique	7.4	6.6	3.8	2.9	3.0	2.5
Namibia	6.4	6.0	1.1	-1.2	1.2	3.3
Niger	7.5	4.0	5.0	5.2	5.1	5.4
Nigeria	6.3	2.7	-1.6	0.8	2.1	1.9
Rwanda	7.6	8.9	6.0	6.1	7.2	7.8
Sao Tome & Principe	4.1	4.0	4.1	4.0	5.0	5.5
Senegal	4.1	6.5	6.7	7.2	7.0	7.0
Seychelles	4.5	5.0	4.5	4.2	3.3	3.3
Sierra Leone*	4.6	-20.5	6.3	3.5	3.5	5.6
South Africa	1.8	1.3	0.6	1.3	1.5	1.7
Sudan*	2.9	-0.2	-13.8	-11.1	-3.8	-2.6

[25] Fragile states are defined as those that have characteristics that substantially impair their economic and social performance. These include weak governance, limited administrative capacity, chronic humanitarian crises, persistent social tensions, and often, violence or the legacy of armed conflict and civil war.

Swaziland	3.6	1.1	-0.0	0.2	-0.9	0.2
Tanzania	7.0	7.0	7.0	6.0	6.4	6.6
Togo*	5.9	5.7	5.1	4.4	4.9	5.2
Uganda	4.6	5.7	2.3	4.5	5.2	5.8
Zambia	4.7	2.9	3.7	3.6	4.0	4.5
Zimbabwe*	2.8	1.4	0.7	3.0	2.4	4.2
Sub-Saharan Africa	**5.1**	**3.4**	**1.4**	**2.8**	**3.4**	**3.7**

Table 11: Sub-Saharan Africa Country Real GDP Growth 2015-2020 (annual percent change)
Source: IMF Regional Economic Outlook: Sub-Saharan Africa (May 2018)

Key: Categorisation by IMF country grouping as at May 2018

(light green)	Oil Exporters
(purple)	Other resource-intensive countries
(yellow)	Non-resource intensive countries
*	Countries in fragile situations

4.2.2 | Identifying the Best Potential Markets in Sub-Saharan Africa

In Sub-Saharan Africa we have many broad similarities with the MENA situation, i.e. individual markets with different characteristics at varying stages of political and socio-economic development. Conflict and unrest are also factors affecting some states, with poverty a major challenge across the region. As with MENA, however, despite these issues the region is a market with major export potential, with one key element being the fast rate of population growth.

Population Trends

Following decades of improvements in childbearing and mortality patterns, the population of Sub-Saharan Africa has grown from 186 million in 1950 to over 1 billion today: that represents 14% of the world population. According to the latest United Nations' data it is expected to reach 2.1 billion by 2050.

This population is characterised by its youth: the median age is below 25 in each Sub-Saharan state with the sole exception of South Africa. Levels of education are also improving and literacy rates among the population aged 25 and under now exceed 65 percent across the region.

Table 12 below provides a breakdown by country of the population in 2018, as well as projections for 2030, 2040 and 2050.

Country	2020	2030	2040	2050
	Thousand			
Angola	31,751	42,380	55,349	70,210
Benin	12,123	15,628	19,314	22,330
Botswana	2,416	2,800	3,138	3,421
Burkina Faso	20,603	26,382	33,154	41,507
Burundi	22,919	15,059	18,577	22,462
Cabo Verde	567	635	692	734
Cameroon	25,958	32,980	41,021	49,217
Central African Republic	4,921	6,124	7,481	8,851
Chad	16,272	21,321	27,081	32,841
Comoros	870	1,061	1,262	1,463
Congo, Dem. Rep	89,200	117,543	148,214	181,410
Congo, Rep	5,687	7,319	9,309	11,510
Ivory Coast	25,666	32,143	39,882	48,797
Equatorial Guinea	1,406	1,871	2,349	2,845
Eritrea	5,432	6,718	8,153	9,607
Ethiopia	112,759	139,620	166,139	190,870
Gabon	2,151	2,594	3,053	3,516
Gambia	2,293	3,001	3,777	4,562
Ghana	30,550	35,894	43,422	50,270
Guinea	13,571	17,631	22,060	26,714

Country	2020	2030	2040	2050
	Thousand			
Guinea-Bissau	2,001	2,493	3,031	3,603
Kenya	52,187	65,760	80,270	95,467
Lesotho	2,322	2,608	2,902	3,203
Liberia	5,105	6,495	8,088	9,804
Madagascar	27,691	35,592	44,389	53,803
Malawi	19,584	25,578	31,936	46,059
Mali	20,284	27,057	35,174	44,020
Mauritius	1,274	1,287	1,269	1,221
Mozambique	32,118	42,039	53,640	64,790
Namibia	2,687	3,246	3,796	4,339
Nigeria	206,150	261,400	326,172	382,638
Niger	23,319	33,296	46,051	61,209
Rwanda	12,712	15,297	18,050	19,540
Sao Tome & Principe	218	268	324	380
Senegal	17,200	22,123	27,785	34,041
Seychelles	96	98	98	96
Sierra Leone	8,047	9,720	11,403	12,972
Somalia	13,241	17,182	22,818	29,745
South Africa	58,721	64,466	69,076	72,755
Sudan	45.310	55,872	68,091	80,386
Tanzania	61,774	80,630	106,460	131,282
Togo	8,384	10,507	12,861	15,298
Uganda	44,587	60,342	79,412	100,491
Zambia	18,679	24,859	32,326	41,001
Zimbabwe	17,680	21,527	25,626	29,659
Sub-Saharan Africa	**1,106,573**	**1,418,333**	**1,776,791**	**2,167,652**

Table 12: Population Forecasts by Country – Sub-Saharan Africa
Source: United Nations, Department of Economic and Social Affairs, Population Division. (2017). World Population Prospects: The 2017 Revision.

Rate of Urbanisation

Although North Africa has a higher proportion of urban population (47.8%) relative to Sub-Saharan Africa (32.8%), the latter is currently regarded as the world's fastest urbanising region. A report recently issued by McKinsey concludes that urbanisation will exceed 50% by 2030. Rwanda is the world's fastest urbanising country with most of its population shifting into urban centres: it is estimated that rural to urban migration increased from 3.1 to 30.7% between 1968 and 2017.

This pattern has strengthened further with the return of stability following the civil conflict of the 1990s, with successive Rwandan governments promoting urbanisation as a critical factor in economic recovery. Table 13 on the following page lists the other Sub-Saharan countries urbanising at the fastest rate according to the latest World Bank regional overview.

Rwanda is the world's fastest urbanising country with most of its population shifting into urban centres: it is estimated that rural to urban migration increased from 3.1 to 30.7% between 1968 and 2017.

ARQ partnership in growth

Country	Urbanisation Rate (%)
Burkina Faso	6.3
Burundi	5.3
Angola	5.3
Mali	5.2
Eritrea	5.0
Tanzania	4.9
Uganda	4.9
Sudan	4.9

Table 13: Sub-Saharan Countries with the fastest urbanisation rates
Source: World Bank data adapted from the United Nations Population Division's World Urbanisation Prospects: 2018 Revision

Level of Income

As assessed above in relation to the MENA countries, this section provides a breakdown of the Sub-Saharan countries in line with the income data provided in the World Bank's 2016 regional classification. In contrast to MENA, there is no Sub-Saharan country currently falling within the high-income bracket, however there is a significant cluster falling in the Upper Middle to Lower Middle group, with fast-growing economies such as Rwanda, Senegal and Ethiopia slowly but surely moving beyond their present 'low income' category.

Table 14 on the right provides a snapshot of the SSA countries categorised by income as per the World Bank classification system.

Upper Middle	Lower Middle	Low
Botswana	Angola	Benin
Equatorial Guinea	Cameroon	Burkina Faso
Gabon	Cape Verde	Burundi
Mauritius	Congo, Rep.	Central African Republic
Namibia	Cote d'Ivoire	Chad
South Africa	Ghana	Congo, Dem. Rep.
	Kenya	Eritrea
	Lesotho	Ethiopia
	Mauritania	Gambia
	Nigeria	Guinea
	Sudan	Guinea-Bissau
	Swaziland	Liberia
	Zambia	Madagascar
		Malawi
		Mali
		Mozambique
		Niger
		Rwanda
		Senegal
		Sierra Leone
		Somalia
		South Sudan
		Tanzania
		Togo
		Uganda
		Zimbabwe

Table 14: Sub-Saharan African countries categorised by level of income
Source: World Bank

[26] McKinsey. (October 2017). Lions (still) on the Move: Growth in Africa's Consumer Sector

Competitiveness

Table 15 below provides a competitiveness ranking for each Sub-Saharan country based on the Global Competitiveness Index (GCI) as defined by the World Economic Forum (WEF). The more developed economies of Mauritius and South Africa predictably head the regional rankings; however the rapidly growing economies of Rwanda, Ghana, Kenya and Senegal are all in the first ten.

Rank/140	Country	Score 0-100 (best)
49	Mauritius	63.7
67	South Africa	60.8
74	Seychelles	58.5
90	Botswana	54.5
93	Kenya	53.7
100	Namibia	52.7
106	Ghana	51.3
108	Rwanda	50.9
111	Cape Verde	50.2
113	Senegal	49.0
114	Côte d'Ivoire	47.6
115	Nigeria	47.5
116	Tanzania	47.2
117	Uganda	46.8
118	Zambia	46.1
119	Gambia, The	45.5
120	Swaziland (Eswatini)	45.3
121	Cameroon	45.1
122	Ethiopia	44.5
123	Benin	44.4
124	Burkina Faso	43.9
125	Mali	43.6
126	Mali	43.6
128	Zimbabwe	42.6
129	Malawi	42.4
130	Lesotho	42.3
131	Mauritania	40.8
132	Liberia	40.5
133	Mozambique	39.8
134	Sierra Leone	38.8
135	Congo, Democratic Rep.	38.2
136	Burundi	37.5
137	Angola	37.1
140	Chad	35.5

Table 15: Sub-Saharan African Country Rankings, Global Competitiveness Report 2018, World Economic Forum
Source: World Economic Forum, Global Competitiveness Report-2018

Ease of Doing Business

Table 16 below ranks the SSA countries according to the global ranking achieved in the latest 2019 report, with the 2018 ranking provided to indicate progress or regress. Given the scope of this study a ranking for the World Bank's 'Trading across Borders' is also provided. Here Rwanda and Kenya rank second and third respectively, having registered significant improvement against the 2018 rankings, moving ahead of South Africa – in both cases a high score is assigned for the 'Trading Across Borders' indicator.

Country	2019 Regional Ranking	2019 Global Ranking (1-190)	Difference against 2018 Ranking	2019 Score/100: Trading Across Borders
Mauritius	1	20	+5	81
Rwanda	2	29	+12	74.98
Kenya	3	61	+19	68.06
South Africa	4	82	/	59.64
Botswana	5	86	-5	86.65
Zambia	6	87	-2	56.88
Seychelles	7	96	-1	71.79
Lesotho	8	106	-2	91.86
Namibia	9	107	-1	61.47
Malawi	10	111	-1	65.29
Ghana	11	114	+6	54.84
Swaziland (Eswatini)	12	117	-5	92.91
Ivory Coast	13	122	+17	52.44
Uganda	14	127	-5	66.73
Capo Verde	15	131	-4	67.41
Mozambique	16	135	+3	73.84
Togo	17	137	+19	63.66
Senegal	18	141	-1	60.85
Niger	19	143	+1	65.40
Tanzania	20	144	-7	20.21
Mali	21	145	-2	73.30
Nigeria	22	146	-1	23.08
Mauritania	23	148	+2	60.30

(Continued on next page)

Country	2019 Regional Ranking	2019 Global Ranking (1-190)	Difference against 2018 Ranking	2019 Score/100: Trading Across Borders
Gambia	24	149	+3	67.81
Burkina Faso	25	151	-3	66.58
Guinea	26	152	+1	47.82
Benin	27	153	-2	68.94
Zimbabwe	28	155	+4	54.34
Ethiopia	29	159	+2	56.00
Madagascar	30	161	+1	60.95
South Sudan	31	162	+8	56.00
Sierra Leone	32	163	-3	48.99
Comoros	33	164	-6	66.87
Cameroon	34	166	-3	15.99
Burundi	35	168	-4	47.34
Gabon	36	169	-2	43.94
Sao Tome and Principe	37	170	-1	66.03
Angola	38	173	+2	36.15
Liberia	39	174	-2	27.77
Guinea Bissau	40	175	+1	59.60
Equatorial Guinea	41	177	-4	32.05
Congo	42	180	-1	19.68
Chad	43	181	-1	40.12
Central African Republic	44	183	+1	52.36
Dem. Rep. of the Congo	45	184	-2	3.45
Sudan	46	185	+2	26.19
Eritrea	47	189	/	0.00
Somalia	48	190	/	51.60

Table 16: SSA countries ranked in terms of 'Doing Business 2019' rating, World Bank

4.2.3 | Focusing on the right SSA markets for Maltese Food and Beverage Exports

This Report will now scope out the markets within Sub-Saharan Africa which present the best prospects for the export of food and beverages produced in Malta. This assessment will be based on the same indicators as section 4.1.3 above.

Country	Population	Economic Growth	Income	Stability	Doing Business	Competitiveness	Urbanisation
Senegal	Projected growth rate above regional average	Double the regional average in terms of projected growth	Low but national income levels projected to rise in line with economic growth	Relatively stable; quasi demo-cratic govern-ment	Top twenty in 2019 regional ranking but relatively high 'Trading across borders' score	Top ten GCI ranking in the region	Above average rate of urbanisa-tion
Rwanda	Signifi-cant projected growth – among the highest in the region	High rate of projected growth: almost double the regional average	Low but national income levels projected to rise in line with economic growth	Relatively stable despite autocratic govern-ment	Second in 2019 regional ranking	Top ten GCI ranking in the region	Highest urbanisa-tion rate in the region
Kenya	Steady projected increase	Projected growth signifi-cantly above regional average	Lower Middle	Relatively Stable	Third in 2019 regional ranking	Top five GCI ranking in the region	Steady rate of urbanisa-tion
South Africa	Steady projected increase	Moderate projected growth just below the regional average	Upper Middle	Relatively stable despite some internal tensions	Fourth in 2019 regional ranking	Second highest GCI ranking in the region	Above average rate of urbanisa-tion

Table 17: SSA states assessed as best potential markets for Mala-based food and beverage exporters

4.3 | Key Conclusions

Both regions are clearly growth markets, recovering slowly but surely from the economic downturn of 2016 and 2017 and looking forward to a moderate to good rise in their collective GDP over the next few years. In both cases this growth is linked with the expansion of a consumer market with more disposable income as well as a faster rate of urbanisation.

Both regions are impacted by conflict and tension, however each also includes a significant number of states which enjoy internal stability and continuity, and which can therefore be potential training partners. This is indicated in the positive competitiveness rating granted to these states by the World Bank, also reflected in a relatively positive 'Doing Business' rating in many cases.

It should be noted, especially in the case of Sub-Saharan Africa, that several states are emerging as rising economies (e.g. Rwanda) which are successfully translating internal stability into aggressive and strategic economic policies that seem to be bearing fruit.

It would appear therefore that conditions in both regions offer a number of benefits and advantages to Malta-based manufacturers who are seeking to export their products to these markets. The option of doing so under private label should be explored as an advantageous way of doing so, particularly since this could potentially simplify the supply chain required while taking the product directly to the consumer.

This report uses a number of indicators to assess the many countries making up both regions, identifying a grouping of countries in each case that may offer the most advantages as potential markets.

In the context of private label one key point should be noted: the MENA region, and the Gulf states in particular, present a more evolved consumer market with higher income levels and more westernised tastes. Malta-based producers should keep this point in mind when determining the type of products that would move fastest in these markets. Quality and presentation are greater factors in this scenario, in addition to price, and 'premiumisation' is an option to consider.

On the other hand, in Sub-Saharan Africa the consumer market in urban areas is at an earlier stage of development and income levels are lower. Price would be a more significant factor in this region and there is a greater demand for packaged staples as opposed to other items.

These aspects will be covered in greater detail in the next section of this report.

5.0 | An Overview of the Food and Beverage Market – MENA and Sub-Saharan Africa

This section provides a broad overview of the general food and beverage consumption patterns in both regions under review. The aim is to provide some general context given that the report covers areas of varying economic development and consumer maturity as well as different climates and levels of domestic food production. This should assist Maltese producers in identifying food and beverage commodities that are currently in demand in those markets, as well as some possible trends that may be boosting the consumption of some products more than others.

5.1 | Some Key Points

- More than 50% of the food consumed in the Middle East and Africa is imported, making it the largest food importing region in the world. High rates of population growth combined with constrained water and land resources indicate that this dependence on imports will increase or remain at current levels for the foreseeable future.[27]

- The growth rate of food and beverage market in both regions is currently classified as 'fast' by most industry observers,[28] and this rate is expected to moderate but remain high in value terms by 2021 as per Table 18 below.

Region	2016	2021
	USD billion	
MENA	104	130
SSA	39	51

Table 18: Total F&B Value Sales in 2016 and 2021 (USD billion)
Source: FAOSTAT (Food and Agriculture Organisation of the United Nations)

[27] World Bank.(2017). Agriculture and Rural Development: MENA Brief
[28] McKinsey. (October 2017). Lions (still) on the Move: Growth in Africa's Consumer Sector

- Cold chain services are changing consumer choices in the MENA region in particular, as frozen processed halal meat and poultry, cold drinks and flavoured milks increase in popularity. According to a report 'Cold Chain: Global Market Intelligence (2011-2020)' by Orbis Research, the global cold chain market is expected to grow at 7% CAGR from 2016 to 2020, with the greatest increase in demand coming from the Middle East.

- North Africa is also increasing cold chain investment, notably in Morocco.[29]

- In most Sub-Saharan countries, an underdeveloped cold chain infrastructure in many areas limits the expansion of dairy and fresh food sales - the FAO is in fact recommending this as a key action to boost food quality and security.[30] However, some countries are consciously investing in the cold supply chain, particularly Kenya, Rwanda, Uganda and Burundi.

- In urban centres (particularly in MENA but also in Sub-Saharan major cities) food service is also growing with the entry of many international chains – this is also influencing in-home consumption of more westernised foods and beverages.

- Demand for bottled water is expanding in major cities across these regions as sanitary and potable water systems fail to deal with the rapid rate of urbanisation; this applies particularly to Sub-Saharan Africa.

- Young people aged under 30 living in urban areas in Sub-Saharan Africa are identified as a 'key consumer of the future' – along with Asia Pacific and Latin America – according to the 2017 'Global Industry Outlook Report 2018' (Gulfood).

[29] International Trade Administration. 2016. Cold Chain Top Markets Report

[30] Food and Agriculture Organisation (FAO). 2016. Agroindustry Policy Brief 2.
Regional workshop on the use of the cold chain in the development of agriculture and agroindustries in sub-Saharan Africa,

- The middle class is set to grow in Sub-Saharan Africa by more than 80% by 2022: this rate is faster than any other region except the Asia-Pacific.

- Income levels across Sub-Saharan Africa will however remain low relative to other markets. This means consumers in that region are more price sensitive and tend to shop for staple foods (a context conducive to private label products).

- By contrast, a strongly emerging trend in the MENA countries, particularly in but not limited to, the Gulf states, is a rising demand for convenience food and beverage categories: this is linked to rapid urbanisation, rise in disposable income as well as the relatively large expatriate population. An associated factor is also the rising number of women entering the workforce, leading them to seek out pre-prepared, convenient meals.

- Linked to this trend, and due to the rise in disposable income, is the increase in microwave oven and refrigerator ownership among the population.

- Across MENA, there is an increasing awareness of health and well-being, particularly in the Gulf States, and this is leading directly to an increased demand for more health-oriented products (e.g. Danone recent regional launch of Activia yoghurt; Nestle launch of Fitness Granola).One major development last year was the adoption by the Saudi Arabian government of an aggressive healthy eating policy: this made leading brands such as Kelloggs, Nestle and Mars commit to heavy reductions in the fat and sugar content of products sold in that country.

- North and Sub-Saharan Africa's demand for food is projected to more than double by 2050, driven by population growth, rising incomes, rapid urbanisation and changes in national diets towards greater consumption of higher value fresh and processed foods.

[31] Brookings Institute. February 2017. The Unprecedented Expansion of the Global Middle Class.

[32] Alliance for a Green Revolution in Africa (AGRA). (2017). Africa Agriculture Status Report (Issue 5): The Business of Smallholder Agriculture in Sub-Saharan Africa

To obtain a clearer picture of how the food and beverage industry growth in MENA and Sub-Saharan Africa compares to other regions, Table 19 below captures the industry compound annual growth rate (CAGR) per region by category between 2016 (actual) and 2021 (forecast).

Category	Middle East and North Africa	Sub Saharan Africa	Europe	Asia Pacific	North America	Australasia	Latin America
Percentage							
Beverages	4.2	6.8	2.4	2.8	1.5	1.3	3.2
Dairy	4.6	3.1	0.6	4.2	1.7	1.1	2.5
Meat & Poultry	5.4	2.9	0.8	1.3	1.5	0.5	2.7
Pulses, Grains & Cereals	4.2	4.6	2.0	3.0	0.7	0.8	2.3
Fats & Oils	6.1	2.6	0.5	4.8	0.7	2.4	1.9

Table 19: Industry Growth per Region by Category, CAGR 2016-2021
Source: Adapted from data captured in the 'Global Industry Outlook Report 2018,' Gulfood, April 2018

The above snapshot highlights the high rate of all categories relative to other region.
The points to highlight are:

- **Beverages growth is significantly high in Sub-Saharan Africa.**
- **Both regions present by far the highest global demand for pulses, grains and cereals.**
- **MENA demand for fats and oils is significantly higher than all other regions.**
- **MENA demand for meat and poultry is significantly higher than all other regions.**

The sections which follow will take a snapshot of each of the key food and beverage categories, assessing each against both markets.

5.2 | Beverages Industry

Consumer spending on beverages as % of total F&B	MENA 7%	SSA 5%
Key Growth Markets (2011-2016)	Oman Algeria UAE Egypt Lebanon	Ghana Gambia Sudan Niger Senegal
Hot Drinks Key Channels	Traditional grocery retailers (44%) Supermarkets/hyper-markets (42%)	Supermarkets/hy-permarkets (48%) Traditional grocery retailers (42%)
Soft Drinks Key Channels	Traditional grocery retailers (36%) Other (29%)	Traditional grocery retailers (74%) Supermarkets/hyper-markets (12%)

Table 20: Overview of Beverages Industry (MENA/SSA)

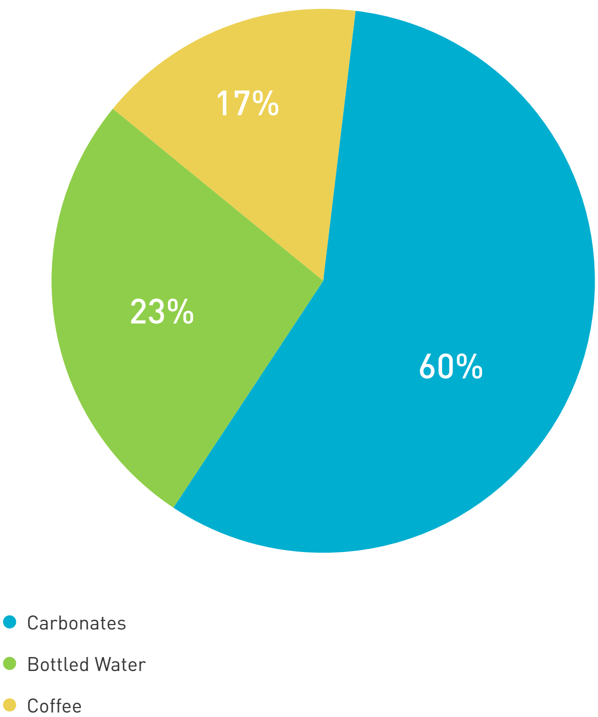


Figure 18: 'Key Beverage Sub-Categories - MENA Markets
Source: Adapted from data captured in 'Global Industry Outlook Report 2018,'Gulfood, February 2018

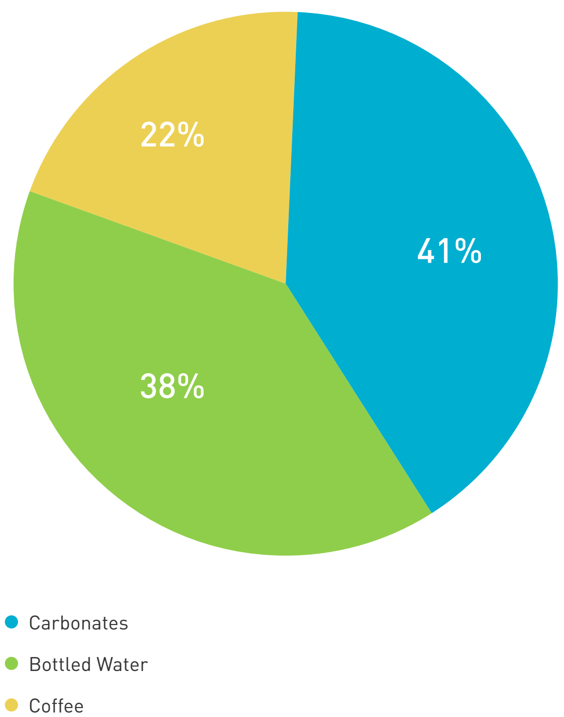


Figure 19: Key Beverage Sub-Categories 2016 – SSA Markets
Source: Adapted from data captured in 'Global Industry Outlook Report 2018,' Gulfood, February 2018

Some Key Points

Sub-Saharan Africa is globally by far the fastest growing market for beverages. This is driven mainly by a high demand for tea and the growing consumption of coffee. This is due in part to an emerging café culture and entry of international brands (e.g. Starbucks, Café Neo) which are influencing consumer tastes.

In the same region bottled water is also in high demand.

There are some similarities in MENA with hot drinks surpassing cold drinks in terms of segment growth – this applies particularly to tea due to strong cultural preferences. In the cold drinks segment there is a shift towards healthier options particularly in the westernised markets in the Gulf as well as Egypt. Bottled water is also a key segment in the UAE and Saudi Arabia due to the large number of visitors and pilgrims.

Food service changes: increased socialising among young urban professionals and more acceptance of some social drinking among young Muslims is leading to an increased demand for beers, non-alcoholic mixers and soft drinks.

Key takeaways for Malta-based producers:

There could be opportunities for beverage producers in both MENA and Sub-Saharan Africa. The growing middle-class as well as the increased frequency of social drinking in the former could translate into growth opportunities for producers of carbonated drinks as well as other flavoured fruit drinks; the increased tolerance for social drinking could also be an opportunity for lighter alcoholic drinks. In the case of the Gulf States in particular, the growing expatriate population is also an advantage.

There is an evident growing demand for carbonated soft drinks with a move to position these as healthier options with lower sugar content. In terms of packaging and presentation, products positioned as international, western-influenced options are taking the edge. The upsurge in socialising among the younger Muslim community is also an opportunity for non-alcoholic beer producers, since this is increasing in popularity in line with these new social habits. However, in this case halal labelling is essential to reassure consumers.

In the Gulf states, and in the case of products aimed at the younger, middle-class demographic, producers could consider investing in a premium product given the more aspirational and increasingly westernised expectations among this consumer group in these wealthier markets. Mintel recently released an analysis33 of the recent major beverage launches in Egypt, Iran, Israel, Morocco, Nigeria, Saudi Arabia and the UAE indicating that health aspects (e.g. no additives/preservatives) and premium claims are now taking "centre stage." Millennial consumers are also showing a high demand for energy drinks.

[33] Mintel. (February 2017). The Rise of Premium and Halal Carbonated Drinks in MEA

In terms of packaging, throughout the Middle East and Africa there is increasing innovation in product development and bottle design. Slim cans, mainly used for energy drinks, are an emerging feature of the carbonates segment. A growing demand for convenience is also leading to an increase in demand for single serve consumption drinks.

Producers of bottled water could also look to the high demand in Sub-Saharan African markets. This demand is set to remain stable if not grow further since the availability of tap water is not expected to keep pace with the rapid rate of urbanisation.

Tea and coffee remain a growth segment across both regions, possibly providing an opportunity for local firms that process and package such products.

5.3 | Dairy Industry

Consumer spending on dairy as % of total F&B	MENA 12%	SSA 4%
Key Growth Markets (2011-2016)	Iran Egypt Algeria Saudi Arabia	Sudan Ghana South Africa Kenya Nigeria Angola
Key channels	Traditional grocery retailers (49%) Supermarkets/hyper-markets (38%)	Supermarkets/hy-permarkets (46%0 Traditional grocery retailers (37%)

Table 21: Overview of Dairy Industry (MENA/SSA)

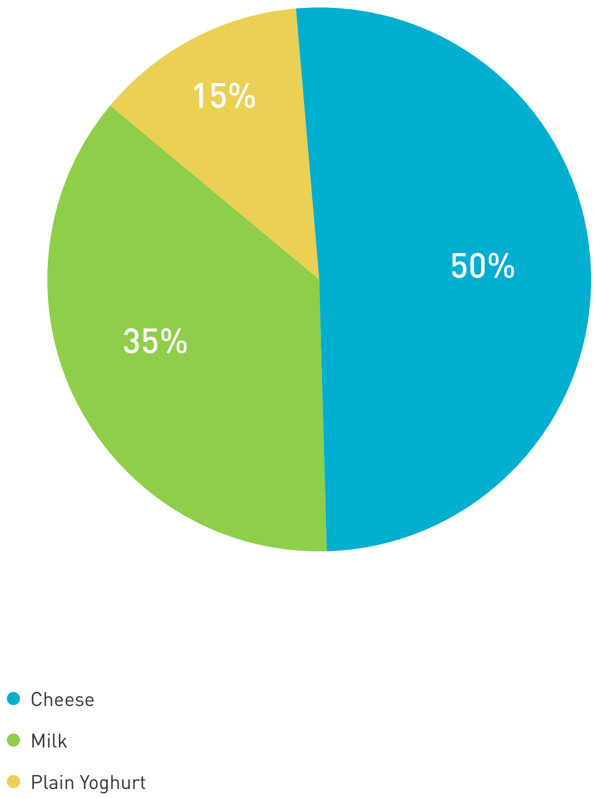


Figure 20: Key Dairy Sub-Categories 2016 – MENA markets
Source: Adapted from data captured in 'Global Industry Outlook Report 2018,' Gulfood, February 2018

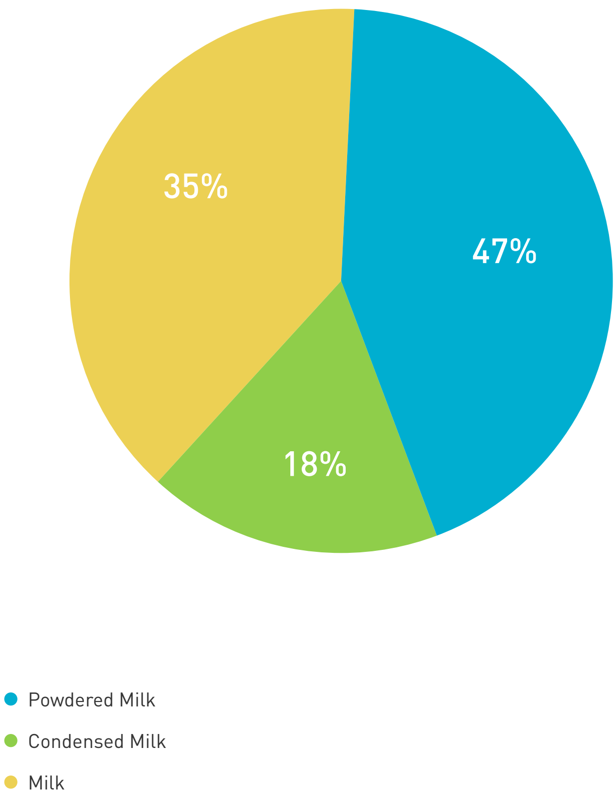


Figure 21: Key Dairy Sub-Categories 2016: Sub-Sharan Africa
Source: Adapted from data captured in 'Global Industry Outlook Report 2018,' Gulfood, February 2018

Key Points

MENA is one of the main drivers (along with Asia Pacific) of growth in dairy with value sales growing from USD 32 billion in 2016 to an estimated USD 40.2 billion in 2021.

In MENA countries growth is driven mainly by an expanding population (especially expatriates) and an improving cold supply chain that is leading to wider consumer choice and retail development; the Saudi Almarai Group is a key player in this regard and holds the dominant share in the region.

There is an emerging interest in non-dairy substitutes such as soy milk in certain markets, particularly South Africa.

In general, there is a rising demand for western dairy products. In MENA countries flavoured milk is highly in demand; in the cheese segment there is a preference for soft cream cheeses and labneh-type preparations.

Yoghurt and sour milk products are the items expected to grow the fastest in each region – again this is due in large part to the cold chain infrastructure as well as the rising levels of health awareness. In this category, millennials and younger female consumers are showing a preference for on-the-go drinkable dairy products such as sour milk drinks and drinkable yoghurts, particularly probiotics. Recent industry reports in fact indicate that Yakult and Danone are increasing their presence in the region.

Key Takeaways for Malta-based Producers:

Flavoured milk remains a high-demand segment in the Middle East. This may present an opportunity for local producers of milkshakes and similar products.

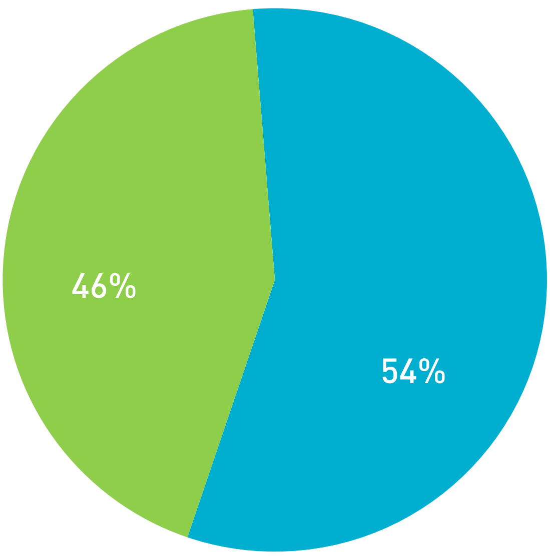
Powdered and tinned milk, as well as long-life alternatives, are set to remain a strong segment in Sub-Saharan Africa and may present an opportunity for local producers who already produce such products or can diversify accordingly.

The increasing popularity of yoghurt and similar products in both regions should be considered, particularly as the cold chain infrastructure develops: on this basis the MENA states hold an advantage. The rise of supermarkets, able to carry their own private label ranges, is a critical factor in entering these markets.

5.4 | Pulses, Grains and Cereals Industry

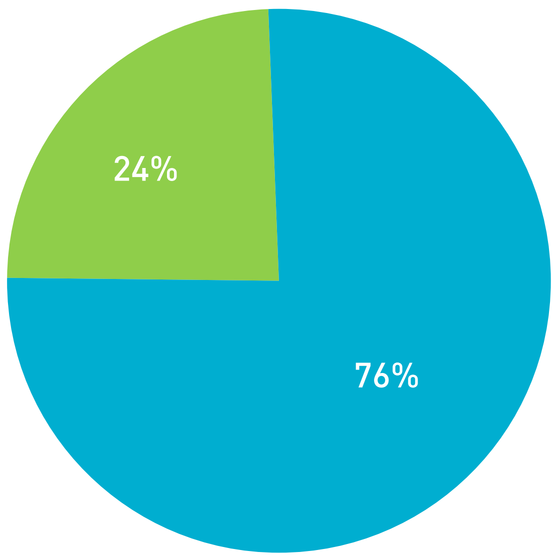
Consumer spending on pulses, grains and cereals as % of total F&B	MENA 12.7%	SSA 46.7%
Key Growth Markets (2011-2016)	Oman Algeria UAE Egypt Lebanon	Ghana Gambia Sudan Niger Senegal
Key channels	Supermarkets/hyper-markets (49%) Traditional grocery retailers (42%) Discounters (5%)	Supermarkets/hy-permarkets (73%0 Others (14%) Traditional grocery retailers (7%)

Table 22: Overview of Pulses, Grains and Cereals Industry (MENA/SSA)



- Dry Pulses
- Rice, Pasta, Noodles

Figure 22: Key Sub-Categories of Pulses, Grains & Cereals – MENA Markets
Source: Adapted from data captured in 'Global Industry Outlook Report 2018,' Gulfood, February 2018



- Rice, Pasta, Noodles
- Dry Pulses

Figure 23: Key Sub-Categories of Pulses, Grains & Cereals – SSA Markets
Source: Data adapted from data captured in 'Global Industry Outlook Report 2018,' Gulfood, February 2018

Key Points

Sub-Saharan Africa drives the global demand for cereals, followed by MENA. In both cases this demand is driven by consumers in lower-income households trading up to packaged versions of staple cereals.

In Sub-Saharan Africa the market is still dominated by basic products and breakfast cereals remain a niche product. However, there is a growing demand for this segment in Nigeria and South Africa.

In MENA, FAO data indicates that the top five importers of grain are Saudi Arabia, Iran, Egypt, Algeria and Morocco.

Sales value is forecast to grow from USD 20.5 billion in 2016 to USD 25.2 billion in 2021 in the case of MENA and from USD 7.1 billion to 9 billion in the case of Sub-Saharan Africa.

These figures stand out because the same Gulfood report finds that across developed markets sales of cereals are at saturation point with little room left for growth.

A growing interest in westernised food, as well as the high number of expatriates living in the Gulf states, also means that MENA is consuming more pasta, rice and noodles especially among a younger demographic seeking convenience. For similar reasons breakfast cereals are also showing fast growth especially in Saudi Arabia and Morocco. Children's breakfast cereals are the fastest-growing segment in this category.

Key takeaways for Malta-based producers:

Sub-Saharan Africa may present an opportunity for the exportation of packaged grains and cereals in a basic form, targeting lower-income consumers who are trading up to packaged goods and increasingly using supermarkets and hypermarkets to do so: on this basis private label arrangements with these distributors could be explored.

MENA countries in the higher income bracket, the Gulf states in particular, are showing a higher demand for packaged, convenience food associated with an increasing appetite for pasta. This could be an opportunity for Maltese producers of ready-made, frozen pasta dishes and sauces; the rapidly improving cold supply chain infrastructure in the region as well as the spread of supermarkets and hypermarkets could facilitate and support a private label arrangement.

5.5 | Meat and Poultry Industry

Consumer spending on meat & poultry as % of total F&B	MENA 24%	SSA 8%
Key Growth Markets (2011-2016)	Iran Egypt Morocco Saudi Arabia	Ivory Coast Ghana Cameroon Senegal South Africa
Key channels	Supermarkets (35%) Independent small grocery retailers (29%)	Supermarkets (64%) Independent small grocery retailers (8%)

Table 23: Overview of Meat and Poultry Industry (MENA/SSA)

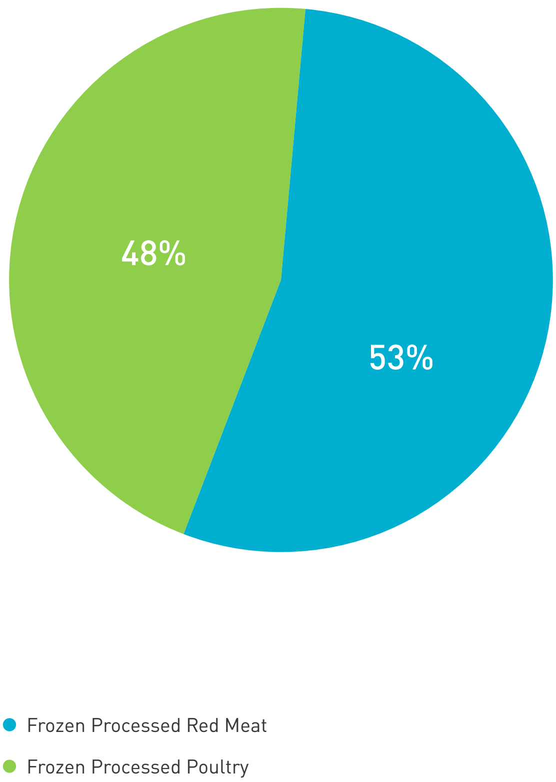


Figure 24: Key Sub-Categories of Meat & Poultry 2016 – MENA Markets
Source: Adapted from data captured in 'Global Industry Outlook Report 2018,' Gulfood, February 2018

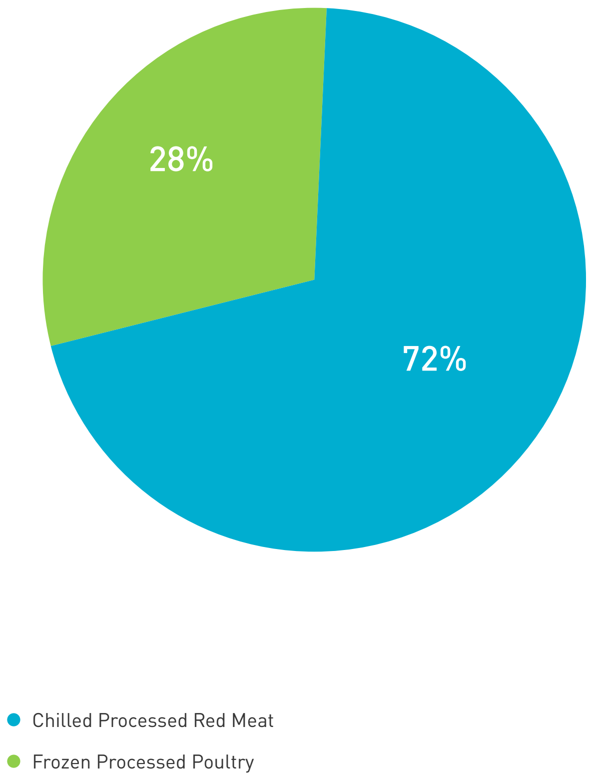


Figure 25: Key Sub-Categories of Meat & Poultry 2016: SSA Markets
Source: Adapted from data captured in 'Global Industry Outlook Report 2018,' Gulfood, February 2018

Key Points

One of the main drivers of global meat and poultry market sales is the "high growth momentum" coming out of the MENA countries, particularly in terms of demand for halal meat. In this region sales are forecast to rise from USD billion 146.7 billion in 2017 to USD billion 154.7 billion in 2021. This is due mainly to increasing consumer affluence and an associated shift from a carbohydrate-based diet to a protein-based diet.

Tables 24 and 25 below provide some indications of import volumes in both regions.

Country	(1000 MT CWE) Meat, Beef and Veal	(1000 MT) Meat, Chicken
Saudi Arabia	825	4139
Iraq		3313
Egypt	1415	602
UAE	330	1432
Iran	759	
Oman	137	579
Kuwait	232	353
Qatar		571
Israel	544	
Jordan	160	331
Algeria	438	
Lebanon	181	
Libya	79	
Total	**5100**	**11763**

Table 24: Middle East and North Africa Meat Imports 2013-2017
Source: Foreign Agricultural Service, US Department of Agriculture

	(1000 MT CWE)	(1000 MT)	
	Meat, Beef and Veal	Meat, Swine	Meat, Chicken
South Africa	245	171	2233
Angola	360	347	1379
Ghana	13	7	637
Congo, Rep.	94	28	484
Benin			565
Congo, Dem. Rep.		114	412
Gabon	88	20	316
Cote d'Ivoire	6	119	
Senegal	8		
Total	**814**	**806**	**6026**

Table 25: Sub-Saharan Meat Imports 2013-2017
Source: Foreign Agricultural Service, US Department of Agriculture

Frozen processed meats and poultry are recording strong growth in MENA countries, with Saudi Arabia being a strong growth market. One development supporting this growth is the increasing ownership of fridge freezers in homes. There is insufficient local production to meet this demand across the region.

The rise in demand for westernised foods, in conjunction with the increased demand for convenience and speed, are resulting in higher consumption of frozen processed meat and poultry such as chicken burgers and chicken nuggets: this applies particular to families with young children.

So far, the demand for meat substitutes, which is increasing steadily in developed markets, is insignificant in the MENA region but fairly strong in Sub-Saharan Africa.

Both markets appear to show a preference for fresh or frozen products, with sales of chilled products lagging behind.

Key Takeaways for Malta-based Producers:

The MENA Gulf states appear to offer an opportunity for the export of frozen meat and poultry products provided these can be halal-certified.

Frozen prepared meat and poultry products, such as burgers and nuggets, would be aligned with the growing demand in a number of higher-income countries for convenience foods. Once again, the improved cold supply chain infrastructure, increased ownership of home freezers and expansion of super-markets facilitates this option, including the possibility of private label.

For obvious reasons, pork products would not be viable.

5.6 | Fats and Oils

	MENA	SSA
Consumer spending on edible oils as % of total F&B	5.1%	3.9%
Key Growth Markets (2011-2016)	Oman Lebanon Iraq Bahrain Libya	South Sudan Gabon Comoros Gambia Ghana
Key channels	Traditional grocery retailers (55%) Supermarkets/Hyper-markets (32%)	Supermarkets/Hy-permarkets (57%) Traditional grocery retailers (32%)

Table 26: Overview of Fats and Oils Industry (MENA/SSA)

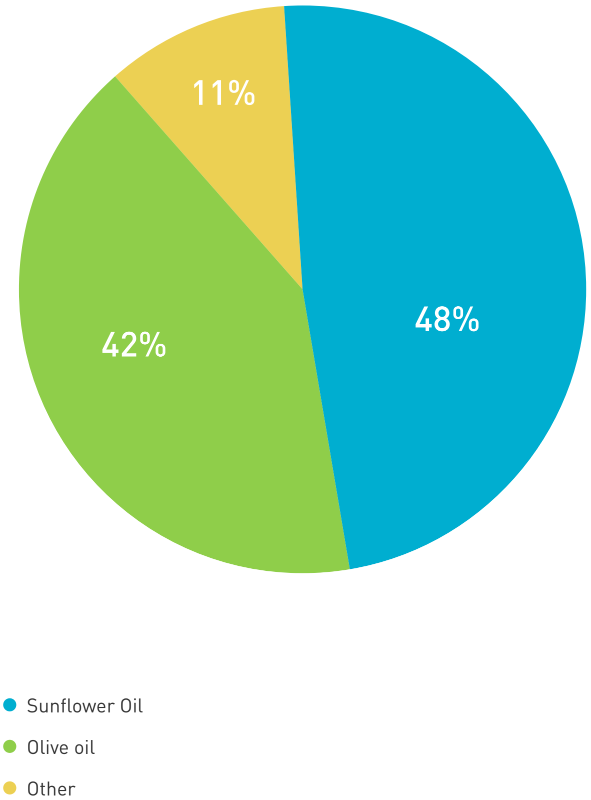


Figure 26: Key Fats and Oils Sub-Categories 2016 – MENA Markets
Source: Adapted from data captured in 'Global Industry Outlook Report 2018,' Gulfood, February 2018

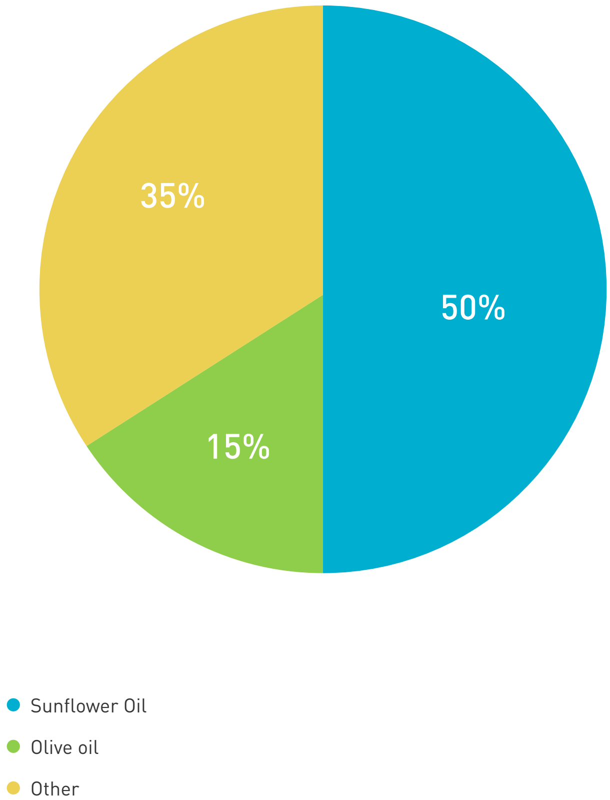


Figure 27: Key Fats and Oils Sub-Categories 2016 – SSA Markets
Source: Adapted from data captured in 'Global Industry Outlook Report 2018,' Gulfood, February 2018

Key Points

Although the global sales growth of fats and oils is expected to slow until 2021, the MENA region is the fastest growing market in this segment: Sales are expected to rise from USD 9.8 billion in 2016 to USD 13.2 billion in 2021.

All other markets are projected to return only moderate growth in that same period. This includes Sub-Saharan Africa where sales currently stand at only USD 1.9 billion, set to rise marginally to USD 2.1 billion by 2021.

The growth across the MENA region is driven mainly by higher-income consumers switching to better quality and healthier oils: this is leading to an upsurge in demand for olive, soy, seed and sunflower oils.

In both developing markets consumers are switching from unpackaged, unbranded oils to packaged oils.

Key Takeaways for Malta-based Producers:

MENA middle to high-income Gulf states could present an opportunity for the export of quality olive oil, including under private label. Although the region is itself a large olive oil producer, it appears from FAO statistics that the Gulf states, led by Saudi Arabia and the UAE, import a quantity of olive oil annually (a value of €20 million in 2016).34

Distribution could be facilitated through the rapid expansion of the supermarket/hypermarket format across the Gulf: in 2016 Panda opened 18 new stores across Saudi Arabia, the UAE and Egypt; Carrefour is also expanding in the region.

[34] Statistal data

6.0 Useful Information

- PRIME, a Private Label and Licensing Expo, will be held in Dubai at the Dubai World Trade Centre between 29th and 31st October 2019. This is being considered as the MENA region's major exhibition for Food and non-Food FMCG products connecting private label suppliers, licensing companies and contract manufacturers from all over the world with clients from the Middle East and African region.

  Further details can be obtained from the following website:
  http://www.prime-expo.com/

- The top supermarkets in the Middle East are currently the following:

  - Saveco (subsidiary of the Al-Qatami group): first set up in Kuwait, aggressively expanding across the region;
  - Union Coop: established in the UAE and expanding regionally;
  - LuLu Hypermarket: 129 stores across the UAE as well as stores in Oman, Qatar, Kuwait, Bahrain and Egypt;
  - Emirates Cooperative Society: main selling-point is affordability;
  - Geant Hypermarket: highly popular in Dubai;
  - Carrefour: active in the region since 1995 starting out in the UAE; currently has over 175 stores across the region serving over 200,000 customers per day;
  - SPAR: operates 52 multi-format supermarkets in the UAE, Saudi Arabia, Oman and Qatar.

- Carrefour is also expanding its footprint into Sub-Saharan Africa and operates in seven countries via franchises with local partners in 227 stores.

- The top supermarkets in Africa are:
    - Pick n Pay: most active in South Africa but expanding into other countries;
    - Shoprite: has over 1,000 stores in 15 countries;
    - Woolworths: operates food-only stores mainly in South Africa but with major expansion plans in Sub-Saharan countries;
    - Spar: active in six countries including South Africa, Botswana, Namibia, Zimbabwe and Malawi;
    - Melcom: chain with 24 large stores across Ghana;
    - Massmart: operates 400 stores in 13 countries;

partnership
in growth

Operational Programme I – European Structural and Investment Funds 2014-2020
"Fostering a competitive and sustainable economy to meet our challenges"
Project part-financed by the European Regional Development Fund
Co-financing rate: 80% European Union, 20% National Funds