

Kraft's regional sales have rapidly expanded because of saving on import duty and freight charges.



FOOD MANUFACTURING OPPORTUNITIES IN BAHRAIN

GROWING DEMAND

The high level of imports into the GCC is a result of the limited local manufacturing capability and therefore supply. With accelerating economic growth and consumer-friendly populations driving huge increases in spending power, the opportunities for imported packaged goods are vast.

Many opportunities exist for the Saudi market and the Arabian Gulf in the manufacturing of food due to the region-wide high rates of population growth and the increased spending on consumer goods and varied food products.

When looking for a factory location in the Gulf, Kraft invested \$40 million in Bahrain due to its free market environment, skilled local workforce and proximity to Saudi Arabia, the largest regional market. Kraft's regional sales have rapidly expanded and profits have increased due to savings on import duty and freight.

With its low operating costs, Bahrain provides a highly trained workforce, easy access to the GCC and a perfect business-friendly mix for any company.

FOOD MANUFACTURING: SUPPLY & DEMAND

The global market for food and beverage is estimated by the US Department of Agriculture

currently to be US\$3.3 trillion. Consumer-ready products proved to be the backbone of U.S. agricultural exports to the GCC in 2003 resulting in a record \$145 million in sales, making up 49% of total non-domestic U.S. sales. Products with record increases include red meat, breakfast cereals, tree nuts, fresh fruits and other miscellaneous grocery items¹.

It is estimated that the global population will increase by 70 million each year between 1995 and 2020, leading to a growing need for food

WHY BAHRAIN?

- **LOW COST AND A WELL TRAINED LOCAL WORKFORCE**
- **LOCATED IN THE HEART OF THE GULF**
- **0% CORPORATE INCOME TAX, 0% INCOME TAX, 0% CAPITAL GAINS TAX OR WITHHOLDING TAXES**
- **100% FOREIGN OWNERSHIP**
- **NO RESTRICTIONS ON REPATRIATION OF CAPITAL, PROFITS OR DIVIDENDS**
- **FREE TRADE AGREEMENTS WITH GCC AND US MARKETS**
- **EXEMPTION OF DUTIES ON CAPITAL GOODS AND RAW MATERIAL**
- **INDUSTRIAL LAND BETWEEN US\$1.33 AND US\$1.86 PER SQUARE METER PER YEAR**
- **WATER AT US\$1.05 PER M³ ²**
- **INDUSTRIAL ELECTRICITY RATES ARE AT US\$0.04 PER kwh³**
- **GAS AT \$1.5/mmBTu**

¹: United States Department of Agriculture Foreign Agricultural Service.
²: Ministry of Electricity and Water, Kingdom of Bahrain.
³: Ministry of Electricity and Water, Kingdom of Bahrain.

One of Bahrain's major advantages is its proximity to Saudi Arabia through a 25 km causeway.



in the world. The GCC itself is an emerging market with a continuously growing population. The total population in 1998 was over 28 million, but rose to 39 million by 2008, characterizing the region as one of the highest rates of population growth in the world. Food imports alone will double from US\$24bn(2008) to US\$49bn by 2020 ⁴.

Major food manufacturing operations in Bahrain include world - renowned brands such as Kraft, Intercol (Nestle), Coca Cola, while local food manufacturers like Ahmadi and Awal (local dairy producers) have been operating in Bahrain for decades. Bahrain imports the majority of its food merchandise ranging from dairy, confectionary, dried foods, diet and healthcare products, frozen/

processed foods and functional foods⁵. With the growing demand for food products in the region, Bahrain offers a good proposition as a base for food manufacturing.

MARKET ACCESS AND LOGISTICS INFRASTRUCTURE

Strategically located in the heart of the Gulf, Bahrain is the gateway to the region with easy access to the large economies of Kuwait, Saudi Arabia and Iran.

One of Bahrain's major advantages is its proximity to Saudi Arabia through the 25 km Bahrain - Saudi causeway. A new 40 km causeway to Qatar will be ready by 2013 increasing access to the region. The best regional air connections in the Middle East are through Bahrain-based Gulf Air, which has more flights to major cities in the Gulf than any other airline.

Manufacturing and industrial projects can secure a specific location at the Bahrain International Investment Park, situated in a superb location with excellent connectivity and access to both the Bahrain International Airport and the new Shaikh Khalifa Sea Port in Hidd. The Park has direct motorway access to Saudi Arabia and will have the same connectivity to Qatar.

Bahrain's logistics industry is set to flourish in the coming years as cargo volume

in the Gulf increases. The Shaikh Khalifa Bin Salman Port which opened in 2009 has a capacity to handle ships traveling directly to Bahrain from Europe, Asia and North America without the need to unload or reload with an annual capacity of 2.5 million TEUs (two thirds its total handling capacity).

The market for food manufacturers is huge in the region. Bahrain is the location of choice and companies like Kraft have used this opportunity to their fullest advantage.

ELECTRICITY PRICES (USD PER KWH)⁶		
Russia	■	0.032
BAHRAIN	■	0.042
UAE (Dubai)	■	0.054
France	■	0.059
USA*	■	0.064
India	■	0.081
Mexico	■	0.102
Brazil	■	0.109
Germany	■	0.109
Eastern Europe**	■	0.111
Japan	■	0.116
UK	■	0.130

CONTACT

To find out how the Bahrain Economic Development Board can help you set up and support your business long-term, contact our sector specialists:

Hamad Al Mahmeed
 +973 1758 9854
 hamad@bahrainedb.com
 www.bahrain.com

⁴: The GCC in 2020: Outlook for the Gulf and the Global Economy, Economist Intelligence Unit, March 2009.

⁵: CEIC Macroeconomic Database for Emerging and Developed Markets, 2008.

⁶: OECD Energy Prices & Taxes 2008, Brazilian Electricity Regulatory Authority, Dubai Electricity & Water Authority, Bahrain Electricity & Water Authority