

MANUFACTURE OF COCOA, CHOCOLATE AND SUGAR CONFECTIONERY

2018



QDB

بنك قطر للتنمية
QATAR DEVELOPMENT BANK

MANUFACTURE OF COCOA, CHOCOLATE AND SUGAR CONFECTIONERY

2018





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CEO

Between 2007 and 2017, the chocolate confectionery demand increased from 4,075 tons in 2007 to 6,119 tons in 2017, growing at a CAGR of 4.1%, while in terms of value, it increased from QAR 179 million in 2007 to QAR 503 million in 2017, at a CAGR of 11%.

// According to the Annual Bulletin of Industry and Energy 2016 published by Planning and Statistics Authority, there were 25 establishments operational in the cocoa, chocolate and sugar confectionery sector in 2016, up from 11 establishments operational in 2010. This indicates the addition of 14 new production facilities to cater to the increased demand during this period.

Small - and medium - sized enterprises (SMEs) are essential enablers of Qatar's aspiration to build a diversified and sustainable economy. As the private sector development arm of the government, we hold our national strategic development agenda — Qatar National Vision 2030 — central to all our endeavors.

We hold a firm belief that it is our core responsibility to contribute to the ongoing efforts of diversifying our sources of national income and creating a knowledge-based economy. We always knew that to chart the type of progressive economic and social path envisioned by our State, we need to become imaginative and proactive in our approach for our future generations.

In doing so, QDB's role is not limited to financing enterprises, as it provides SMEs and entrepreneurs with a wide range of non-financial services. Our ultimate objective is to become a 'partner of first resort' for Qatar's current and future entrepreneurs and SMEs. Thus, we realized that one of the most important ways to achieve our aspiration is through enabling access to granular market insights and trends, which is a pre-requisite for strong business ventures.

In line with our above-mentioned objectives to establish a reliable data and analysis, and in order to extend a meaningful support to Qatari entrepreneurs and SMEs, QDB intends to publish a series of reports on potential opportunities available across various sectors in the local market. These series aim to provide entrepreneurs with potential opportunities and perspectives about these sectors, including competitive sectorial landscape and data about existing companies.

This report covers Qatar's cocoa, chocolate and sugar confectionery-manufacturing sector. Qatar, which was traditionally reliant on imports of almost all major products under this sector, has witnessed increasing participation from local establishments that are engaged in the production of a wide assortment of chocolates and Arabic sweets.

According to statistics published by the Planning and Statistics Authority in 2017, the domestic production of this sector was valued at QAR 57.5 million arising from 25 establishments that employed 297 personnel in 2016. Confectionery products are often presented as gifts during occasions such as festivals, birthdays, anniversaries, etc. and are synonymous with luxury, happiness and reward. The sector forms an integral part of the food and beverages industry and its future growth will be closely associated with the overall development of the entertainment, hospitality and tourism sectors in Qatar. The construction of new malls, luxury as well as budget hotels, metro stations and the hosting of FIFA 2022 World Cup are some of the major developments that would boost the growth of new chocolatiers, boutiques, bakeries and pastry shops thus providing a thrust to the industry.

I invite readers to go through the report and know more about the sector's prospects.

Abdulaziz bin Nasser al-Khalifa
Chief Executive Officer



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ACRONYMS AND ABBREVIATIONS

CAGR	Compounded Annual Growth Rate
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GOIC	Gulf Organization for Industrial Consulting
GSO	Gulf Standardization Organization
HS Code	Harmonized System Code
ICCO	International Cocoa Organization
ISIC	International Standard Industrial Classification of All Economic Activities
ITC	International Trade Centre
Kg	Kilogram
KSA	Kingdom of Saudi Arabia
MCI	Ministry of Commerce and Industry
QAR	Qatari Riyal
QDB	Qatar Development Bank
SME	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
UAE	United Arab Emirates
UK	United Kingdom
USA	United States of America
USD	United States Dollar



EXECUTIVE SUMMARY

The cocoa, chocolate and sugar confectionery sector in Qatar can be broadly segregated into three distinct segments;

- a. Cocoa (cocoa beans, cocoa powder, cocoa paste and cocoa butter, fat and oil)
- b. Chocolate confectionery (domestically produced chocolates and imported chocolates)
- c. Sugar confectionery (chewing gum, sugar candy, almond candy, pistachio candy, cough drops, fruit jellies, fruit paste, toffee, Halawa Tahinia and Turkish delight).

Cocoa: Cocoa beans form the key raw material in the production of chocolate confectionery products. The demand for cocoa in Qatar was estimated at 2,515 tons valued at QAR 50.2 million in 2017. In 2017, the market bounced back over the previous year decline in 2016 (32.3% in terms of volume and 41.5% in terms of value), growing at 46.4% in terms of volume and 20.5% in terms of value on account of increased demand from bakeries, chocolatiers and other dessert shops. Cocoa beans are not cultivated in the region due to environment limitations; hence, Qatar is solely dependent on imports from countries that produce cocoa and its derivatives. The blockade on Qatar did not have a significant impact on cocoa imports since the blockading countries contributed less than 10% of the import volumes (UAE: 5%, KSA: 3% and Egypt: 2%), which were substituted by imports from other partner countries such as Turkey, Belgium, United Kingdom and Indonesia. Key countries exporting cocoa products to Qatar included Lebanon, Switzerland, Belgium, and the United Kingdom.

Going forward, the demand for cocoa products will likely be satisfied by imports. The demand for cocoa is estimated to grow at a CAGR of 7.8%, to 4,937 tons in 2026 in line with Qatar's population and per capita consumption growth, while in terms of value it is forecast to grow at a CAGR of 10.4% from QAR 50.2 million in 2017 to QAR 123 million in 2026. This growth would also create the opportunity for the development of more cocoa distribution companies for the end users.

Chocolate confectionery: The demand for chocolate confectionery in Qatar was estimated at 6,119 tons, valued at QAR 503 million in 2017. The market comprises two segments: 1) domestically produced chocolates made by bakeries, pastry shops, chocolatiers and artisan chocolate makers using imported cocoa beans, cocoa powder and chocolate blocks and, 2) imported chocolates (made on an industrial or a mass-market scale) predominantly imported and sold by local distributors, supermarkets and confectionery retailers. In 2017, the domestic chocolates segment accounted for 12.7% market share (778 tons) in terms of volume and 37.6% (QAR 189 million) in terms of value. The domestic chocolate confectionery market consists of a handful



of manufacturers that include stand-alone bakeries and pastry shops, as well as in-house bakeries and pastry units of prominent hotels, chocolatiers and a chocolate factory.

The imported chocolates segment accounted for 87.3% share (5,341 tons) in terms of volume and 62.4% (QAR 314 million) in terms of value in 2017. Two distinct types of establishments characterize the imported chocolate confectionery market: a) boutiques or premium chocolate retailers, that import premium grade chocolates and, b) mass market or industrial chocolate distributors, that import regional and international brands of chocolate.

Chocolate manufacturing in Qatar is currently undertaken on a small-to-medium scale with the use of traditional equipment and involves local players importing cocoa beans, cocoa, powder and chocolate blocks to prepare handmade as well as premium gourmet chocolates. Industrial manufacturing of chocolate is in its nascent stage and there is only one manufacturer (Munah Factory) with an automated production line. International brands such as Mars, Nestle, Mondelez and Lindt currently do not have any manufacturing facilities in Qatar, these players serve the local market through their authorized distributors. Consequently, this provides an opportunity for local entrepreneurs to create a niche for themselves by setting up new chocolate factories, bakeries, pastry shops and dessert parlors that focus on providing chocolates made in Qatar that appeal to the local customers as well as the export markets. The chocolate confectionery market is estimated to grow to 9,752 tons in 2026 from 6,119 tons in 2017, at a CAGR of 5.3%, while in terms of value, it is forecast to grow to QAR 998 million in 2026 from QAR 503 million in 2016 at a CAGR of 8%.

Sugar confectionery: Sugar confectionery products are also referred to as sweets or candy and consist primarily of sugar-based products that are mostly consumed by all income groups. Sugar confectionery products are available in numerous options across different price segments and can be packaged individually or sold in boxes with elegant packaging.

Qatar's total sugar confectionery market was estimated at 6,227 tons in terms of volume and was valued at QAR 114 million in 2017. Between 2007 and 2017, the market increased from 1,930 tons in 2007 to 6,074 tons in 2017 at a CAGR of 12.1%, while in terms of value it increased from QAR 24 million in 2007 to QAR 114 million in 2017 at a CAGR of 17%. The sugar confectionery market in Qatar consists of nine distinct products such as 1) sugar syrups containing added flavor, 2) Halawa Tahinia, 3) chewing gum, 4) fruit jellies and pastes and licorice sugar confectionery 5) Toffee and Turkish delight, 6) cough drops, 7) almond and pistachio candy, 8) sugar candies powder and 9) sugar confectionery not containing cocoa (including white chocolate). Sugar syrups containing added flavor, Halawa Tahinia and chewing gum were the top-3 products that accounted for about 62% of the market in 2017 in terms of value and volume. In terms of volume, sugar syrups containing added flavoring, Halawa Tahinia and chewing gum accounted for 33%, 13% and 9% share, respectively, while in terms of value, these products accounted for 29%, 20% and 13% share, respectively.

Going forward, the total sugar confectionery market in Qatar is estimated to grow to 9,135 tons, valued at QAR 210 million by 2026, at a CAGR of 7%. This demand will be driven by growth in consumer spending on confectionery products during festivals, special occasions as well as other discretionary purchases. The setting up of new bakeries, pastry shops and dessert parlors in existing and upcoming malls, hotels and newly developed areas will also help in driving the demand for sugar confectionery in Qatar. Apart from domestic production of Turkish delight and Halawa, currently there are no well-established manufacturing facilities for other sugar confectionery products. As a result, Qatar is dependent on imports from other countries to fulfil its demand. Considering this situation, opportunities exist for setting up new manufacturing facilities for sugar syrups with added flavoring (29% share of the sugar confectionery market), chewing gum (12.6%), fruit jellies and pastes (7%), sugar candies (5%) and toffee (5%) that are currently amongst the sizeable and growing segments of the sugar confectionery sector in Qatar.

1. INTRODUCTION

1.1 Sector Overview

This report covers activities related to the manufacturing of cocoa, chocolate and sugar confectionery classified under ISIC (Revision 4) code 1073. This sector comprises a range of diverse cocoa, chocolate and sugar confectionery products that can be categorized under the following segments;

Table 1: Segments under Cocoa, Chocolate and Sugar Confectionery

Segmentation of cocoa, chocolate and sugar confectionery covered under ISIC 1073	
Name	Description
Cocoa	<ul style="list-style-type: none">• Includes three main types of chocolates namely semi-sweet or dark chocolate, milk chocolate and white chocolate in various forms such as chocolate blocks, bars or tablets, assorted boxed chocolates, seasonal chocolate, chocolate with toys and other chocolate confectionery forms.
Chocolate Confectionery	<ul style="list-style-type: none">• Includes three main types of chocolates namely semi-sweet or dark chocolate, milk chocolate and white chocolate in various forms such as chocolate blocks, bars or tablets, assorted boxed chocolates, seasonal chocolate, chocolate with toys and other chocolate confectionery forms.
Sugar Confectionery	<ul style="list-style-type: none">• Includes the following sugar based confectionery products:<ul style="list-style-type: none">- chewing gum- sugar syrups- toffee and Turkish delight- almond and pistachio candy- fruit jellies, fruit pastes, licorice sugar confectionery- cough drops- Halawa Tahiniah- sugar candies powder containing fruit flavor- Sugar confectionery not containing cocoa (including white chocolate)



1.2 Cocoa

Key products under the cocoa segment include¹



Cocoa bean:
The seed from the tropical tree (cacao), which is used to make cocoa, chocolate, chocolate preparations and cocoa butter.



Cocoa shells:
The husks that surround the cocoa seeds in the cocoa pod on the cacao tree. The husks are separated from the seeds and have several uses, such as fertilizers.



Cocoa nibs:
The 'meat' of the cocoa bean remaining when the shell is removed in the chocolate production process.



Cocoa liquor:
The liquid chocolate produced by grinding the cocoa nibs. It is the basic ingredient in all chocolate products. There is no alcohol in cocoa liquor. The paste contains both cocoa solids and cocoa butter.



Cocoa powder:
The powder remains from chocolate liquor after cocoa butter is extracted from it. This is used in baking low fat/calorie recipes and as flavoring.



Cocoa butter:
A fatty substance extracted from the cocoa seeds. Oil and fats are further extracted from the butter.

1.3 Chocolate Confectionery

Key products in the chocolate confectionery segment include:

White chocolate:

White chocolate contains cocoa butter but no non-fat cocoa solids. This is primarily used as a coating. It contains sugar, cocoa butter, milk solids and flavorings.



Semi-sweet (bittersweet) chocolate:

Chocolate liquor with added sweeteners and cocoa butter. It also known as dark chocolate and contains high percentages of cocoa ranging from 70% to 99%.



Milk chocolate:

Cocoa butter, milk, sweeteners and flavorings are added to chocolate liquor to produce milk chocolate. This lends itself to good use for garnishes and candy coatings. All milk chocolates made in the USA contain at least 10% chocolate liquor and 12% whole milk.

¹World Cocoa Foundation



1.4 Sugar Confectionery

Key products in the sugar confectionery segment include:

Chewing gum:

Sweetened and flavored preparation for chewing; usually comes in a variety of shapes and colors.



Sweetmeats:

A sweet confectionery item; includes bonbons, drops sticks or other forms of candy.



Drops:

A small piece of hard candy, also known as a lozenge. Lozenges are prepared in a way that they slowly dissolve in the mouth when chewed.

Fruit jellies:

Soft and elastic desserts made with gelatin or pectin; prepared by boiling sugar with the juice of a fruit.

Fruit paste:

Confection product prepared by evaporating fruit with sugar or through flavoring of gelatin or starch.



Toffee:

A form of hard or soft candy, which softens when sucked or chewed. It is prepared by boiling sugar and butter and usually includes other ingredients or flavorings.



Turkish delight:

A dessert that is traditionally produced used corn syrup and corn flour. It is usually cut into cubes and covered in icing sugar.

Halwa tahiniah:

A Middle-Eastern candy-like dessert prepared from sesame seeds/flour and honey and originating from Turkey.

Cough drops:

A sweetened and sometimes flavored lozenge used to provide relief from coughing. It is usually available in the form of a hard candy.



1.5 Product Segment HS Codes

1.5.1 Cocoa and Cocoa Products

Table 2: HS Codes of Cocoa and Cocoa Products

Cocoa & Cocoa Products	
Code	Description
18010000	Cocoa beans, whole or broken, raw or roasted
18020000	Cocoa shells, husks, skins & other cocoa waste
18030000	Cocoa paste, whether or not defatted
18031000	Cocoa paste, not defatted
18032000	Cocoa paste, wholly or partly defatted
18040000	Cocoa butter, fat and oil
18050000	Cocoa powder, not containing added sugar or other sweetening matter
18061000	Cocoa powder, containing added sugar or other sweetening matter
18061010	Cocoa powder with peptone or milk
18061090	Cocoa powder with other
18062010	Powder for making ice-cream containing cocoa: other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg
18069010	Cocoa powder for making ice-cream, with cocoa: other: not filled



1.5.2 Chocolate and Chocolate Confectionery

Table 3: HS Codes of Chocolate and Chocolate Confectionery

Chocolate and Chocolate Confectionery Products	
Code	Description
18062030	Cocoa Products Of Concentrated Liquid With Cocoa: Other preparations in blocks, slabs or bars weighing more than 2 kg or in liquid, paste, powder, granular or other bulk form in containers or immediate packing, of a content exceeding 2 kg
18062090	Cocoa products, other
18069030	Cocoa products of concentrated liquid with cocoa: other: not filled
18063000	Chocolates, containing cocoa, put up for retail sale
18063190	Chocolate and other food preparations containing cocoa: Other, in blocks, slabs or bars: Filled: Other Chocolate and other food preparations containing cocoa
18063290	Chocolate and other food preparations containing cocoa: Other, in blocks, slabs or bars: Not Filled: Other Chocolate and other food preparations containing cocoa
18069000	Sugar confectionary & other food preparations, containing cocoa in any proportion
18069020	Confectionery products (sweetmeats) with cocoa
18069030	Cocoa products of concentrated liquid with cocoa: other: not filled
18069090	Other cocoa products of concentrated liquid with cocoa



1.5 Product Segment HS Codes

1.5.3 Sugar Confectionery

Table 4: HS Codes of Sugar Confectionery

Sugar Confectionery Products	
Code	Description
17041000	Chewing gum, whether or not sugar coated
17049000	Other sugar confectionery (including white chocolate), not containing cocoa
17049010	Sugar syrups containing added flavoring or coloring matter
17049020	Toffee, Turkish delights
17049030	Almond candy, pistachio candy and the like
17049040	Fruit jellies, fruit pastes, licorice sugar confectionery form
17049050	Cough drops
17049060	Halawa Tahiniah
17049070	Sugar candies powder containing fruit flavor
17049090	Sugar confectionery (including white chocolate), not containing cocoa



2. COCOA

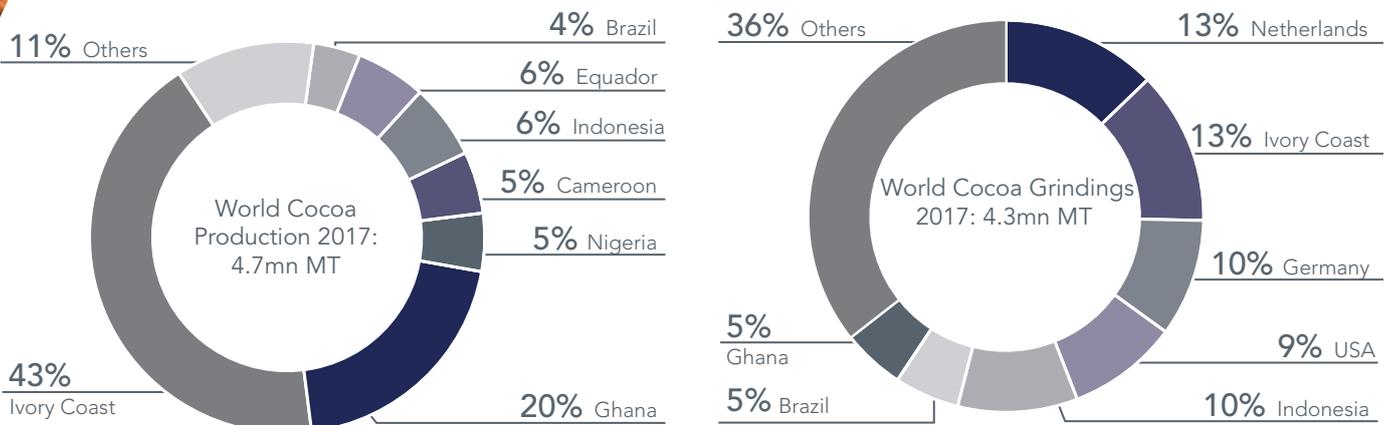
2.1 Sub-sector Overview

Cocoa beans undergo various stages of processing such as drying, fermentation, winnowing, roasting and grinding to yield cocoa liquor, cocoa butter and cocoa powder that form the key ingredients in the production of chocolate confectionery products. Cocoa production and processing is geographically concentrated. Cocoa plantations are primarily concentrated in countries around the equator such as Ivory Coast, Ghana, Nigeria, Cameroon, Indonesia, Brazil, Ecuador, etc. However, downstream processing of raw cocoa beans that yield cocoa products such as cocoa powder, cocoa paste, cocoa butter, etc. are concentrated in Europe and North America. Middle East countries lack cocoa processing facilities and rely on imports from the cocoa producing and processing nations.

2.2 Global Market Overview

The global cocoa production was estimated at 4.7 million tons in 2017 with the African countries contributing 76% of the global cocoa production, followed by the Americas and the Asia and Oceania regions, contributing 16% and 8%, respectively. The top seven cocoa-producing countries in descending order are: Ivory Coast, Ghana, Indonesia, Ecuador, Cameroon, Nigeria and Brazil. In terms of prominent West African cocoa producers, approximately 43% of the global cocoa production in 2017 came from the Ivory Coast followed by Ghana, Cameroon and Nigeria that contributed 20%, 5.1% and 4.8% of the production, respectively, while Indonesia, Ecuador and Brazil contributed 6.2%, 5.7% and 4% of the production, respectively.

Chart 1: Share of World Cocoa Production and Grindings, 2017



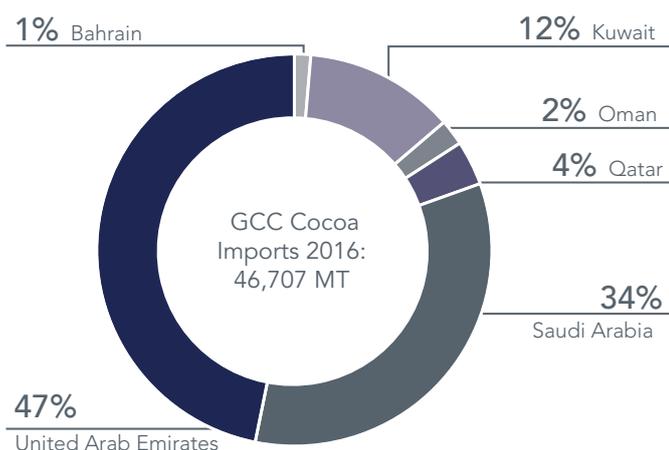
Source: International Cocoa Organization (ICCO)

World grindings (processing) of cocoa beans are estimated at 4.3 million tons in 2017. The Netherlands is one of the largest processors of cocoa beans, holding approximately 12.7% share of the cocoa beans processing market, closely followed by Ivory Coast with 12.6% share. The other countries known for cocoa processing are Germany (10%), Indonesia (10%), the USA (9%), Brazil (5.3%) and Ghana (5.1%)².

2.3 GCC Market Overview

The total imports of cocoa in GCC countries amounted to 46,707 tons in 2016. Due to absence of cocoa plantations in the Middle East, the demand for cocoa in GCC countries is largely serviced by imports. The UAE, Saudi Arabia and Kuwait are the top three importers of cocoa products in the region, accounting for 47%, 34% and 12% share respectively, while Qatar ranks fourth on the list, accounting for 4% share of the total GCC cocoa imports.

Chart 2: Share of GCC Cocoa



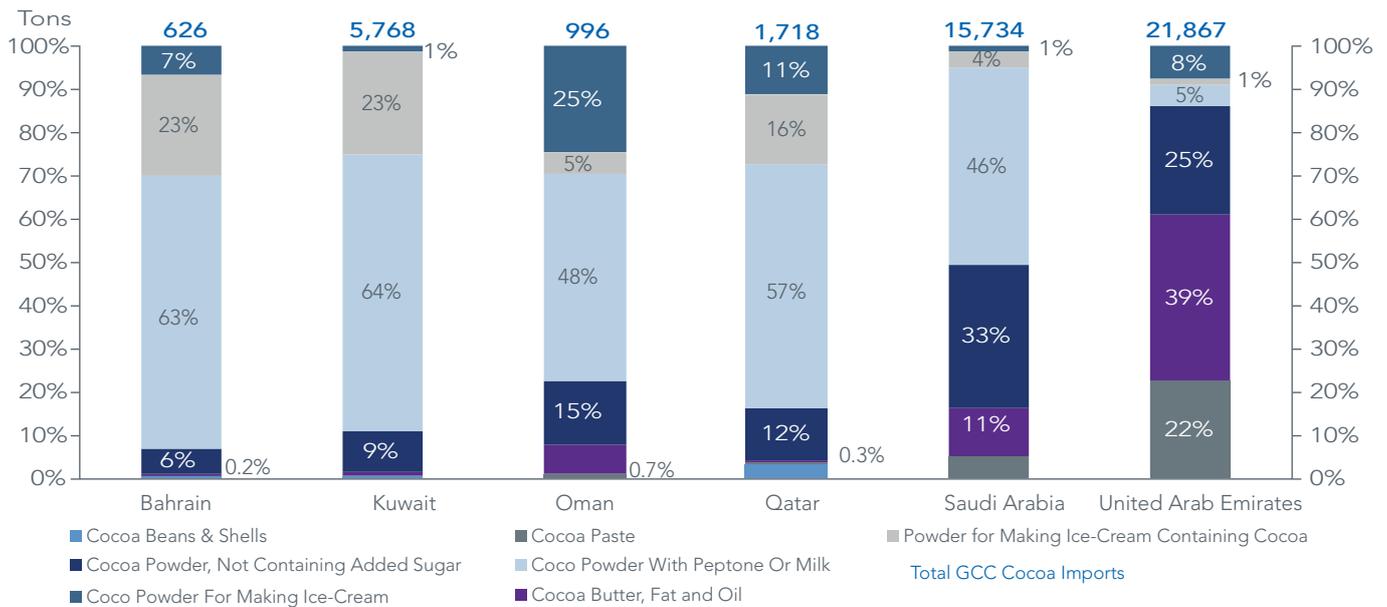
Source: Team Analysis based on ITC Trademap Data

HS Codes of GCC Cocoa Imports	
Code	Product
18010000	Cocoa Beans
18020000	Cocoa Shells
18030000	Cocoa Paste
18040000	Cocoa Butter, Oil and Fat
18050000	Cocoa Powder, Not Containing Sugar
18060000	Cocoa Powder, Containing Sugar

Excluding the UAE, the import of cocoa powder (with and without sugar) dominates the share of cocoa product imports in Bahrain, Kuwait, Oman, Qatar and Saudi Arabia. Saudi Arabia's imports of cocoa powder with peptone or milk accounted for 46%, followed by cocoa powder not containing sugar accounting for 33% of the total cocoa imports, while the UAE imports a mix of cocoa butter (39% of its cocoa imports), cocoa paste (22%) and cocoa powder not containing sugar (25%), which is largely used by domestic chocolate manufacturers based in these countries.

²International Cocoa Organization (ICCO) Quarterly Bulletin – February 2018

Chart 3: Country-wise Share of Cocoa Imports in GCC (Tons), 2016



Source: Team Analysis based on ITC Trademap Data

2.4 Qatar Market Overview

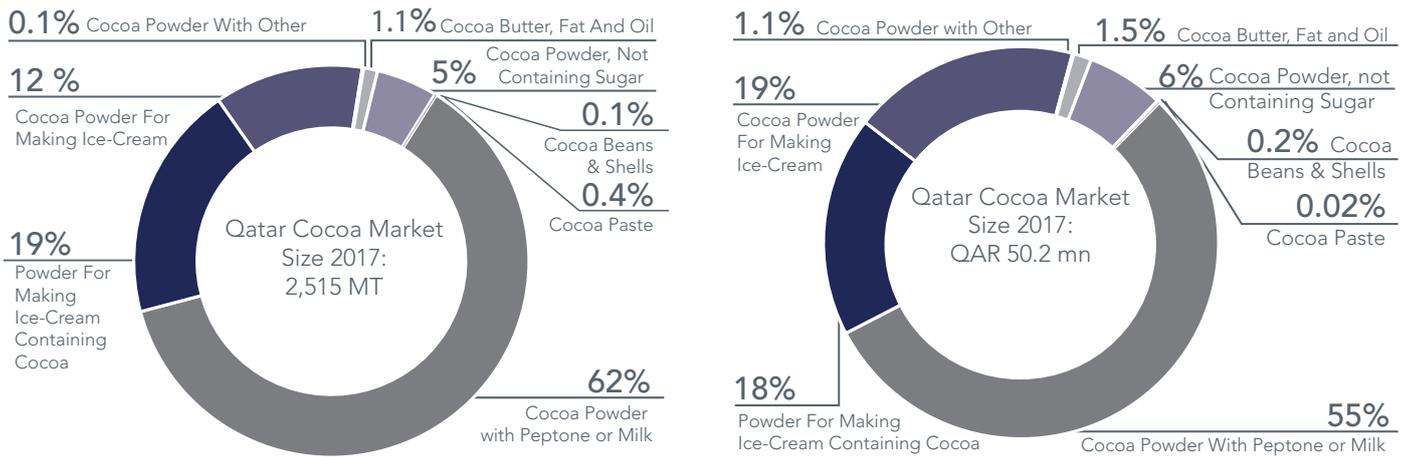
2.4.1 Historical Demand and Current Market Size

The cocoa market (cocoa powder, butter, oil, fat, paste, cocoa powder for making ice-cream, cocoa beans and cocoa shells) in Qatar is dependent on imports from countries that produce cocoa products or those re-exporting to the GCC region. There are no local sources of cocoa beans or production of its derivatives, such as cocoa powder, fat, butter, oil or paste, which are the prime ingredients used in the production of chocolates, cakes, ice creams and other dipping syrups for cafes and dessert parlors. The domestic demand for cocoa in Qatar was estimated at 2,515 tons in terms of volume and valued at QAR 50.2 million in 2017³. In 2017, the market bounced back over the previous year decline in 2016 (32.3% in terms of volume and 41.5% in terms of value), growing at 46.4% in terms of volume and 20.5% in terms of value on account of increased demand from bakeries, chocolatiers and other dessert shops.



³Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

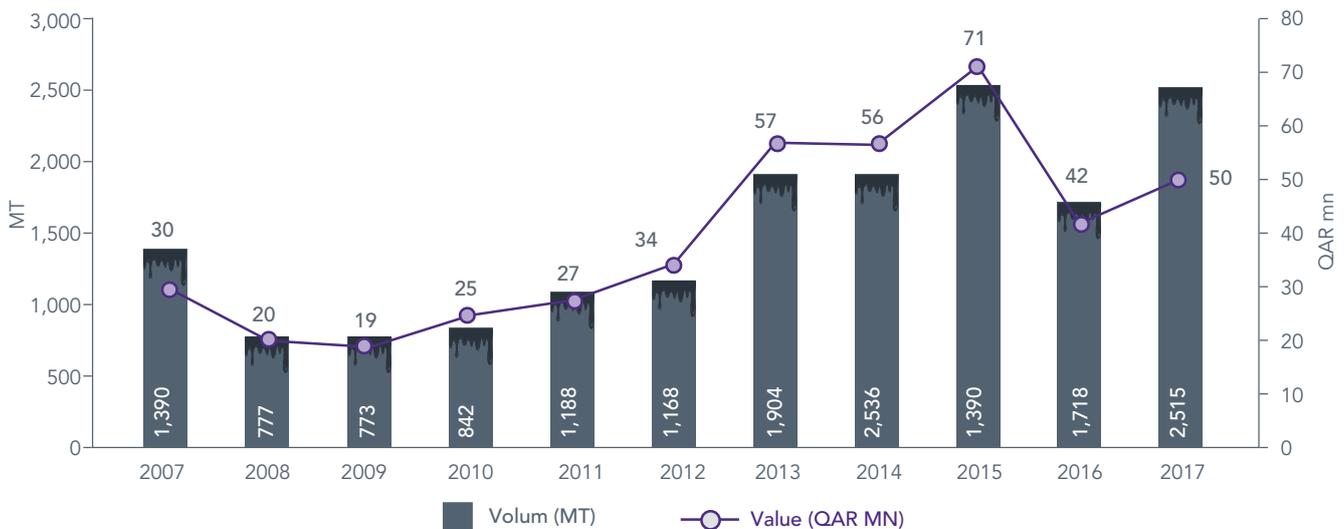
Chart 4: Qatar's Cocoa Market Size (Volume and Value), 2017



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

Qatar's cocoa market in terms of volume increased from 1,390 tons in 2007 to 2,515 tons in 2017, growing at a CAGR of 6.1%, while in terms of value, it increased from QAR 30 million in 2007 to QAR 50.2 million in 2017, growing at a CAGR of 5.3% during the same period. The blockade on Qatar did not have a significant impact on cocoa imports since the blockading countries contributed less than 10% of the import volumes (UAE: 5%, KSA: 3% and Egypt: 2%), which were substituted by imports from other partner countries such as Turkey, Belgium, United Kingdom and Indonesia.

Chart 5: Historic Cocoa Market Size (Volume and Value), 2007 - 2017



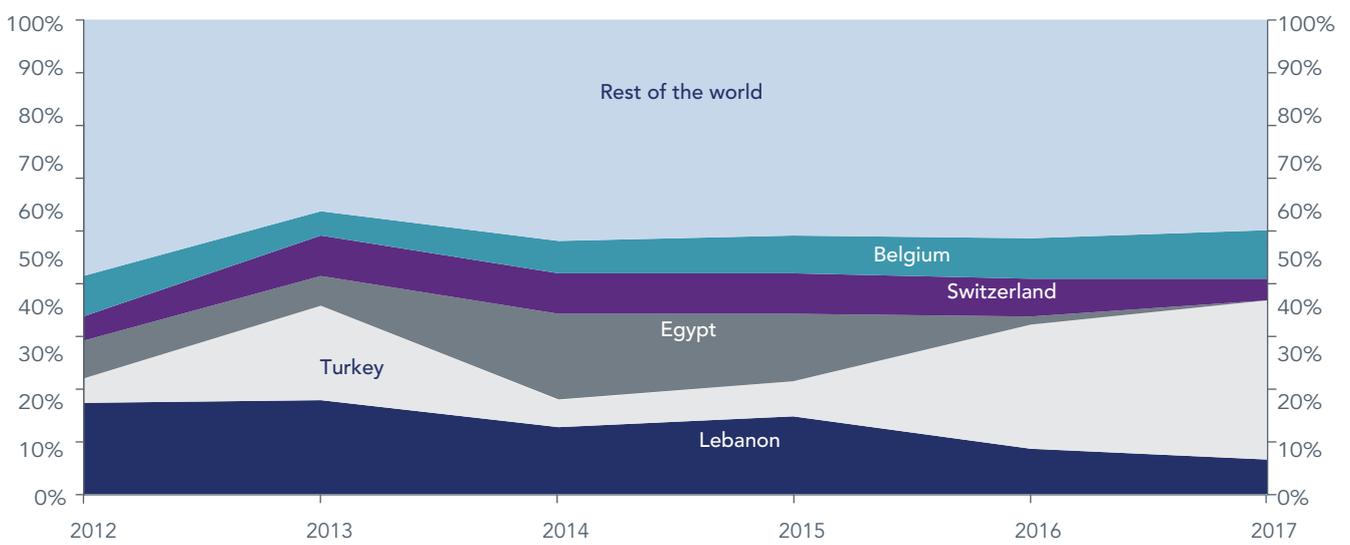
Source: Team Analysis based on Planning and Statistics Authority Data



2.4.2 Sources of Imports

The analysis of Qatar’s cumulative cocoa imports from 2012 to 2017 amounting to 11,263 tons indicates that the Turkey (17.7%), Lebanon (13.3%), Belgium (8.2%), Egypt (7.9%) and Switzerland (7.1%) are the major sources of cocoa imports.

Chart 6: Key Sources of Cocoa Imports (Volume), 2012 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data

The area graph shown above indicates that the share of cocoa imports from Lebanon declined from 18% in 2012 to 7% in 2017, while the share of imports from Turkey increased from 6% in 2012 to 34% in 2017. Egypt, which initially accounted for an average of 10% of the imports declined to zero on account of the blockade. These volumes were substituted by imports from Turkey, whose contribution jumped from 26% in 2016 to 34% in 2017.

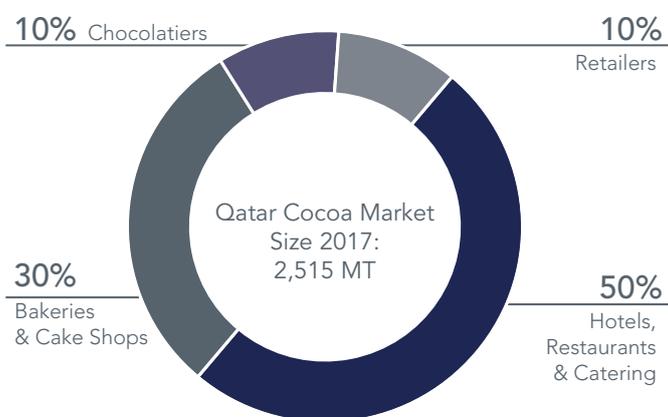




2.4.3 Key Buyers in the Market

Key buyers of cocoa include a range of establishments, such as hotels, restaurants and catering companies, bakeries, retail outlets and chocolatiers, which purchase varying quantities of cocoa based on their requirements, specialty and scale of operations.

Chart 7: Key Buyers of Cocoa (Volume), 2017



Source: Primary interviews with suppliers of cocoa and chocolate confectionery manufacturers



[Cocoa]



A. Hotels, Restaurants and Catering Companies

This segment accounts for approximately 50% of the total buyers of cocoa in Qatar and includes companies such as Katara Hospitality (one of the largest hotel management groups in the Middle East), international 4-, 5-Star hotel chains and other local hotels. Additionally, companies in the catering sector with several restaurants and dessert parlor chains are also included under this segment. The cocoa referred to in this subcategory of the market encompasses cocoa beans, butter, oil and fat and powder for preparation of chocolates. The buyers within this segment primarily focus on using cocoa in the preparation of in-house chocolates, cakes and desserts that are prepared and sold within their premises and to other retail outlets.

B. Bakeries and Cake Shops

This segment accounts for approximately 30% of the total buyers of cocoa in Qatar and includes bakeries, pastry and cake shops. (This percentage is independent from pastry or bakery outlets integrated in the hotel segment aforementioned). Some examples of these are Opera Patisserie, Patisserie Suisse, Batteel, London Bakery, etc. The buyers in this segment focus on the incorporation of melted chocolate, cocoa powder and cocoa paste into recipes for various molded chocolates, cakes, pastries, baked goods and croissants.

C. Chocolatiers

This segment accounts for approximately 10% of the total buyers of cocoa in Qatar and includes a select number of companies engaged in the preparation of chocolates from cocoa beans, cocoa powder, cocoa paste or chocolate blocks. Chocolatiers specialize in handmade or machine made chocolates that are often prepared using a unique recipe and fine cocoa ingredients that are sourced from Ivory Coast, Ghana, Belgium, Netherlands, Switzerland, etc. Examples are Kaafe Chocolatier and Dolci Sera.

D. Retailers

This segment accounts for approximately 10% of the total buyers of cocoa in Qatar and includes supermarkets and hypermarkets. All types of cocoa products are not readily available off the shelf in every food or grocery shop in Qatar. Despite this, consumers can still readily find sweetened or unsweetened cocoa powder, chocolate bars or blocks and the like for preparation of chocolates, cakes and other desserts containing cocoa at home. Carrefour, Lulu, Family Food Centre, Spinneys and Al Meera are some of the prominent hypermarkets in the Qatari market that make imported cocoa products available to their customers.



2.4.4 Key Suppliers in the Market

Local suppliers import cocoa products from Turkey, Lebanon, Switzerland, Belgium, UK, USA and Italy. Prominent suppliers include Bilal and Mohammed Ballout (BMB), Al Rafidain Co. (RAFCO), Green Cabin Trading, Greenhouse Foodstuff and Al Maktab Al Qatari Al Hollandi⁴.

Table 5: Local Suppliers of Cocoa

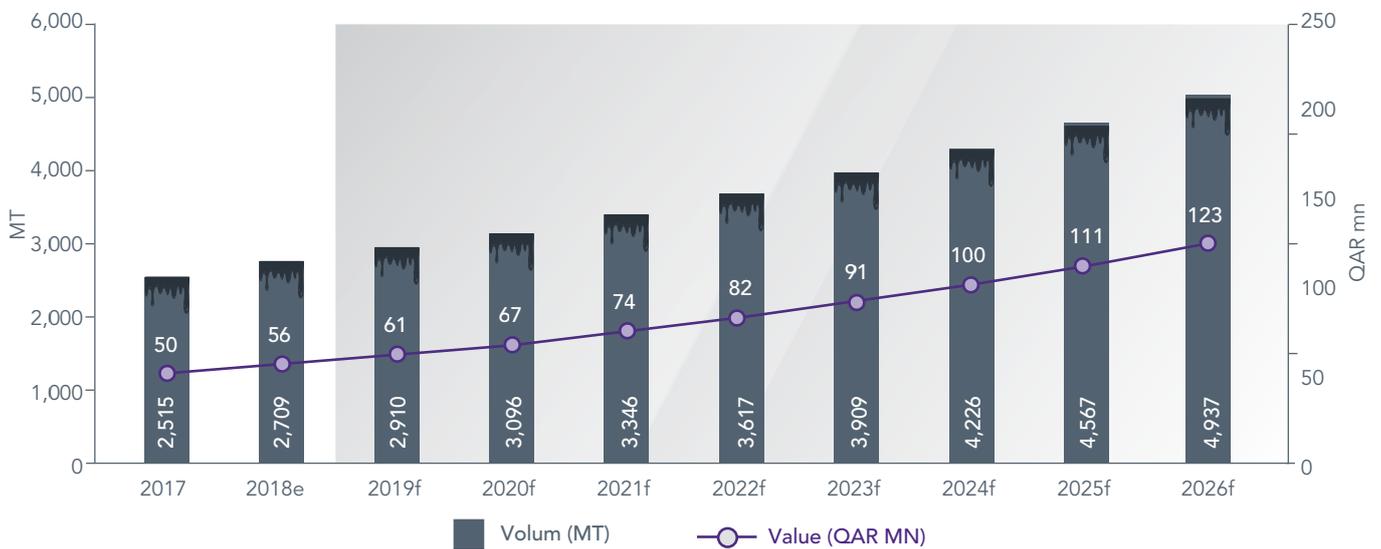
Top Local Suppliers of Cocoa	
Name	Description
Bilal and Mohammed Ballout (BMB)	Its prime focus areas include distribution of cocoa products and Lebanese chocolates in GCC. In addition, the supplier has a strong foothold in Qatar due to its manufacturing facilities in both the UAE and Saudi Arabia, thereby gaining them a competitive edge in pricing and supplying a large assortment of not only raw materials (cocoa), but also finished goods (chocolates).
Al Rafidain Co. (RAFCO)	This is the oldest and one of the most popular suppliers of a range of chocolate products to restaurants, hotels and small chocolatiers in Qatar. Its key products include Belgian bulk chocolate imports and a variety of cocoa raw materials. The company primarily deals with the Callebaut and CacaoBarry cocoa and chocolate products.
Green Cabin Trading	It supplies a range of both compound chocolate materials and finished products, and depends on primary suppliers from countries such as Switzerland, Lebanon, the UAE, Belgium and Turkey. The company's key target market segment is bakeries and pastry shops.
Greenhouse Foodstuff	It has direct competition with Green Cabin as they are both considered fairly new in the Qatari market as cocoa and chocolate suppliers. The company also distributes an array of other foodstuff products ranging from dairy products and spices, to coffee ingredients and beverages.
Al Maktab Al Qatari Al Hollandi	It is one of the prominent suppliers of cocoa and related products for small businesses and shops. In addition, it trades in numerous other food supplies, similar to the operations of Ali Bin Ali Group or Merch Trading.

⁴Primary interviews with suppliers of cocoa and chocolate confectionery manufacturers

2.4.5 Demand Forecast

Due to absence of cocoa plantations in the region, the demand for cocoa products is likely to be serviced entirely by imports. The demand for cocoa is estimated to grow to 4,937 tons in 2026 at a CAGR of 7.8% between 2017 and 2026, in line with Qatar's population and per capita consumption growth. In terms of value it is forecast to grow at a CAGR of 10.4% from QAR 50.2 million in 2017 to QAR 123 million in 2026. Cocoa powder in various forms is expected to account for about 90% of the cocoa imports into Qatar followed by cocoa butter, fat and oil at 8% and cocoa beans and shells at 2% share of the total.

Chart 8: Qatar's Cocoa Demand Forecast, 2017 - 2026



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

2.5 Future Outlook

Due to environmental limitations, cocoa beans are not cultivated locally. Domestic chocolatiers, bakeries and pastry shops prefer buying chocolate blocks/ bulk chocolate for the production of their chocolate confectionery products as it is readily available in the market and does not require additional expenditure on equipment for cleaning, roasting and grinding required for converting raw beans to cocoa powder and its derivatives. Moreover, the process of converting raw cocoa beans to cocoa products also requires a high degree of expertise in order to achieve the right flavor and consistency of the desired confectionery product. Chocolate blocks or bulk chocolate on the other hand helps in saving time and capital since they can be easily melted and combined with different ingredients to produce the desired chocolate confectionery products. As a result, setting up a manufacturing facility that imports raw cocoa beans for the production of its derivatives is

not feasible due to the relatively small size of the cocoa market, preference for chocolate blocks and the high set up costs for a manufacturing facility producing these products in Qatar.

Currently, the access to different varieties of cocoa products in high volumes is constrained for locally operating chocolate confectionery companies due to limited number of suppliers of cocoa products. The expected increase in imports is also aligned with the growth in the demand of the chocolate sector driven by a larger workforce and tourist base in the future. Cocoa imports are forecast to grow to 4,937 tons in 2026 from 2,515 tons in 2017. Between 2017 and 2026, cocoa powder that accounts for about 90% of the cocoa market would drive the growth of this segment due to increased local demand from upcoming bakeries, dessert and pastry shops. This growth would also create the opportunity for the development of more local cocoa distribution companies for the end users.



3. CHOCOLATE CONFECTIONERY

3.1 Sub-sector Overview

The preparation of chocolates involves the processing of cocoa beans as explained in the previous chapter on Cocoa. This section focuses on two main categories of chocolates in Qatar: (a) Domestic chocolates and (b) Imported chocolates.

Domestically produced chocolates: These include chocolates that are produced in Qatar by bakeries, pastry shops, chocolatiers (craft finished chocolate into confections and bars), chocolate factories and artisan chocolate makers (who source raw cocoa beans to roast, winnow, grind and mold into chocolates). The chocolate produced by these units is either handmade or prepared using traditional chocolate-making equipment. Cocoa beans, cocoa powder and bulk chocolate blocks form the key raw materials used to prepare chocolates under this segment that are often made in limited quantities and have a shelf life of six months to one year. These are sold at a premium as compared to other chocolates available in the market. The key differentiating factors for this segment include focus on premium or unique ingredients, recipe, preparation technique, taste and texture of the chocolate and packaging. Examples of domestic chocolate manufacturers are Kaafé Chocolatier, Dolci Sera, La Cigale Traiteur, Opera Patisserie, Patisserie Suisse, Batteel Bakery and Munah Factory.

Imported chocolates: These include chocolates made on an industrial or a mass-market scale, which are imported and supplied to boutiques, distributors, supermarkets and confectionery retailers.

- **Premium or boutique chocolates:** These include premium grade imported chocolates. These chocolates are typically designed to appeal to high income group of consumers, who frequently use chocolates for gifting purposes during celebrations or special occasions. These are primarily sold at shops or boutiques of the brands that are located at five-star hotels, international airports, high-street locations and high-end malls. The pricing of these chocolates is on the higher side than other mass market chocolates. Examples are Läderach, La Vendôme, Fauchon Paris, Patchi, Larissa and Chopin.
- **Mass market/industrial chocolates:** This segment includes international brands, such as Mars Inc., Mondelez International, Nestlé, Ferrero Group and Hershey's that are produced on an industrial scale at their manufacturing facilities. Mass market chocolates are typically characterized by uniform or standardized ingredients, taste and packaging in a single brand of chocolate sold in all countries across the globe.

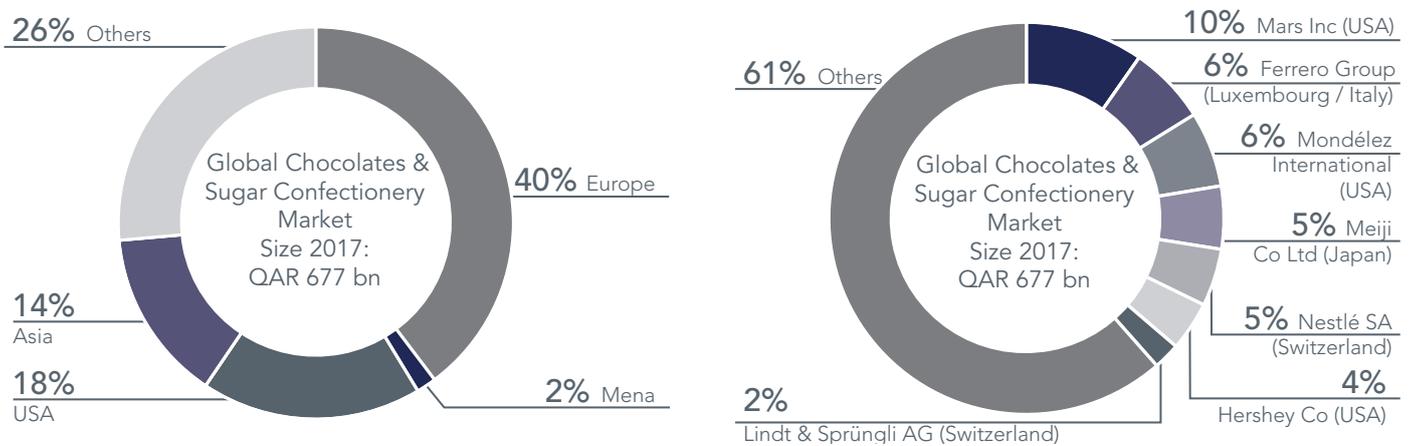
3.2 Global Market Overview

The global market for chocolate and sugar confectionery was worth QAR 677 billion in 2017 and grew 2.7% over the previous year⁵. In terms of market size, by region, Europe accounts for 40% share of the market followed by USA with 18% share and Asia with 14% share⁶. The MENA (Middle East and North Africa) region accounts for about 2% share of the market.

The mass market chocolate manufacturers lead the global market place with the top-7 players accounting for approximately 40% share of the global market. Mars Inc. is the market leader with 10%⁷ share of the market, followed by Ferrero Group with 6.5%

share and Mondelez International with 6.2% share. The other leading chocolate confectionery players include Meiji Company (5.2%), Nestle SA (4.7% share), Hershey's (4.1%) and Lindt (2.2%). World leading confectionery manufacturers such as Mars, Mondelez and Nestle own their manufacturing facilities in major markets in South Asia, Middle East, Europe and Africa. The critical factor behind operating their own factory is to maintain high level of standards in providing consistent quality, safety, taste and experience associated with their brands at a global level. Authorized distributors are appointed in countries where they do not have their manufacturing presence

Chart 9: Global Confectionery Market Size and Market Share of Players, 2017



Source: Team Analysis based on Farrelly Mitchell: Chocolate Sector Grapples with Consumer Health Fears, Confectionery Companies Sales Data from Candy Industry, February 2018 and market size data from Euromonitor International.

⁵Euromonitor International; ⁶Farrelly Mitchell: Chocolate Sector Grapples with Consumer Health Fears

⁷Candy Industry, February 2018, and Chocolate Industry Overview, ICCO



3.2.1 Key Trends in the Global Market

According to Cargill's Cocoa and Chocolate's Trend Report, the four themes, namely indulgent, premium, healthy, and sustainable and clean, will be the key trends driving the chocolate and cocoa industry.

A. Indulgent refers to manufacturers offering consumers a more indulgent experience in terms the taste, texture and color of the chocolate confectionery.

B. Premiumization involved offering handmade and artisanal chocolates, and chocolates made from distinctive origin ingredients such as single origin cocoa, milk and nuts. Premiumization also saw the trend of manufacturers increasingly promoting provenance, i.e., clearly indicating the origins of all its raw materials used in making the chocolate and the end markets where it is sold, giving an impression that their chocolates are prepared from the highest quality raw materials.

C. The trend of **healthy** chocolates include the growing popularity of sugar-free, gluten-free, allergen-free, lactose-free and source of protein coatings and fillings, coatings and fillings with no-hydrogenated fats and switching to fruity-flavoured coatings and fillings, from popular strawberry to trendy lemon and many others.

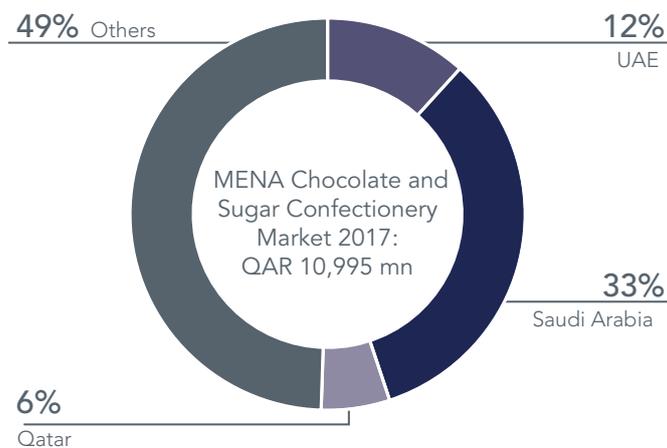
D. Sustainable and clean involved the growing popularity of chocolates that are certified to contain ingredients that are responsibly sourced from sustainable and responsible sources.

Other trends in the global chocolate market also include smaller sized chocolates. According to a report from Euromonitor, this trend is driven by manufacturers and retailers. A healthier lifestyle and food choices are also a reason for the production of smaller sized chocolates. Further, the trend of the increase in the consumption of dark chocolate is the result of an increasingly health-conscious population and the increased awareness of multiple health benefits of dark chocolate.

3.3 GCC Market Overview

The chocolate and sugar confectionery market in the Middle East and North Africa region accounted for about 2% share of the global market in 2017 that translates to QAR 10,995 million. Saudi Arabia and the UAE are the largest markets⁸ in the region accounting for 33% share (QAR 3,652 million) and 12% share (QAR 1,286 million), respectively, while Qatar accounts for 5.6% share (chocolate + sugar confectionery: QAR 617 million)⁹.

Chart 10: MENA Chocolate and Sugar Confectionery Market Size, 2017



Source: Team Analysis based on "The ones to watch: Euromonitor pinpoints three chocolate markets in the Middle East & Africa", Planning and Statistics Authority Data and Primary Interviews.

⁸The ones to watch: Euromonitor pinpoints three chocolate markets in the Middle East & Africa

⁹Team Analysis based on Planning and Statistics Authority Trade Statistics and Primary Interviews

The confectionery market in Saudi Arabia is estimated to grow at a CAGR of 12% between 2013 and 2018¹⁰. The key drivers for growth in Saudi Arabia include increase in consumer spending, organized retail trade and gifting culture that has also resulted in several international manufacturers entering the market through collaborations and acquisitions. Key international players operating in the market include Kraft Foods, Mars, Mondelez and Nestle.

The UAE market has witnessed the entry of new domestic as well as international players in the market. In addition, the market

has seen an expanding seasonal demand with rapid growth of the overall youth population. The demand is also driven by a majority of the consumers opting for premium brand chocolates to offer as gift items during festivals and other occasions. As a result, the confectionery market in the UAE is estimated to grow at a CAGR of 8% between 2016 and 2021¹¹. Key international players operating in the market either directly or through their authorized distributors include Mars, Ferrero, Nestle, Mondelez and Lindt & Spruengli.

Table 6: Chocolate Confectionery Manufacturers in GCC Countries

Chocolate Confectionery Manufacturers in GCC Countries ¹²			
Name	Country	Established	Capacity (tons)*
Mars Saudi Arabia Company	Saudi Arabia	2010	18,400
Opera International for Chocolate and Pastries	Saudi Arabia	2007	257
Bateel Chocolates and Sweets Factory	UAE	2008	5,000
Bilal and Mohammed Ballout (BMB)	UAE	2012	1,000
Nestle Dubai Manufacturing LLC	UAE	2010	600
Batteel Bakery	Qatar	1998	378
Al Seedawi Sweets	Kuwait	1961	43,800
Layali Al Sharq Sweets	Kuwait	2001	5,570
Khalil, Abu Al Razaq, Ali Lari, and Abd Al Rasool Akbar	Bahrain	2006	1,000
Sweets of Oman	Oman	1987	840

* Installed annual capacity for all types of confectionery products

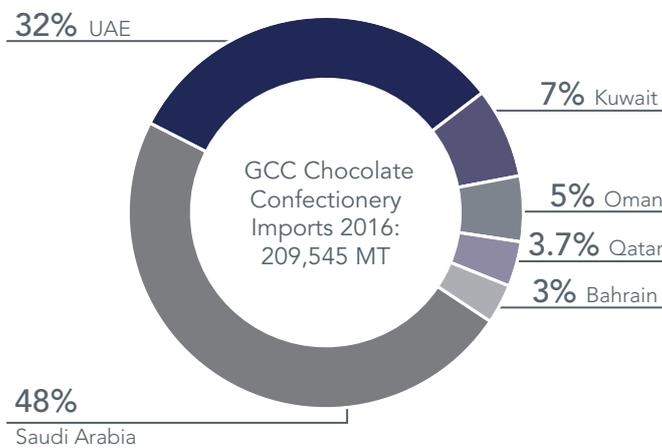
¹⁰Research and Markets: Saudi Arabia Confectionery Market Forecast & Opportunities, 2018

¹¹Gulf Business: UAE chocolate market to grow 8% annually up to 2021: TechSci Research

3.3.1 Imports of Chocolate Confectionery in GCC, 2016

The total imports of chocolate confectionery amounted to 209,545 tons in 2016. Saudi Arabia, the UAE and Kuwait were the top-3 importers of chocolate confectionery products in the region, accounting for 48%, 32% and 7% share, respectively, while Qatar ranks fifth, accounting for 3.7% share of the total GCC chocolate confectionery imports.

Chart 11: Share of GCC Chocolate Confectionery Imports, 2016



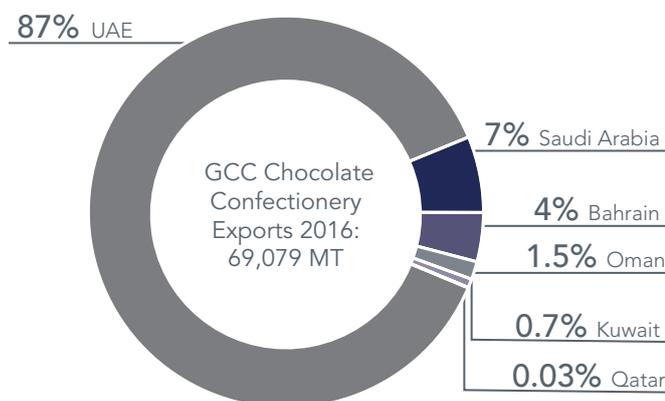
Source: Team Analysis ITC Trademap Data

Note- 2017 chocolate confectionery import data unavailable for all GCC countries except Qatar.

3.3.2 Exports of Chocolate Confectionery in GCC, 2016

The total exports of chocolate confectionery amounted to 69,079 tons in 2016. The UAE, Saudi Arabia and Bahrain were the top-3 exporters of chocolate confectionery products in the region, accounting for 87%, 6% and 4% share, respectively, while Qatar exports a negligible amount (19 tons) of chocolate confectionery, accounting for 0.03% share of the total GCC chocolate confectionery exports.

Chart 12: Share of GCC Chocolate Confectionery Exports, 2016



Source: Team Analysis ITC Trademap Data

Note- 2017 chocolate confectionery export data unavailable for all GCC countries except Qatar.

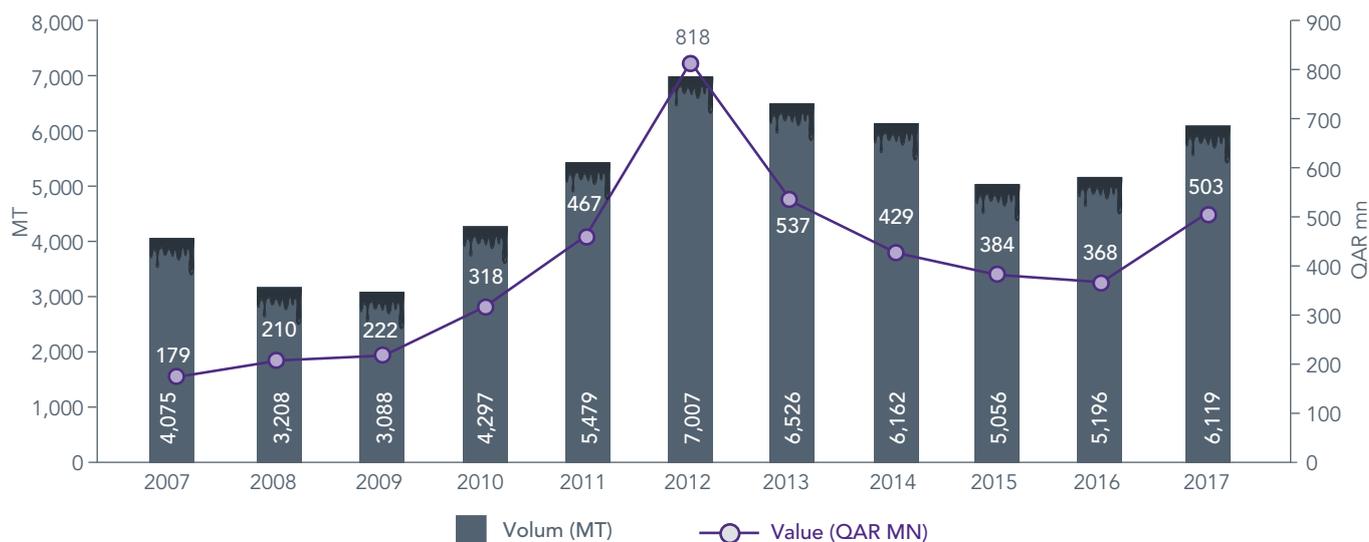
3.4 Qatar Market Overview

3.4.1 Historical Demand and Current Market Size

The chocolate confectionery market in Qatar was estimated at 6,119 tons¹³ in terms of volume and was valued at QAR 503 million in 2017. Between 2007 and 2017, the chocolates market increased from 4,075 tons in 2007 to 6,119 tons in 2017, growing at a CAGR of 4.1%, while in terms of value, it increased from QAR 179 million in 2007 to QAR 503 million in 2017, at a CAGR of 11%. This growth can be attributed to the increase in consumer spending, gifting culture during

occasions and growth in retail trade. According to the Annual Bulletin of Industry and Energy 2016 published by Planning and Statistics Authority, there were 25 establishments operational in the cocoa, chocolate and sugar confectionery sector in 2016, up from 1114 establishments operational in 2010. This indicates the addition of 14 new firms to cater to the increased demand during this period.

Chart 13: Qatar’s Chocolate Market Size (Volume and Value), 2007 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews



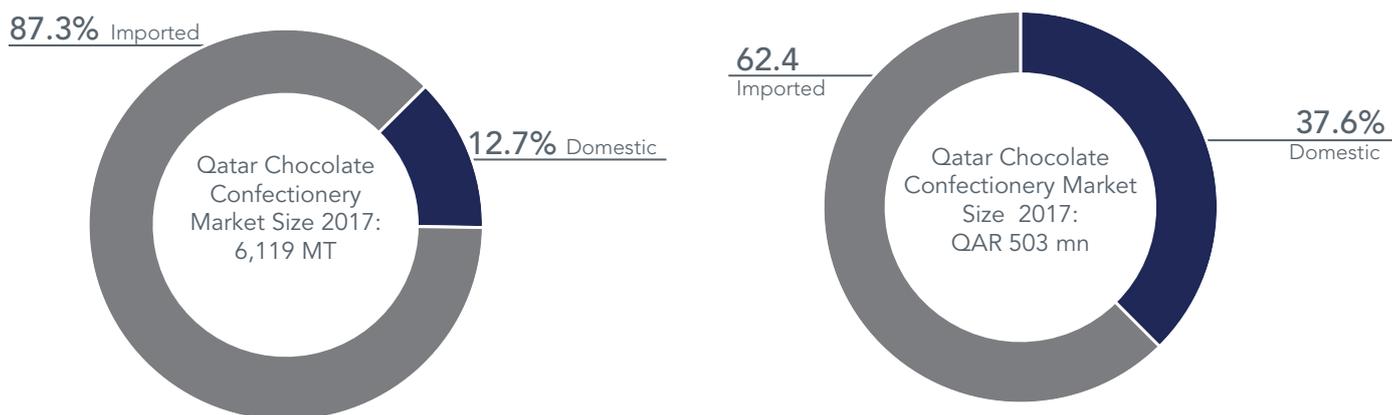


3.4.2 Overview of Market Segments

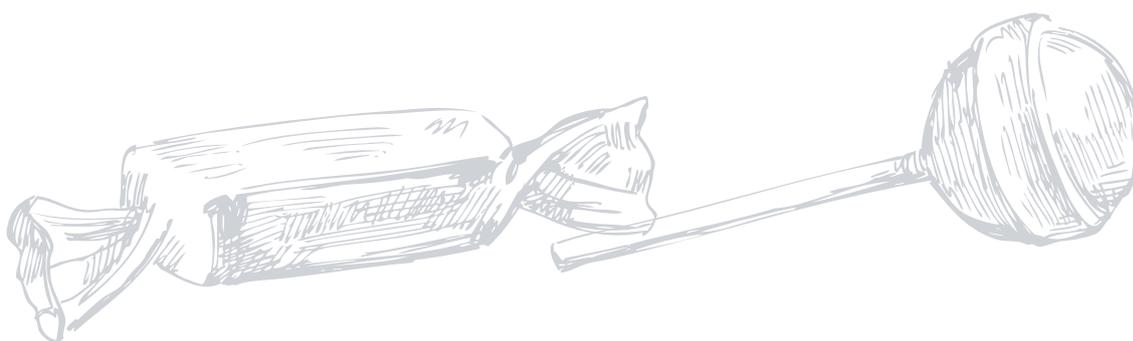
The chocolate confectionery market in Qatar can be categorized into two key segments: (1) domestically produced chocolates made by bakeries, pastry shops, chocolatiers and artisan chocolate makers using imported cocoa beans, cocoa powder and chocolate blocks and (2) imported chocolates made on an industrial or a mass-market scale predominantly imported and sold by distributors, supermarkets and confectionery retailers. In 2017, the domestic chocolates segment accounted for 12.7%

market share (778 tons) in terms of volume and 37.6% (QAR 189 million) in terms of value, while the imported chocolates segment accounted for 87.3% share (5,341 tons) in terms of volume and 62.4% (QAR 314 million) in terms of value. Although the volume share of domestic chocolates is less than 13% of the market, it accounts for 38% value share of the market due to the difference in the pricing of domestic chocolates, which are at a premium (approximately five times) as compared to imported chocolates.

Chart 14: Qatar's Chocolate Confectionery Market Split (Volume and Value), 2017



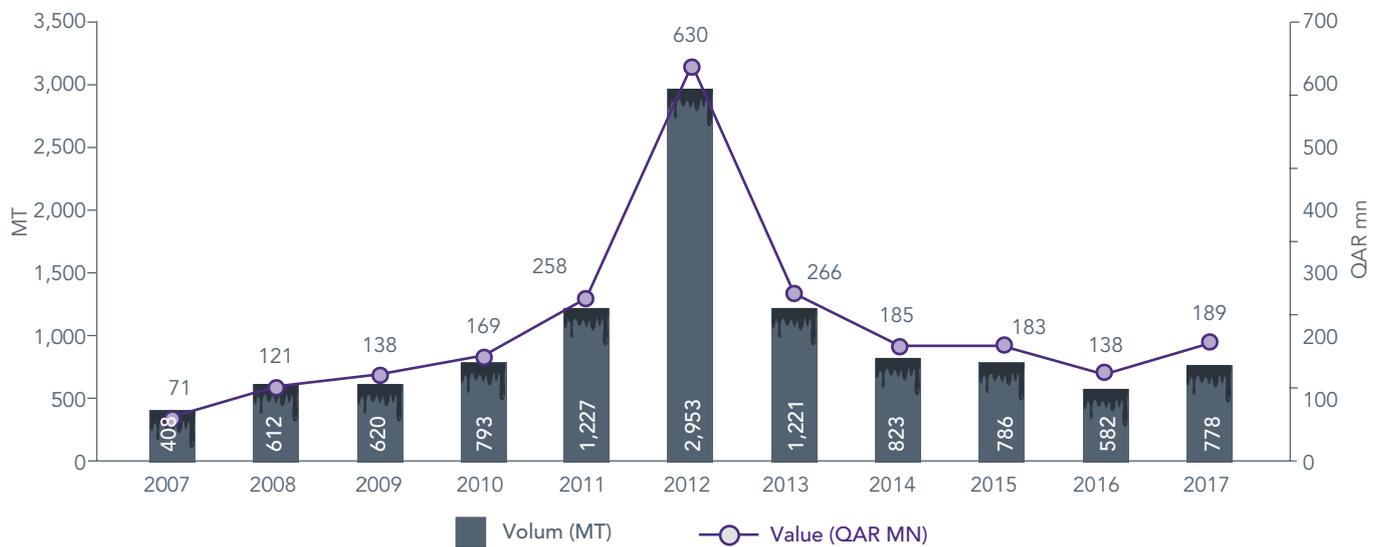
Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews



3.4.3 Domestic Chocolates

In terms of volume, the domestic chocolate confectionery market increased from 408 tons in 2007 and registered a sudden spike at 2,953 tons in 2012 after which it declined in the successive years to 778 tons in 2017. Between 2007 and 2017, the domestic chocolates market increased from QAR 71 million in 2007 to QAR 189 million in 2017 growing at a CAGR of 10.3% during this period.

Chart 15: Domestic Chocolate Confectionery Market (Volume and Value), 2007 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews





The domestic chocolate confectionery market is characterized by the presence of a handful of manufacturers that account for less than 13% volume share and 38% value share of the market. The local players contributing to the market include stand-alone bakeries and pastry shops (Opera Patisserie, Patisserie Suisse, Batteel Bakery, etc.) as well as in-house bakeries and pastry units of prominent hotels (La Cigale, Radisson Blu, Hilton Hotels, Marriott Hotels, etc.), chocolatiers (Kaafe Chocolatier, Dolci Sera, etc.) and chocolate factories (Munah Factory).

Table 7: Domestic Chocolate Manufacturers in Qatar

Domestic Chocolates Manufacturers in Qatar ¹⁶			
Name	Products	Target Segments	Distribution Channels
Kaafe Chocolatier	<ul style="list-style-type: none"> Own brand of gourmet chocolates, truffles, pastries and cakes 	<ul style="list-style-type: none"> Local and corporate customers 	<ul style="list-style-type: none"> One retail outlet (boutique store) Online portal
Dolci Sera	<ul style="list-style-type: none"> Own brand of gourmet chocolates, cakes and oriental sweets 	<ul style="list-style-type: none"> Local and corporate customers 	<ul style="list-style-type: none"> Two retail outlets (boutique store/ dessert parlor)
La Cigale Traiteur	<ul style="list-style-type: none"> Own brand of gourmet chocolates, pastries, cakes and ice creams 	<ul style="list-style-type: none"> Local and corporate customers 	<ul style="list-style-type: none"> One retail outlet (boutique store/ dessert parlor)
Opera Patisserie	<ul style="list-style-type: none"> Own brand of gourmet chocolates, pastries, cakes and sweets 	<ul style="list-style-type: none"> Local and corporate customers 	<ul style="list-style-type: none"> Seven retail outlets (boutique stores/ dessert parlors)
Patisserie Suisse	<ul style="list-style-type: none"> Own brand of chocolates, pastries, cakes and sweets 	<ul style="list-style-type: none"> Broad range of classes, both local and foreign consumers; all types of buyers in the market 	<ul style="list-style-type: none"> 10 retail outlets (boutique stores/ dessert parlors)
Batteel Bakery	<ul style="list-style-type: none"> Own brand of gourmet chocolates, cakes and sweets 	<ul style="list-style-type: none"> Local and corporate customers 	<ul style="list-style-type: none"> 11 retail outlets (boutique stores/ dessert parlors)
Munah Factory	<ul style="list-style-type: none"> &M and Slinco brands of chocolate 	<ul style="list-style-type: none"> Hypermarkets and other small grocery stores 	<ul style="list-style-type: none"> Direct sales via local hypermarkets and grocery stores

¹⁵Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

¹⁶Primary Interviews with Chocolate Manufacturers



Overview of Domestic Chocolate Manufacturers in Qatar

Kaafé Chocolatier: Founded in 2011, is one of the very few prestigious chocolatiers in Qatar that has managed to develop a strong presence in the local market, consisting primarily of Qatari citizens and customers buying chocolates for special occasions, events and activities. The chocolate ingredients are primarily sourced from Belgium and some other countries via local importers. The famous chocolatier also prepares sweet pastries, cakes and coffee sweets. The unique aspect of Kaafé Chocolatier that sets it apart from its competition is the intricate decoration of chocolates and truffles they prepare. Average prices are QAR 450 per kg for molded chocolates, QAR 350 per kg for truffles and QAR 320 per kg for assorted coffee sweets, pastries and cakes. In addition to targeting upper class Qatari citizens and expatriate customers, Kaafé Chocolatier has recently started focusing on high-profile corporate clients, both government and non-government.

Dolci Sera: Unlike Kaafé Chocolatier, holds a much larger operations team for chocolate preparations and their product offerings are diverse, consisting of cakes, Arabic sweets, mixed pastries and salty Arabic appetizers. The shop also offers its 'special occasion' customer's arrangement packages, such as roses coupled with cakes, chocolates or Arabic sweets. Typically, an assorted tray of chocolates is priced at QAR 250 per kg and cakes at QAR 150 per kg.

La Cigale Traiteur: Commenced operations in 2006 and is considered an all-inclusive eatery including a restaurant, café and dessert parlor. It is one of the largest food and beverages outlets across most of the neighboring five-star hotels in Qatar. Its food preparations are focused on different backgrounds and cultures, which is their unique selling point attracting a large and diverse customer base. All the foods are prepared within the hotel, including cakes, sweet pastries, ice creams and chocolates. La Cigale Traiteur also engages in designing its cakes, chocolates and sweets. There are 10 different sections in the bakery. The designs are created depending on the customers' preferences. There are typically two distinct classes of chocolates in La Cigale Traiteur: Maison chocolates (sold for QAR 390 per kg) and normal chocolates (sold for QAR 310 per kg).

Batteel Bakery: Is widely known within the market as an all-in-one seller of high-quality cakes, chocolates, pastries and Arabic sweets. The shop is as popular as Larissa, however gains competitive advantage through manufacturing most of its offerings within Qatar. Alternatively, the company has the ability to source most of its supplies from the UAE. Batteel has an extremely large base of both individual customers and corporate customers. Batteel is segregated into Batteel catering branch, Batteel café and Batteel bakery; the company also sells homemade ice creams to its customers.

Opera Patisserie: Makes cakes and sweets and offers an extensive range of chocolates to customers throughout specially designed showrooms at its numerous branches. The shop is also a restaurant and café, and the branches are located in increasingly busy shopping malls and commercial districts for optimum visibility. Opera can be compared to Batteel Bakery with its offerings; however, the manufacturing scale is much smaller. Opera Cafe is a stand-alone shop that includes a restaurant, a cafe and a bakery, Opera Bakery, where the sweets and cakes are prepared for customers. The average price is QR 190 for 1kg of assorted chocolates.

Patisserie Suisse: Is very similar to Larissa as its operations have continued for a number of years through offering not only chocolates, but also Arabic sweets, cakes and pastries. The shop has established itself in a strategic location in the commercial zone of Doha where the footfall is high for the mass market. Patisserie Suisse has gained a competitive edge in the chocolate segment by offering its chocolates at prices ranging between QAR 100 and QAR 120 per kg.

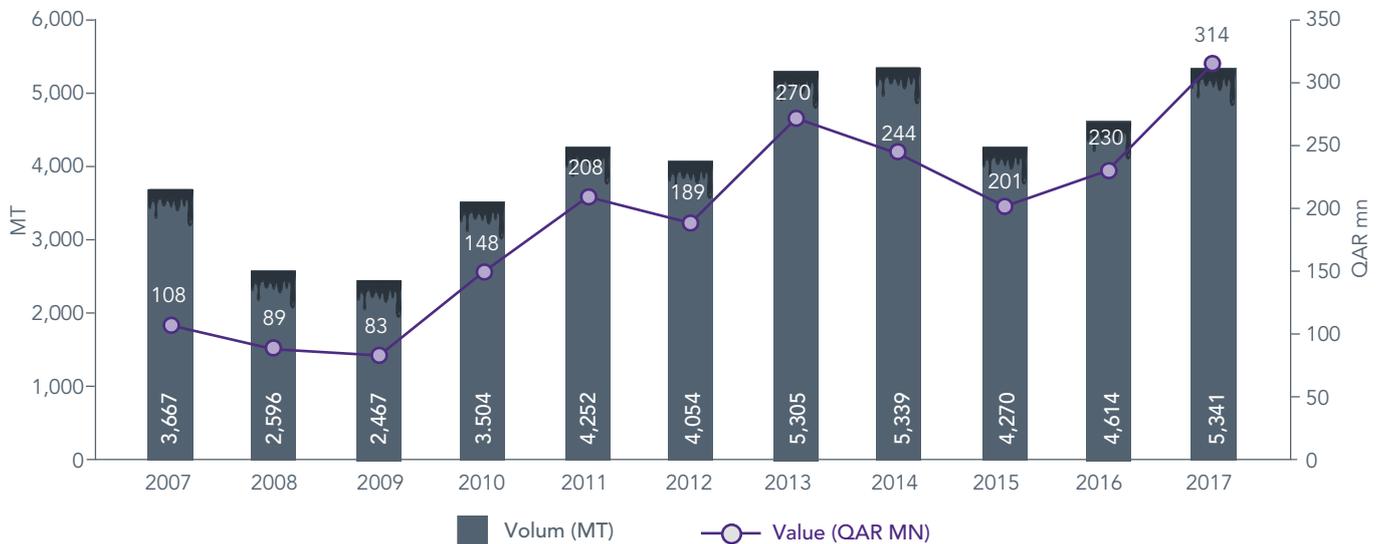
Munah Foodstuff Factory: Is a Qatari confectionery manufacturing facility run by Asak Group Inc. that produces Silinco chocolate-coated cornflakes and A&M chocolate peanuts. The company is currently the only manufacturer in Qatar that has an automated production line for chocolate confectionery products. It commenced its operations about two years ago and focuses on mass-market chocolates for the local market. Its chocolates are primarily sold in Qatar via supermarkets and retail stores.



3.4.4 Imported Chocolate Confectionery

The HS codes selected for the analysis of imported chocolate confectionery include 18063110, 18063190, 18063210, 18063290, 18069020, 18069030 and 18069090. The imported chocolates market increased from 3,667 tons in 2007 to 5,341 tons in 2017, growing at a CAGR of 3.8%, while in terms of value, it increased from QAR 108 million in 2007 to QAR 314 million in 2017 at a CAGR of 11.3%.

Chart 16: Imported Chocolate Confectionery Market (Volume and Value), 2007 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data

The imported chocolate confectionery market is characterized by two distinct types of importers: (A) boutiques or premium chocolate retailers and (B) distributors, supermarkets and other chocolate retailers importing mass market or industrial chocolates.

A. Boutique or premium chocolate retailers

This segment includes premium grade chocolates imported by boutiques or premium chocolate retailers and sold at their stand-alone outlets. These outlets are mostly located at either five-star hotels, international airports, high-street locations or high-end malls. Boutique establishments are usually larger with more to offer than just chocolate or chocolate-related goods. Very rarely, the selection is only chocolates and sellers rely on the consumer's instinct of buying other sweets and food items at

the store. The prime target market segment is the high-income group consumers. As the name suggests, chocolates under this segment are sold at a premium as compared to mass market or industrial chocolates. The segment delivers adequate quality to consumers and sells at larger quantities than domestically produced chocolates. Examples in this segment are Larissa, Patchi, Fauchon, Chopin, Le Vendome, Läderach Chocolates, Jeff de Bruges and Godiva.





Table 8: Imported Chocolates: Top Boutique Chocolates Outlets in Qatar

Imported Chocolates: Top Boutique Chocolates Importers in Qatar ¹⁷		
Name	Products	Target segments
Patchi	<ul style="list-style-type: none"> • Distribution of company-branded chocolate bars, dragees and other chocolate desserts • Chocolates for gifting purposes, special occasions and custom-made wrapping of chocolates • Source of chocolates: Lebanon • Outlets in Qatar (7): Al Sadd, Landmark Mall, City Center Mall, The Mall, Doha Festival City, Villaggio Mall and Mall of Qatar 	<ul style="list-style-type: none"> • Focus on expats and the middle-to-high-income market segment • Specially designed boxed chocolates for corporate and special occasions
Larissa	<ul style="list-style-type: none"> • Wide selection of chocolates with over 80 flavors • Source of chocolates: Lebanon • Outlets in Qatar (7): Muaither, Al Nasr, Bin Omran, Al Aziziyah, Al Souq Al Jadeed, and two outlets in Al Wakra 	<ul style="list-style-type: none"> • The general public and not restricted to particular segments • 10% focus on corporate customers
Chopin	<ul style="list-style-type: none"> • Similar to its counterpart Patchi, offering chocolates suitable for different occasions • Source of chocolates: Lebanon • Outlets in Qatar (3): Al Nasr, Al Gharafa and Salwa Road 	<ul style="list-style-type: none"> • Middle to higher class segment and a greater focus on the local consumers for gifting occasions • Focus on corporate customers with specially designed premium boxed chocolates
Le Vendome	<ul style="list-style-type: none"> • Wide selection of chocolates • Extensive selection of fillings and premium gift packaging • Source of chocolates: Lebanon, Belgium, Italy and France • Outlets in Qatar (1): Salwa Road 	<ul style="list-style-type: none"> • High-income segment and luxury buyers • Significant focus on the corporate customer segment
Fauchon Paris	<ul style="list-style-type: none"> • Restaurant, café, chocolates, cakes and other confectionery • Gifting and special occasion chocolates wrapped in decorative styles, and custom-made wraps and packaging for cakes, sweets and other confectioneries • Source of chocolates: France • Outlets in Qatar (5): Lagoona Mall, Royal Plaza Mall, Al Nasr, Mall of Qatar and Doha Festival City 	<ul style="list-style-type: none"> • Upper class market segment, primarily Qatari local market segment concentration • Also appeals to the general market and expat segment

¹⁷Primary Interviews with Importers of Chocolate Confectionery



Imported Chocolates: Top Boutique Chocolates Importers in Qatar¹⁷

Name	Products	Target segments
Buono Chocolate	<ul style="list-style-type: none"> Lebanese chocolates, wrapped and packaged to meet the diverse market needs Focuses on gifting items for customers actively seeking chocolates for events and weddings. Source of chocolates: Lebanon Outlets in Qatar (3): Wathnan Mall, Barzan Souq and Souq Waqif 	<ul style="list-style-type: none"> Relatively low pricing of the chocolates makes them appeal to the mass market, with a marginally lower concentration on the local market segment alone
Läderach Chocolates	<ul style="list-style-type: none"> Two distinctive grades of high-quality premium chocolates Source of chocolates: Switzerland Outlets in Qatar (1): Landmark Mall 	<ul style="list-style-type: none"> High-income segment and luxury buyers
Jeff de Bruges	<ul style="list-style-type: none"> Offers premium chocolates where the ingredients are carefully selected by master chocolatiers Source of chocolates: Belgium Outlets in Qatar (2): Lagoon Mall and Mall of Qatar 	<ul style="list-style-type: none"> High-income segment and luxury buyers
Godiva	<ul style="list-style-type: none"> The brand is globally recognized for its premium Belgian chocolates. Source of chocolates: Belgium Outlets in Qatar (4): Hamad International Airport, Mall of Qatar, Landmark Mall and Blue Saloon Mall 	<ul style="list-style-type: none"> Expats and the middle- to high-income market segment



[Chocolate Confectionery]



B. Overview of Boutique Chocolate Sellers in Qatar

Larissa is considered one of the oldest boutique chocolate sellers in Qatar. The company was established in 1985 and is the prime distributor of Lebanese boutique chocolates in the market. It has, over the years, solidified its presence in the market by opening new branches in various prominent locations where its products would have optimum visibility. The shop delivers chocolates in a range of flavors and appearances through specially designed boxes and trays, coupled with the ability of specifically meeting the customer's requirements through its in-house design team. The prices of the chocolates are not divided into categories; Larissa offers a mix of any type of chocolate for a price ranging from QAR 110 to QAR 130 per kg. Over the years of operations, the company has diversified its focus and ventured into the events management business by designating a full department for these purposes. This business decision was made due to the local market's increased celebrations of special occasions, such as weddings and new born ceremonies. Larissa's product line primarily appeals to the Qatari residents who know the company for many years; these include the older Qatari population and other customers who are looking for a reliable gift, which is conveniently designed and reasonably priced.

Chopin has developed a domestic presence through its unique branches in the three most visited areas in Doha, increasing its visibility over its ten years of operations in Qatar. It has six separate sweet product lines; however, in the chocolate segment, the shop has proven its competitiveness through design and appearance and a highly informative website for their target market. The company has four separate chocolate divisions: 'New Born Baby,' 'Trays and Baskets,' 'Corporate' and 'Baskets.' The targeted market segments are therefore diverse and primarily include 'special occasion' chocolate buyers and corporate buyers for seminars, conferences and other corporate events. Chopin's chocolate price typically ranges from QAR 260 to QAR 280 per kg.

Le Vendome has a relatively high corporate concentration in the market. It is primarily involved in the design and decoration of chocolate boxes and gift sets of chocolates received pre-manufactured from suppliers in Lebanon, Belgium, Italy and France. The shop has 10 employees involved in the design of trays, boxes, wrapping and packaging of chocolates in Qatar. The targeted segment for Le Vendome is the high-income groups. The chocolate is displayed in grades of 'Normal' and 'Premium'; the normal category is priced between QAR 160 and QAR 180 per kg and the premium between QAR 200 and QAR 230 per kg that includes a mix of the various filled chocolates available.

Fauchon is a French company, and the products and ingredients originate from France. It is traditionally known as a five-star café and restaurant for primarily the local market segment in Qatar. The shop specializes in selling luxury confectionery items, specially decorated and redesigned to meet the needs of the buyers. The shop has branches located in malls providing it optimum visibility in the local market. The price range varies depending on the customer's preference; the price range of chocolates starts from QAR 350 per kg and the highest could be sold at QAR 780 per kg.

Buono Chocolate is an exclusive seller of specially wrapped chocolates. The shop has three branches: Al Jasra Hotel (Souq Waqif), Barzan Souq (Umm Salal Mohammed), and the other in Wathnan Mall (Muaither). The shop targets the local market through attractive chocolate wrapping and showcasing chocolate trays and packaging that is appealing to customers seeking chocolate for gifting purposes or special occasions. The chocolate is priced at QAR 180 per kg and includes one grade of chocolate that can be mixed and assorted as per the customer's requests. The prime import origin for the chocolates is Lebanon.

Läderach Chocolates imports its chocolates from Switzerland and operates as a franchisee in Qatar for a five-star chocolate parlor selling praline, milk, dark and white chocolates. The chocolate price ranges from QAR 480 to QAR 520 per kg. The key target segment in the market is the upper class local consumers with high disposable income and other premium chocolate buyers.

Jeff de Bruges offers premium chocolates where the ingredients are carefully selected by master chocolatiers. Products include a variety of chocolates with nuts, fruits, and many other fillings. Exclusively wrapped and decorated packs of chocolate targeting customers in the high-income segment and luxury buyers.

Godiva is globally recognized for its classic handcrafted chocolates. Godiva, founded in Belgium in 1926, was purchased in 2007 by the Turkish Yıldız Holding, owner of the Ülker Group. Godiva owns and operates more than 600 retail boutiques and shops in the United States, Canada, Europe, and Asia and is available via over 10,000 speciality retailers. It offers a range of truffles, ganache, chocolate pralines, with the recent inclusion of coffee, biscuits, dipped fruits, ice creams and Chocolixir drinks.

C. Mass Market or Industrial Chocolate Distributors

This segment includes regional and international brands of chocolate confectionery that are imported and sold by local distributors to retailers. Examples are Ali Bin Ali Group, Merch Trading Company, Bilal and Mohammed Ballout (BMB), Al Ansari Trading and Al Wataniya Trading.

The ultimate target market is convenience buyers who can afford to buy good quality chocolate for personal consumption or group consumption. Thus, this segment has a complete mass market focus and the brands, flavors and types of chocolate confectionery are extremely large in number so as to cater to the masses.

Table 9: Mass Market or Industrial Chocolate Distributors in Qatar

Imported Chocolates: Mass Market or Industrial Chocolate Distributors in Qatar ¹⁸		
Name	Products	Target Market Segments
Ali Bin Ali Group (ABA)	<ul style="list-style-type: none"> • Holds a large selection of international chocolate brands, namely Mars, Galaxy and Cadbury. 	<ul style="list-style-type: none"> • Hypermarkets • Supermarkets • Hotels and restaurants
Merch Trading Company	<ul style="list-style-type: none"> • Key brands are all types of Kinder chocolates, Nutella, Ferrero and Raffaello. 	<ul style="list-style-type: none"> • Hypermarkets • Supermarkets • Hotels and restaurants • Gourmet chocolate shops
Bilal and Mohammed Ballout (BMB)	<ul style="list-style-type: none"> • BMB branded chocolates and milk, two classes of dark chocolates, white and sugar free chocolates. 	<ul style="list-style-type: none"> • Confectionery stores • Supermarkets • Gourmet chocolate shops • Sweets shops
Al Ansari Trading	<ul style="list-style-type: none"> • Wholesale distribution of chocolates and dealing with various brands. 	<ul style="list-style-type: none"> • Hypermarkets • Supermarkets
Al Wataniya Trading	<ul style="list-style-type: none"> • Wholesale distribution of chocolates and sweets with relatively low market share in the chocolate segment. 	<ul style="list-style-type: none"> • Hypermarkets • Supermarkets



¹⁸Primary Interviews with Importers of Chocolate Confectionery

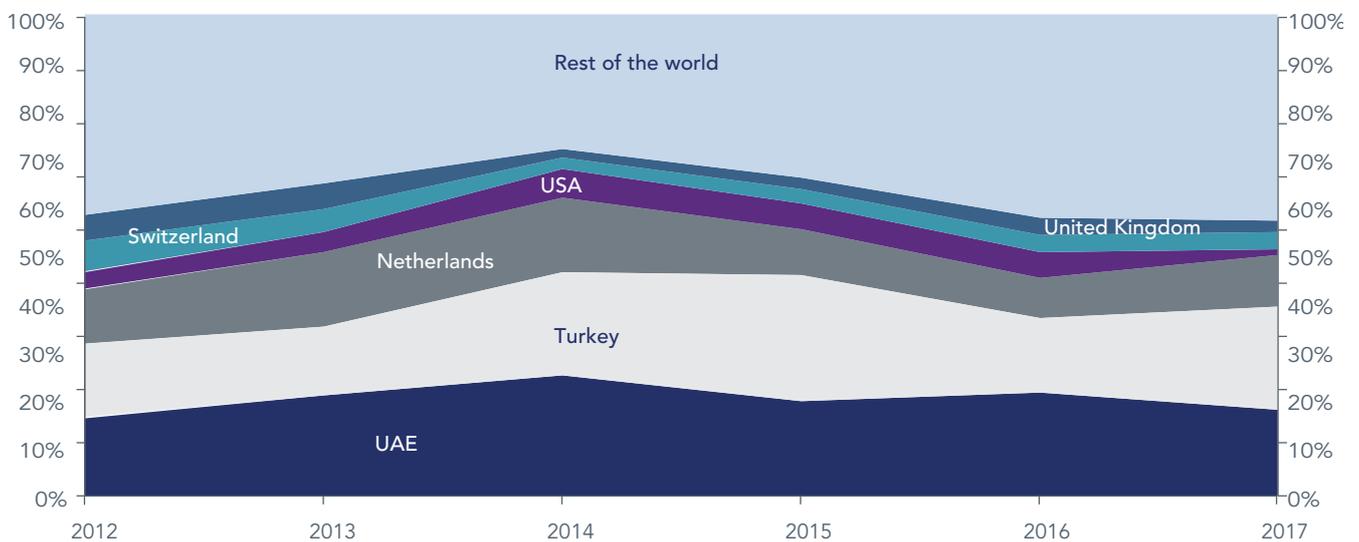


3.4.5 Sources of Imports

A. Imported Chocolates

The analysis of Qatar's cumulative chocolate confectionery imports amounting to 30,087 tons from 2012 to 2017 indicates that the UAE (21.1%), Turkey (19.7%), the Netherlands (12.4%), USA (4.6%), the UK (3.8%) and Switzerland (3.7%) are the major sources of imports of chocolate confectionery.

Chart 17: Key Sources of Chocolate Confectionery Imports, 2012 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data

The blockade on Qatar did not result in a significant impact on the volume of imports from UAE. The share of chocolate confectionery imports from UAE decreased from 22% in 2016 to 18% in 2017, while the share of imports from Egypt declined from 5% in 2016 to 3% in 2017 and that of Saudi Arabia declined from 1% in 2016 to 0% in 2017. Chocolate confectionery imports from blockading countries were substituted by imports from Turkey which saw its contribution increase from 16% in 2016 to 22% in 2017. The area graph shown above indicates that the share of imports from the Netherlands, USA, Switzerland and the United Kingdom remained relatively stable and within the range of 4-12% between 2012 and 2017.

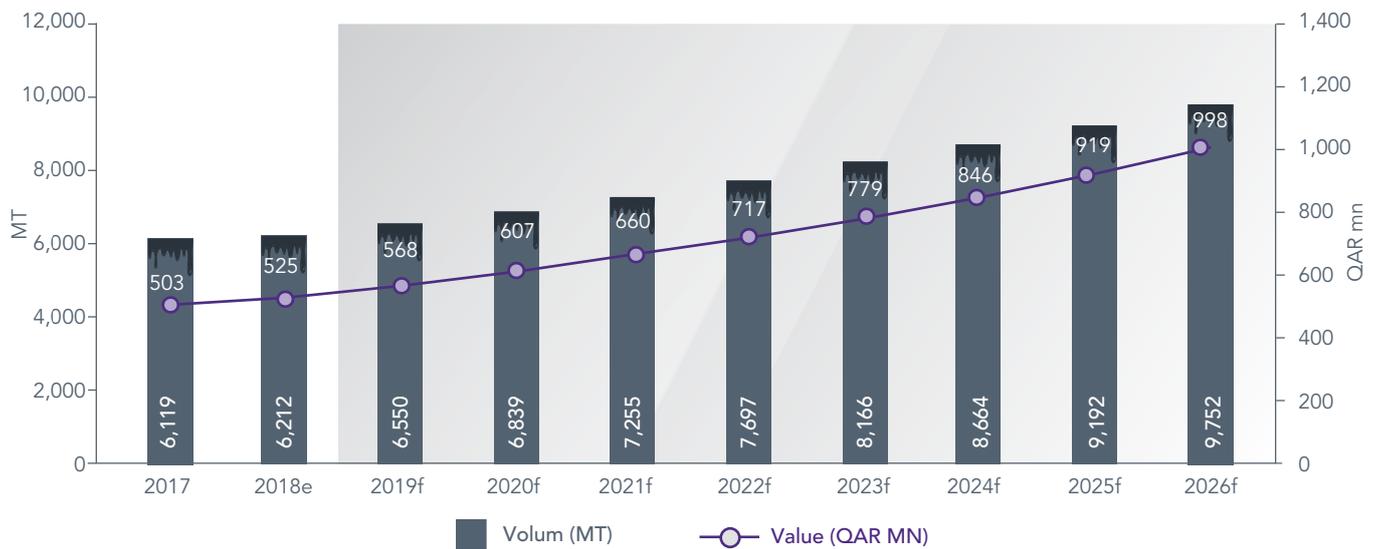




3.4.6 Demand Forecast

The demand for chocolate confectionery in terms of volume is estimated to grow at 5.3% between 2017 and 2026 in line with Qatar's population and per capita consumption growth. The demand for chocolate confectionery is estimated to grow to 9,752 tons¹⁹ in 2026 from 6,119 tons in 2017, while in terms of value, it is forecast to grow to QAR 998 million from QAR 503 million in 2017 at a CAGR of 8%. This demand will be driven by growth in consumer spending on chocolate confectionery during festivals and special occasions as well as other discretionary purchases. The setting up of new bakeries, pastry shops and dessert parlors in existing and upcoming malls, hotels and newly developed areas will also help in boosting the chocolate confectionery market in Qatar.

Chart 18: Qatar's Chocolate Confectionery Demand Forecast, 2017 - 2026



Source: Team Analysis based on Planning and Statistics Authority Data

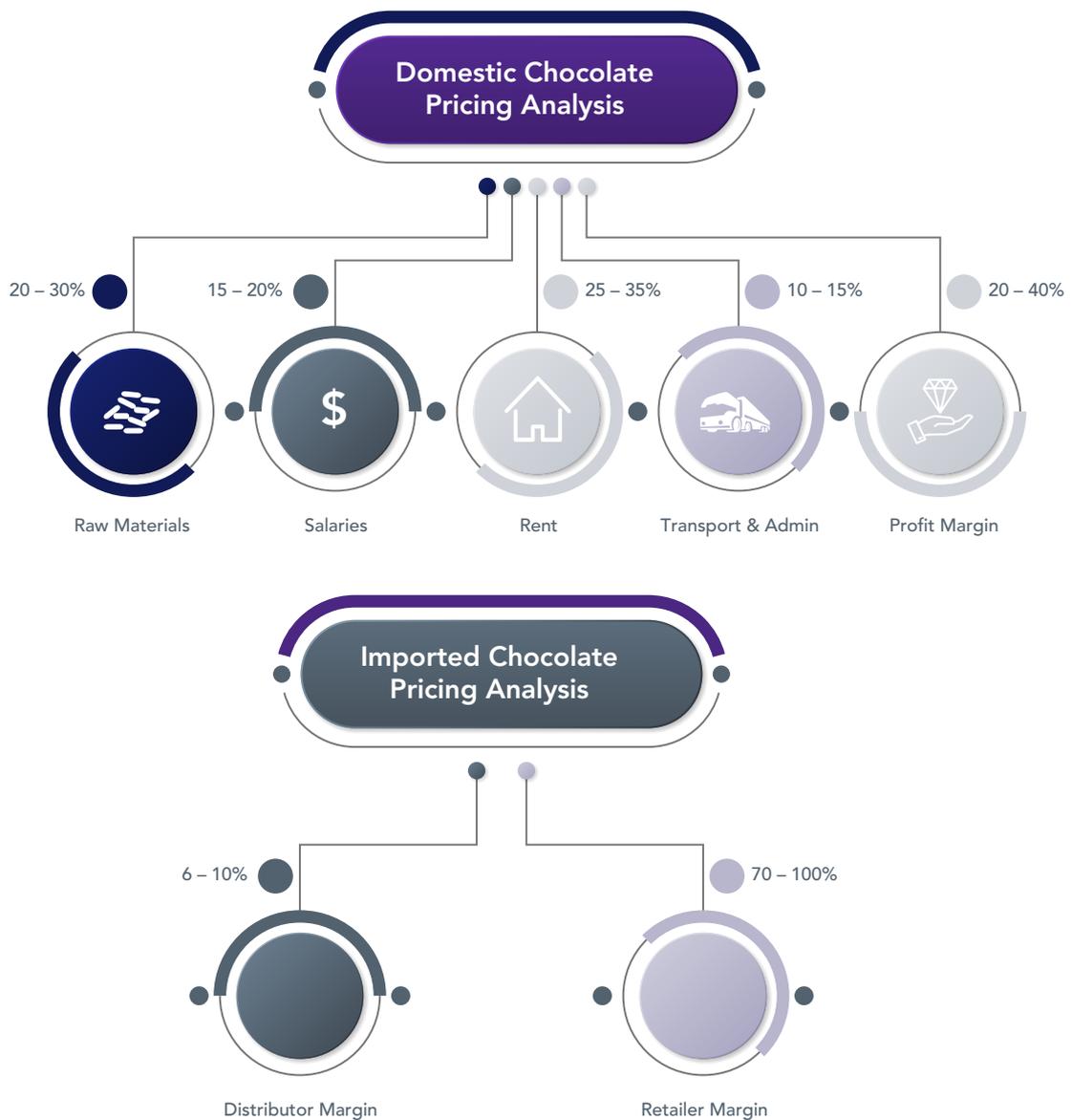


3.5 Pricing Analysis

The range of costs for various components of domestic chocolate confectionery manufacturing is shown in the figure below. Expenses on raw materials, such as imported cocoa or chocolate blocks, sugar, milk solids and fillings such as nuts, fruits and flavors, account for about 20% to 30% of the total cost of locally produced chocolate confectionery while rent is another substantial cost component that ranges between 25% and 35% of the total cost²⁰. Profit margin can range between 20% and 40%, depending on the uniqueness of the chocolates, order volumes, discounts and customer–manufacturer relationship.

Based on inputs from primary interviews with chocolate confectionery distributors, the average distributor margin for imported chocolate confectionery ranges between 6% and 10%, while the average retailer margin ranges between 70% and 100%.

Figure 1: Pricing Analysis of Domestic and Imported Chocolate Confectionery





3.6 SWOT Analysis

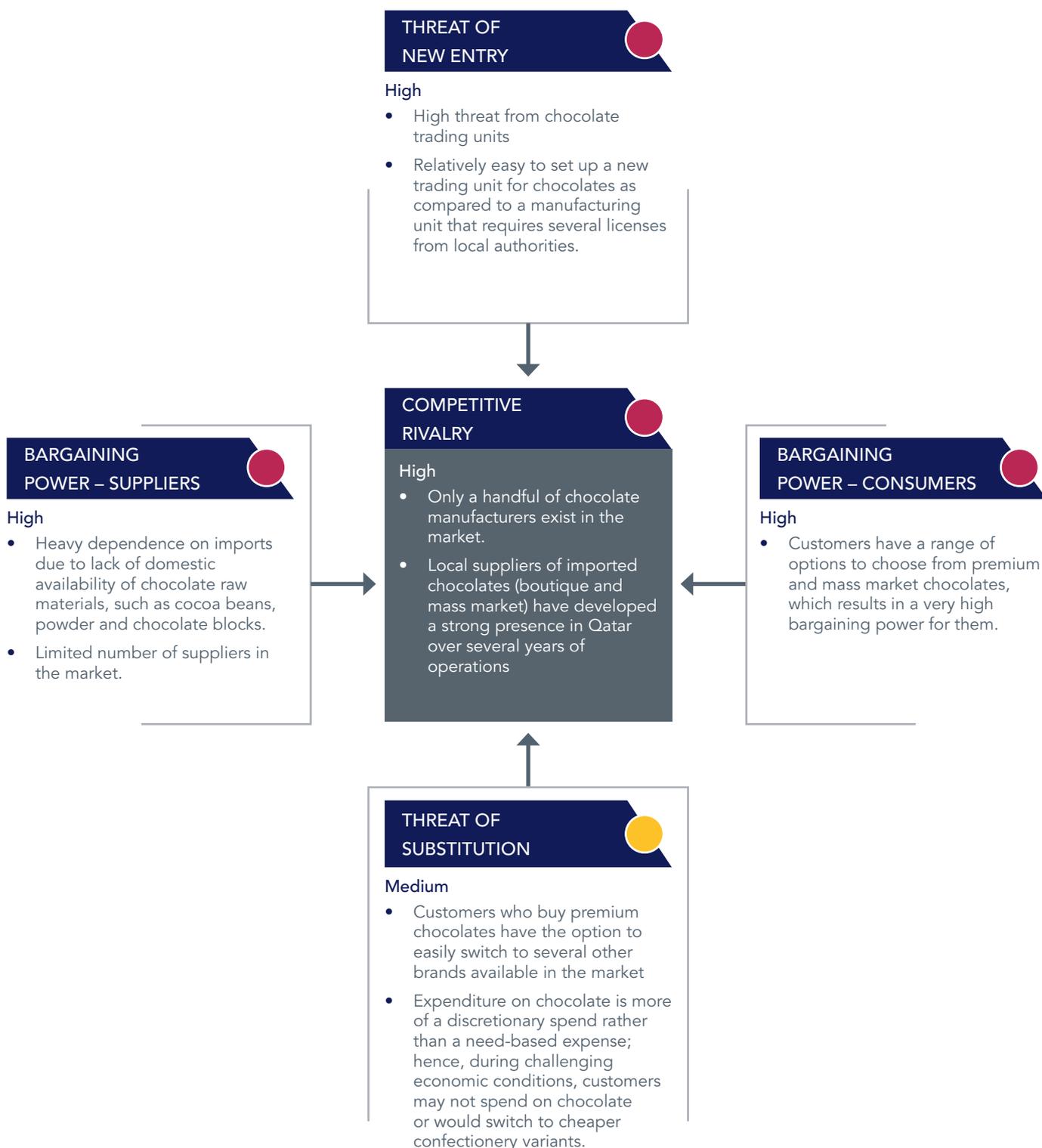
Figure 2: SWOT Analysis - Chocolate Confectionery





3.7 Michael Porter's Five Forces Model Analysis

Figure 3: Michael Porter's Five Forces Model - Chocolate Manufacturers





3.8 Future Outlook

Qatar's chocolate confectionery market is estimated to register a healthy growth from 6,119 tons in 2017 to 9,752 tons in 2026, at a CAGR of 5.3%, while in terms of value, it is estimated to grow to QAR 998 million in 2026 from QAR 503 million in 2017 at a CAGR of 8%.

Chocolate manufacturing in Qatar is undertaken on a small-to-medium scale with the use of traditional equipment and involves local players importing cocoa beans, cocoa powder and chocolate blocks to prepare handmade as well as premium gourmet chocolates. Industrial manufacturing of chocolate is in its nascent stage and there is only one manufacturer (Munah Factory) with an automated production line. International brands such as Mars, Nestle, Mondelez and Lindt currently do not have any manufacturing facilities in Qatar, these players serve the local market through their authorized distributors. Consequently, this provides an opportunity for local entrepreneurs to create a niche for themselves by setting

up new chocolate factories, bakeries, pastry shops and dessert parlors that focus on providing chocolates made in Qatar that appeal to the local customers as well as the export markets. By 2026, domestic manufacturing of chocolate confectionery in Qatar is estimated to reach 1,240 tons (778 tons in 2017) valued at QAR 375 million (QAR 189 million in 2017), which translates to an opportunity of approximately QAR 14.7 million worth of average annual incremental revenue that chocolate manufacturers can tap into from 2018 to 2026. Apart from UAE, Qatar does not rely significantly on any other blockading countries for chocolate confectionery raw materials and finished goods. However, dependence on imports for procurement of raw material and high operational expenses (salaries, rent, etc.) as compared to other countries such as the UAE and Saudi Arabia are some of the challenges that would need to be addressed in order to achieve cost competitiveness in both domestic as well as export markets



4. SUGAR CONFECTIONERY

4.1 Sub-sector Overview

Sugar confectionery products are also referred to as sweets or candy, which consist primarily of sugar-based products. Sugar confectionery is considered a non-essential commodity and is mostly consumed by all income groups. Sugar confectionery products are available in numerous options across different price segments and can be packaged individually or sold in boxes with elegant packaging.

The products under this segment that are consumed in Qatar are mentioned in the table below along with their HS codes:

Table 10: Major Sugar Confectionery Products Consumed in Qatar

Major Sugar Confectionery Products Consumed in Qatar	
HS Code	Product Description
17041000	Chewing Gum, Whether Or Not Sugar Coated
17049010	Sugar Syrups Containing Added Flavoring Or Coloring Matter
17049020	Toffee, Turkish delight
17049030	Almond Candy, Pistachio Candy And The Like
17049040	Fruit Jellies ,Fruit Pastes , Licorice Sugar Confectionery Form
17049050	Cough Drops
17049060	Halawa Tahiniah
17049070	Sugar Candies Powder Containing Fruit Flavor
17049090	Sugar Confectionery (Including White Chocolate), Not Containing Cocoa



4.2 Global Market Overview

The global sugar confectionery market was valued at QAR 255 billion in 2017 and is estimated to grow to QAR 285 billion by 2020 at a CAGR of 3.8% between 2017 and 2020. The growth in the market has been attributed to the increase in disposable income, urbanization and hectic lifestyles. The Americas accounted for bulk of the share of the market, followed by

Europe and Asia-Pacific. Key products under this segment include hard-boiled sweets or sugar candy that account for 24.8% of the market, followed by caramels and toffees that account for 22.5% share, while gums and jellies account for 21.3% share of the global market. Some of the leading sugar confectionery manufacturers include Ferrara Candy, Haribo, Mondelez International, Nestle, Perfetti Van Melle and Wrigley.

Chart 19: Global Sugar Confectionery Market Size (QAR bn), 2017

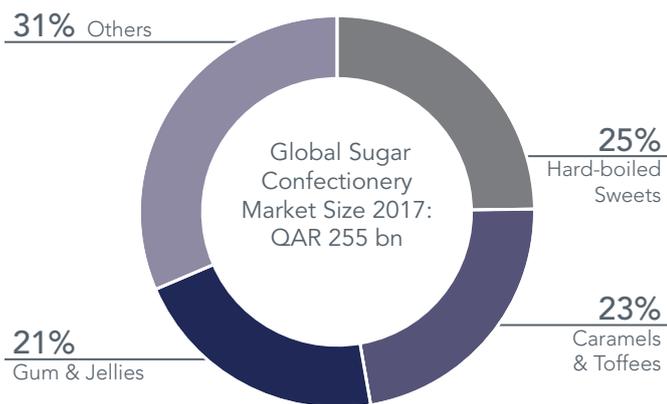
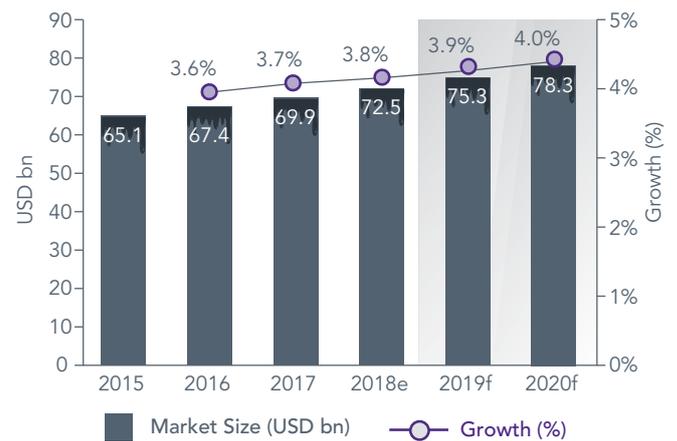


Chart 20: Global Sugar Confectionery Market Size & Growth (USD bn, %, 2015 - 2020)



Source: Technavio: Global Sugar Confectionery Market 2016-2020

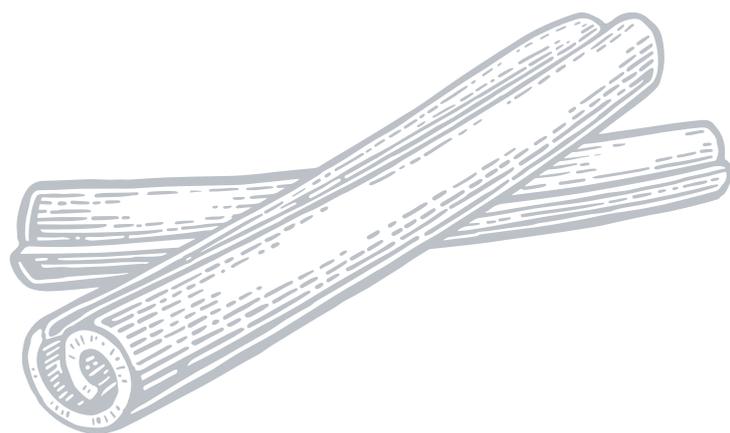
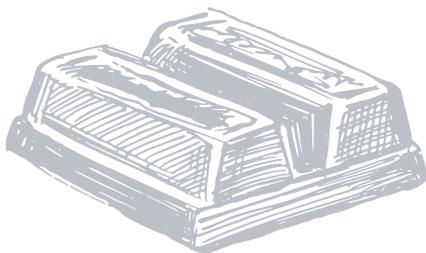




Table 11: Prominent Sugar Confectionery Manufacturing Companies

Prominent International Sugar Confectionery Manufacturing Companies ²¹	
Companies	Brands and Products
Ferrara Candy	<ul style="list-style-type: none"> It offers 24 different products under 16 different brands worldwide; some of the examples of the notable brands include Trolli, Black Forest Organic, JujuFruits and Super Bubble. Ferrara focuses on sweet and flavored jellies, gums, sugar candies and powder.
Haribo	<ul style="list-style-type: none"> It is an individual brand in itself producing and selling jellies, sugar confectioneries, such as gummy bears, in different shapes and colors. The company also produces licorice candies.
Mondelez International	<ul style="list-style-type: none"> In its sugar confectionery department, the company primarily distributes medicated confectionery and cough drops — such as Halls and Dentyne — and the famous chewing gum brands such as Trident and Bubbaloo, and medicated chewing gum, such as Stimorol.
Nestle	<ul style="list-style-type: none"> Nestle has several chocolate and sugar confectionery brands under its umbrella. It deals with the famous candy brand Wonka, from the USA. The key products under Nestle and specific to candy are Wonka Nerds, LaffyTaffy, Gummies, Shockers and toffee and flavored sugar candy products.
Perfetti Van Melle	<ul style="list-style-type: none"> The company is famous for its sweet sour candy and is the key supplier of Mentos worldwide. Mentos is classified as chewing gum, medicated chewing gum and hard sugar-flavored candies.
Wrigley	<ul style="list-style-type: none"> Manufactures sweet candies such as Skittles, and top chewing gum brands such as Orbit, Extra and Freedent. Other famous candy brands under Wrigley are Starburst, Airwaves, Lifesavers and Juicy Fruit.

4.3 GCC Market Overview

The GCC market size for chocolate and sugar confectionery has been discussed in Chapter 3.3. This segment provides an overview of sugar confectionery imports and exports by GCC countries. Sugar confectionery imports in GCC countries amounted to 98,625 tons²² in 2016, of which, Saudi Arabia and UAE were the largest importers with 41% and 37% share of the total, respectively, followed by Kuwait and Qatar that accounted for 8% and 6% share, respectively. The prominent sugar confectionery products imported by GCC countries include sugar syrups (42%), chewing gum (15%), toffee and Turkish delight (9%), fruit jellies and pastes (8%) and Halawa Tahinia (2.8%).

Total exports of sugar confectionery products from GCC countries amounted to 53,031 tons in 2016, of which Saudi Arabia accounted for the largest share, contributing 56% of the exports followed by UAE that contributed 33% of the exports. Qatar's sugar confectionery exports were almost negligible,

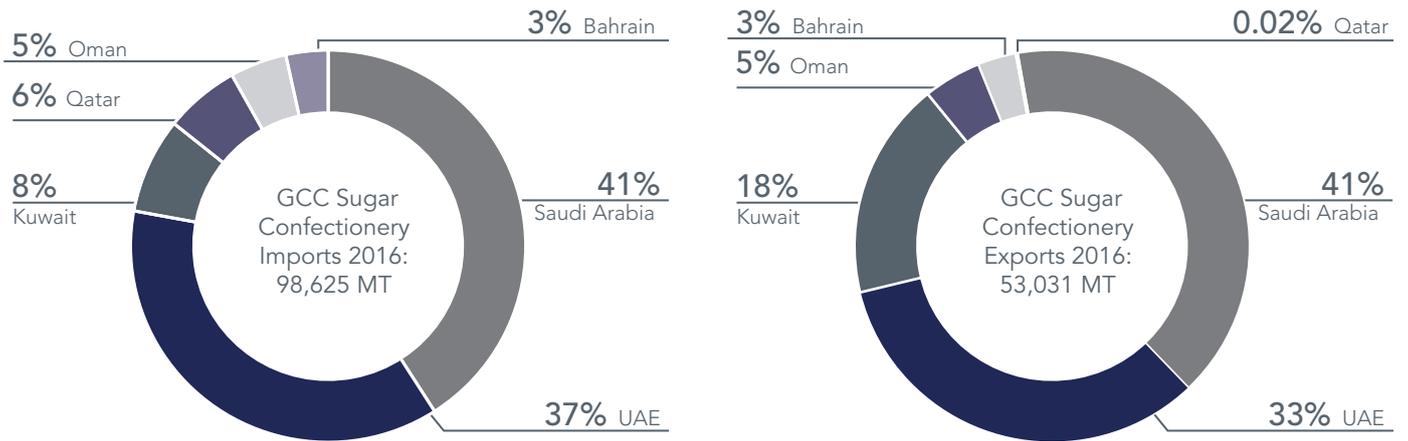
accounting for about 0.2% share of the total. Sugar syrups (55%) chewing gum (30%), toffee and Turkish delight (13%) are the key products exported by GCC countries.



²¹Technavio: Global Sugar Confectionery Market 2016-2020

²²Team Analysis based on ITC Trademap Data

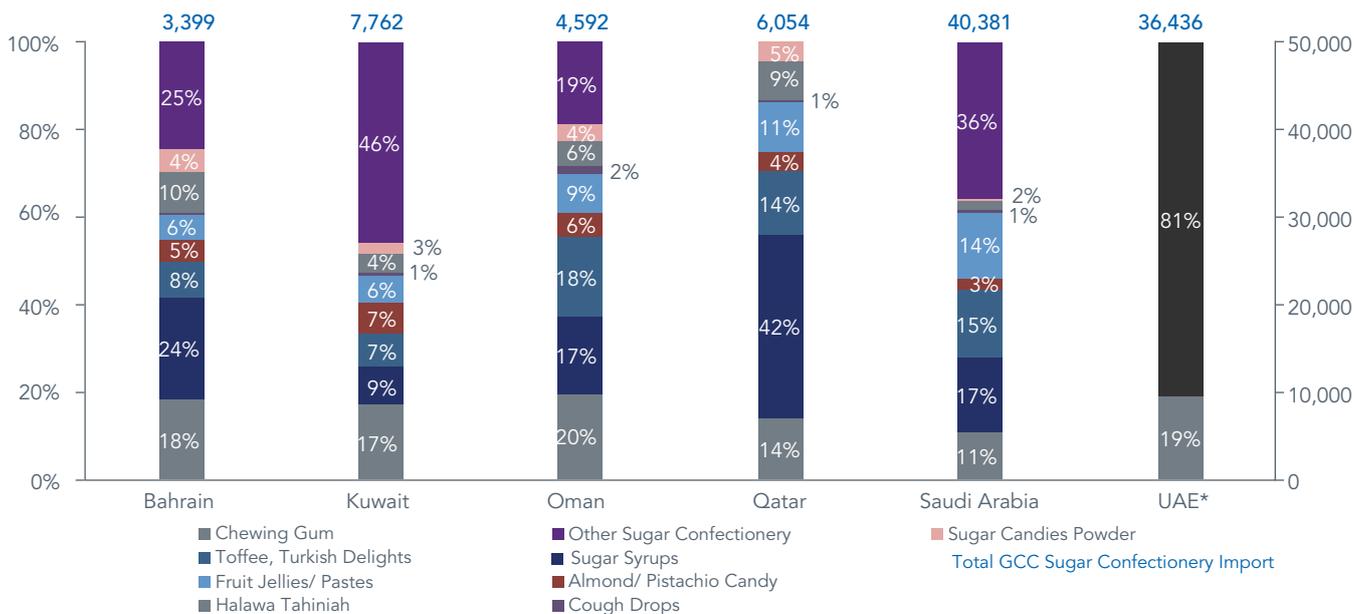
Chart 21: GCC Sugar Confectionery Import and Export Volume, 2016



Source: Team Analysis based on ITC Trademap Data

Note- 2017 sugar confectionery import data unavailable for all GCC countries except Qatar.

Chart 22: Share of GCC Countries' Sugar Confectionery Import Volume, 2016

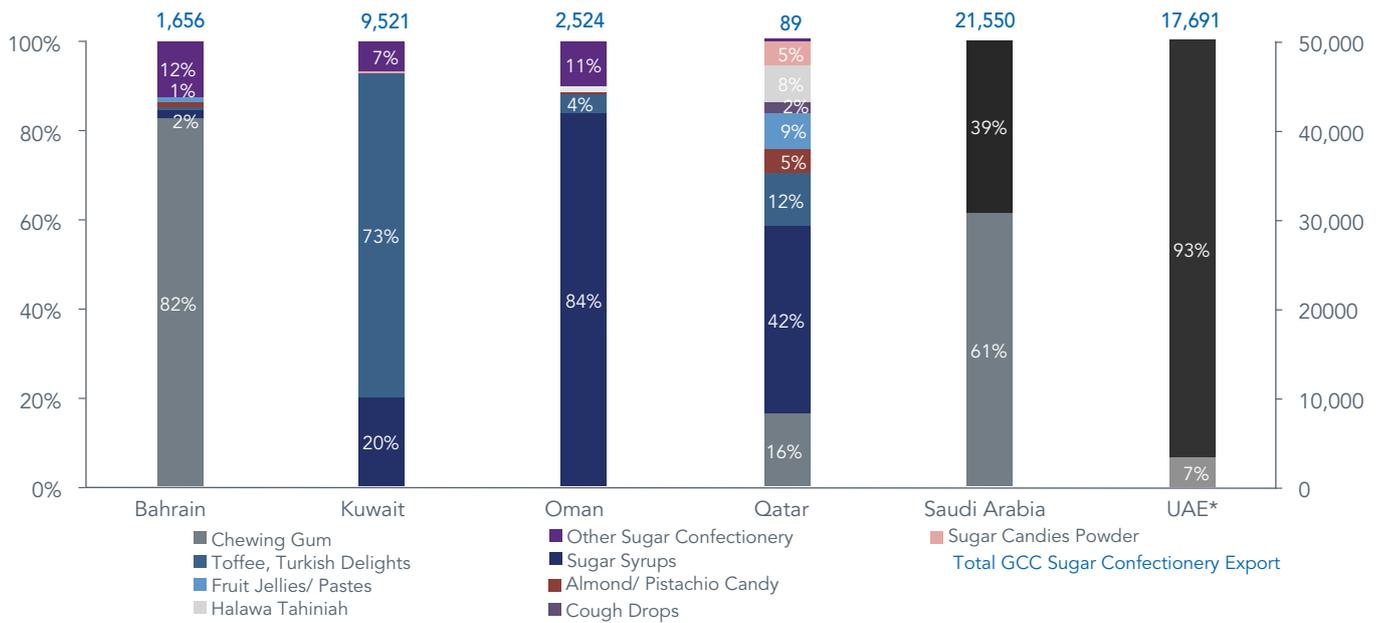


Source: Team Analysis based on ITC Trademap Data

*Product-wise split of import and export in 2016 for Saudi Arabia and the UAE are unavailable at the 8-digit level for products under HS code 17049000.



Chart 23: Share of GCC Countries' Sugar Confectionery Export Volume, 2016



Source: Team Analysis based on ITC Trademap Data

*Product-wise split of import and export in 2016 for Saudi Arabia and the UAE are unavailable at the 8-digit level for products under HS code 17049000.



Table 12: Sugar Confectionery Manufacturers in the GCC Region

Sugar Confectionery Manufacturers in GCC Countries ²³			
Country	Name	Year Est.	Capacity (tons)
Chewing Gum			
Saudi Arabia	Batook Chewing Gum Ind. Ltd.	1994	21,000
Bahrain	MAK for Food Industry	2011	N/A
Oman	High Products Company	2014	N/A
Toffee and Turkish Delight			
Saudi Arabia	Al Jabri Confectionery and Dates Factory	2005	300
Bahrain	Bahrain Sweets Factory	1979	900
Kuwait	Al Tawah Sweets Factory	1986	27,000
UAE	Al Mukhtar Bakery	2002	1,000
Halawa Tahiniah			
Saudi Arabia	Al Jabal Halawa, Tahina and Confectionery Co. Factory	1996	700
Bahrain	Arab Halawa and Tahiniah and Confectionery Production Factory	N/A	30
Kuwait	Al Seedawi Sweets Factory	1961	150,000
UAE	Al Bitar Company for Food Products Processing L.L.C.	1985	500
Oman	Hamad Marhoun Al-Omari Trading Projects	2004	200

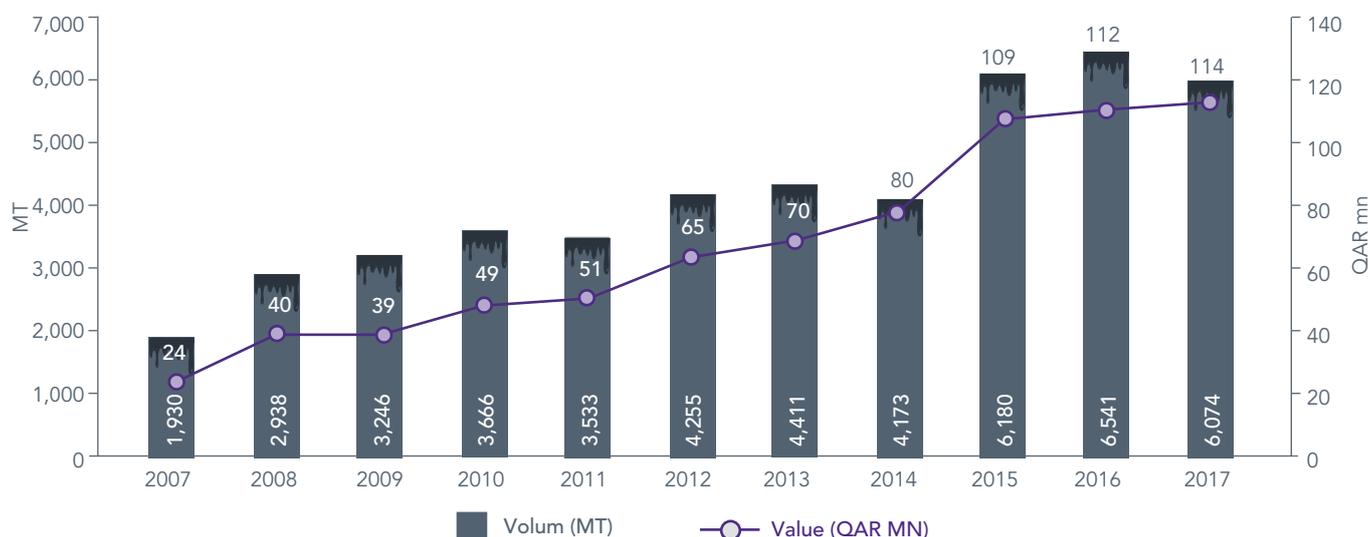
²³Gulf Organization for Industrial Consulting (GOIC)

4.4 Qatar Market Overview

Qatar's total sugar confectionery market was estimated at 6,074 tons, valued at QAR 114 million in 2017. Decline in demand in terms of volume for chewing gum (35.4%), sugar syrups (19.2%) and Halawa Tahiniah (9.7%) resulted in the overall sugar confectionery demand declining by 7.1% in 2017 over the previous year, however, in terms of value, the overall market increased by 1.7% over the previous year.

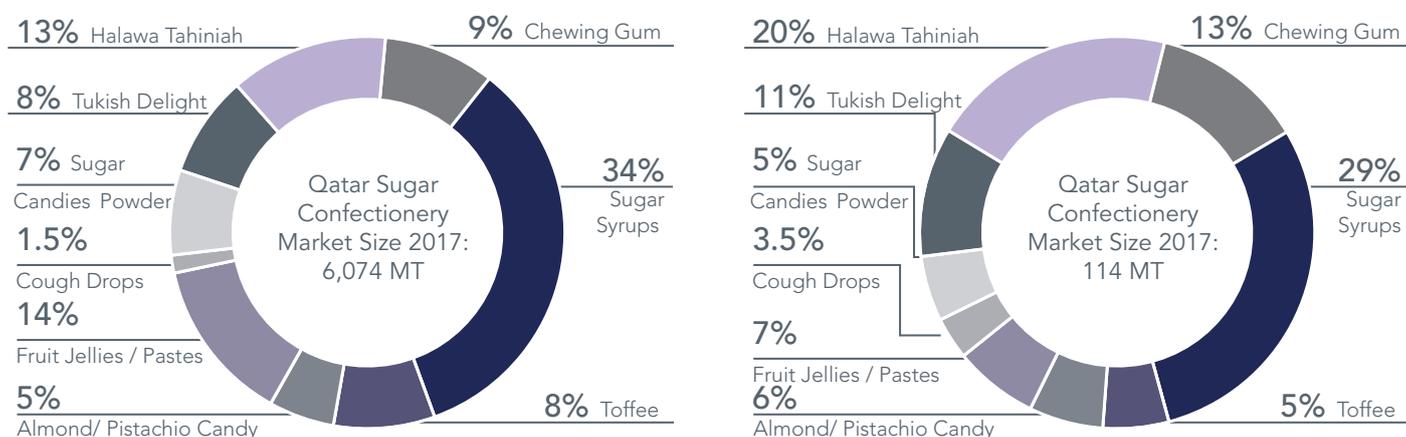
Between 2007 and 2017, the market increased from 1,930 tons in 2007 to 6,074 tons in 2017 at a CAGR of 12.1%, while in terms of value it increased from QAR 24 million in 2007 to QAR 114 million in 2017 at a CAGR of 17%.

Chart 24: Historical Sugar Confectionery Market Size (Volume and Value), 2007 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

Chart 25: Qatar's Sugar Confectionery Market Size (Value and Volume), 2017



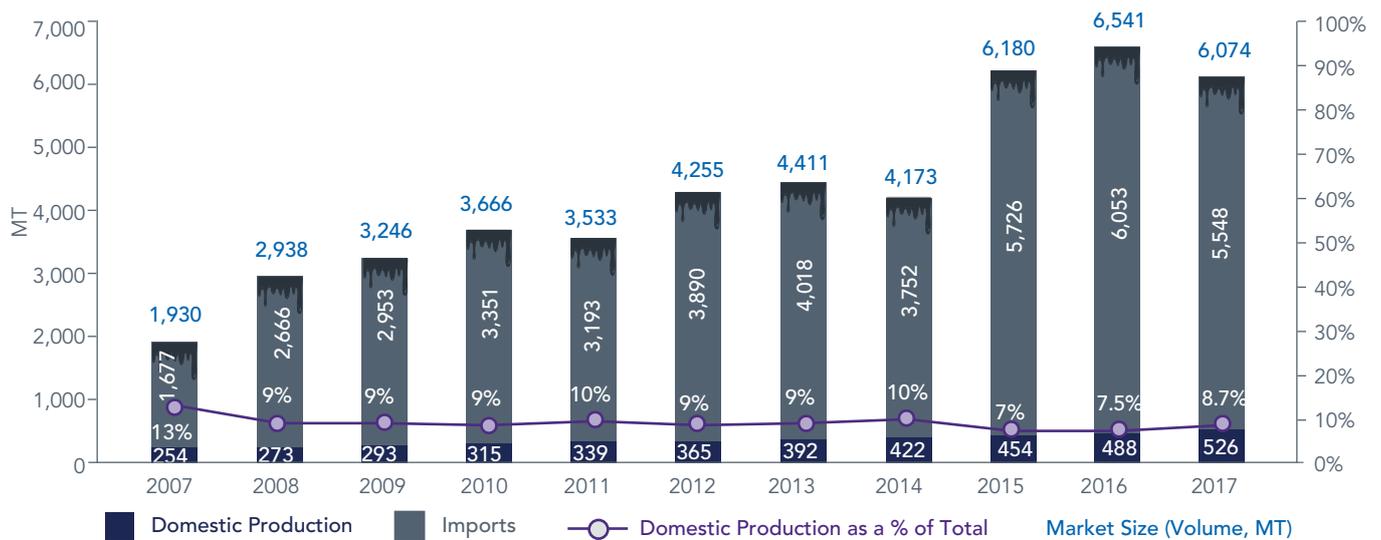
Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

The sugar confectionery market in Qatar consists of nine distinct product categories namely; 1) chewing gum, 2) sugar syrups, 3) toffee and Turkish delight, 4) almond and pistachio candy, 5) fruit jellies, fruit pastes, licorice sugar confectionery, 6) cough drops, 7) Halawa Tahinia, 8) sugar candies powder containing fruit flavor and 9) sugar confectionery not containing cocoa (including white chocolate).

Sugar syrups containing added flavor, Halawa Tahinia and chewing gum were the top-3 products that accounted for almost 62% of the market in 2017 in terms of value. In terms

of volume, sugar syrups, Halawa Tahinia and chewing gum accounted for 33%, 13% and 9% share, respectively, while in terms of value, these products accounted for 29%, 20% and 12.6% share, respectively. Halawa Tahinia and Turkish delight are the only two products that are produced locally in Qatar. Domestic production of these two products accounts for 8.7%²⁴ of the total confectionery market. The other seven categories are imported from the neighboring GCC countries, Turkey and several countries in Asia, such as China, Indonesia, India and Malaysia.

Chart 26: Sugar Confectionery Imports v/s Domestic Production (Volume, %), 2007 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

4.4.1 Domestic Production: Turkish Delight

4.4.1.1 Historical Demand and Current Market Size

The demand for Turkish delight in Qatar was estimated at 507 tons in 2017, valued at QAR 12.2 million. In terms of volume, the demand grew by 6.1% over 2016 on account of increased domestic production which grew by 6.1% over the previous year, while imports marginally declined by 0.8%. Over the last ten years, the Turkish delight market increased from 229 tons in 2007 to 507 tons in 2017 at a CAGR of 8.3%, while in terms of value it increased from QAR 3.5 million in 2007 to QAR 12.2 million in

2017 at a CAGR of 13.2%. This growth can be attributed to the growing trend of gifting confectionery items during occasions such as birthdays, wedding ceremonies and anniversaries as well as festivals such as Eid al-Fitr, Eid al-Adha and National Day celebrations. Apart from festivals, tourists visiting Qatar for business and leisure also purchase locally made Turkish delight in gift boxes, which they distribute amongst friends and families in their home country.

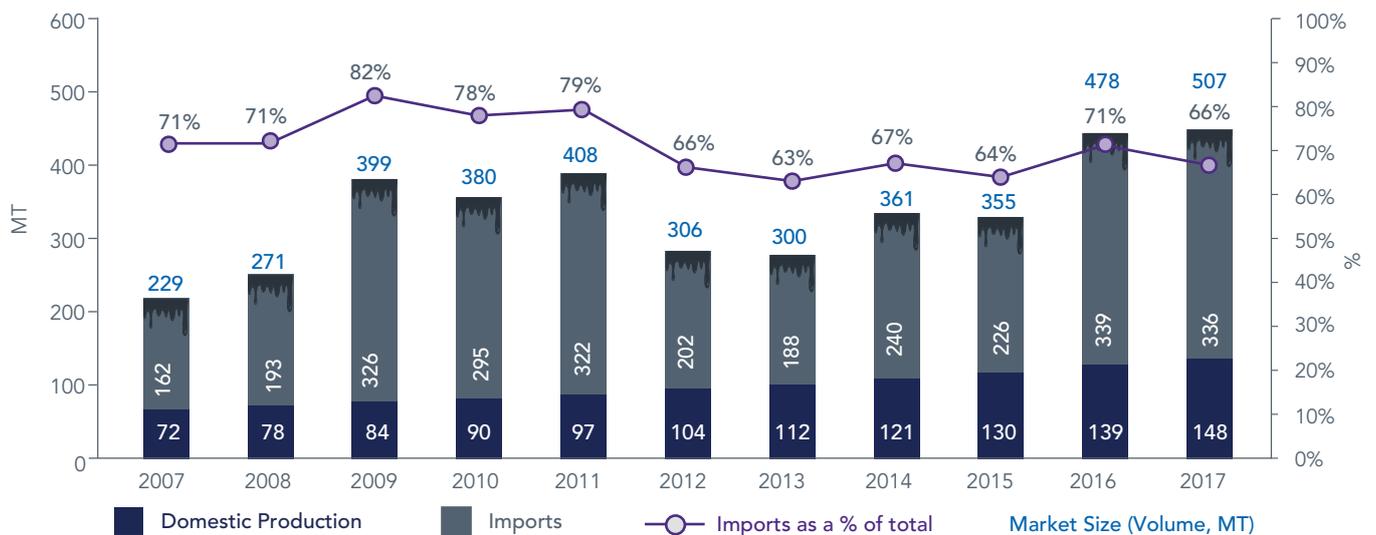
²⁴Source: Team Analysis based on Planning and Statistics Authority Trade Statistics and Primary Interviews

Chart 27: Historic Turkish Delight Market Size (Volume and Value), 2007 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

Chart 28: Turkish Delight Imports v/s Domestic Sales (Volume and % of imports), 2007 - 2017



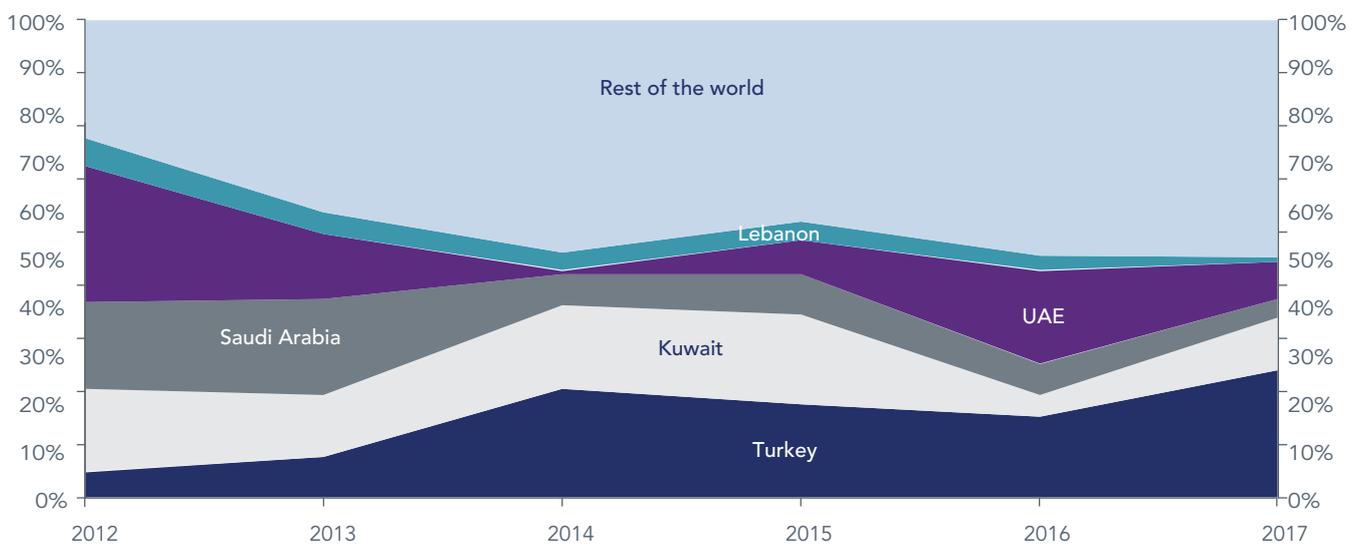
Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

Domestic production of Turkish delight was estimated at 148 tons in 2017 accounting for 34% of the total demand, while its imports amounted to 336 tons, accounting for 66% of the demand. The share of imports ranged between 64% and 71% of the total demand between 2012 and 2017. In the domestic market, Turkish delight is mainly produced by bakeries, pastry and Arabic sweets shops. Some of the key players with an established manufacturing facility in Qatar have been listed in the 'Key Suppliers' section

4.4.1.2 Sources of Imports

The analysis of Qatar's cumulative Turkish delight imports amounting to 1,530 tons from 2012 to 2017 indicate that the Turkey (27%), Kuwait (11%), UAE (8%), Saudi Arabia (4%), and Lebanon (1%) are the major sources of Turkish delight imports.

Chart 29: Key Sources of Turkish Delight Imports, 2012 - 2017



Source: Team Analysis based on ITC Trademap Data

After the blockade, the contribution of Turkish delight imports from UAE declined from 20% in 2016 to 8% in 2017, while that of Saudi Arabia declined from 6% to 4% during the same period. These volumes were substituted by imports from Turkey, which increased from 17% in 2016 to 27% in 2017 and Kuwait, which increased from 5% in 2016 to 11% in 2017.

4.4.1.3 Pricing Analysis

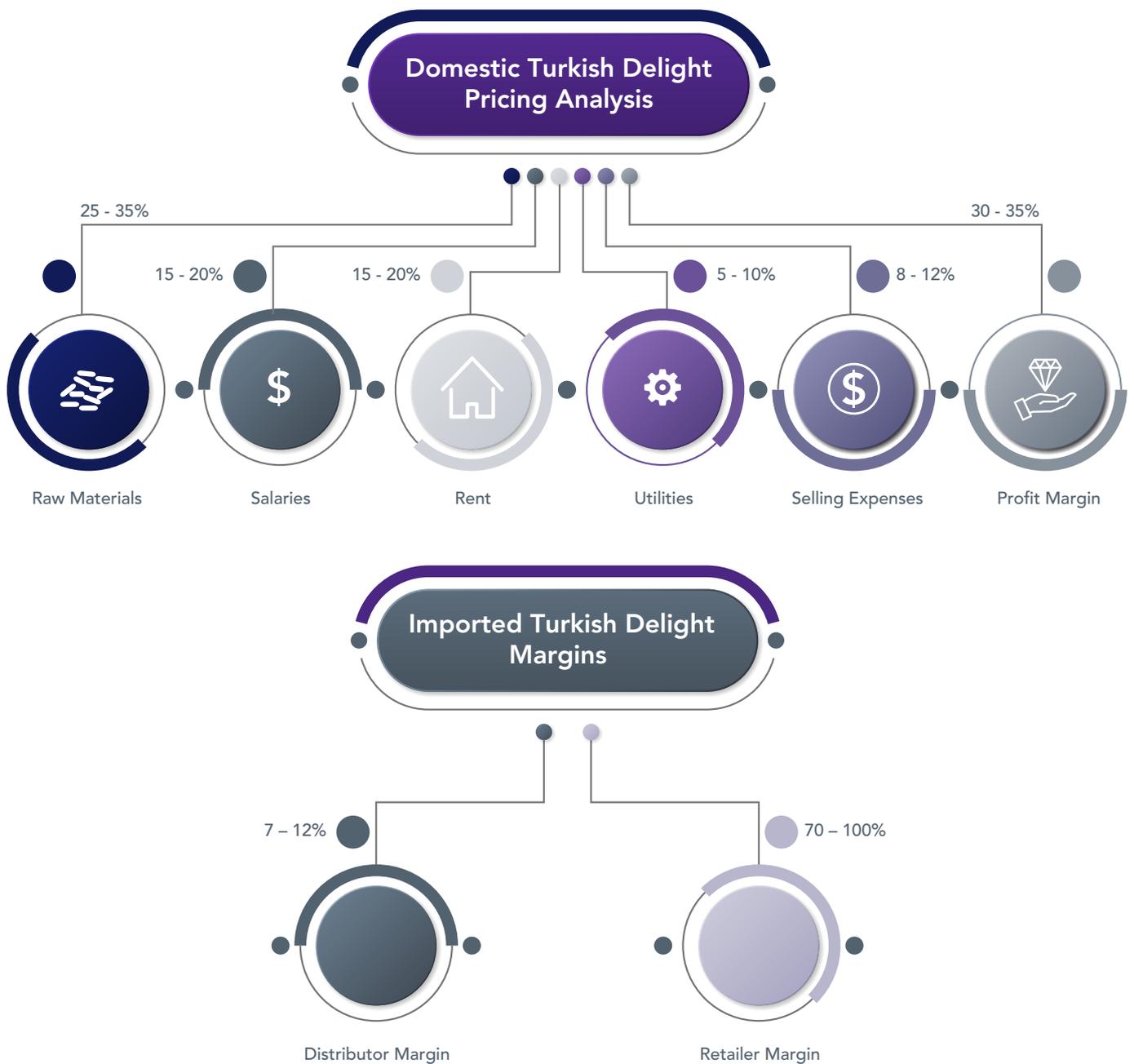
Raw materials such as sugar, cornstarch, dry fruits and flavoring agents used in the preparation of Turkish delight account for 25% to 35% of the selling price. Manufacturers tend to purchase these ingredients in bulk from local suppliers who import from neighboring GCC countries, Brazil, Iran, India, Australia, Thailand and other countries. The trend in selling price of Turkish delight follow the trends in pricing of sugar and dry fruits since these are the two key ingredients accounting for a significant share of the raw materials cost. The price of locally produced Turkish delight ranges between QAR 40 and QAR 120 per Kg depending on the quality of ingredients used, while the price

of imported Turkish delight available in hypermarket and retail stores ranges between QAR 60 to QAR 150 per kilo.

Apart from raw materials, the salaries paid to staff and the rent of the premises are the other major cost components that influence the selling price. For domestic manufacturer's, the margin on Turkish delight varies between 30% to 35% and depends on the quality of raw materials consumed and the scale of the manufacturing facility. Distributor's margin for imported Turkish delight varies between 7% and 12% while retailer's margin can be as high as 70% to 100%.

²⁵Team Analysis based on Planning and Statistics Authority Data and primary interviews

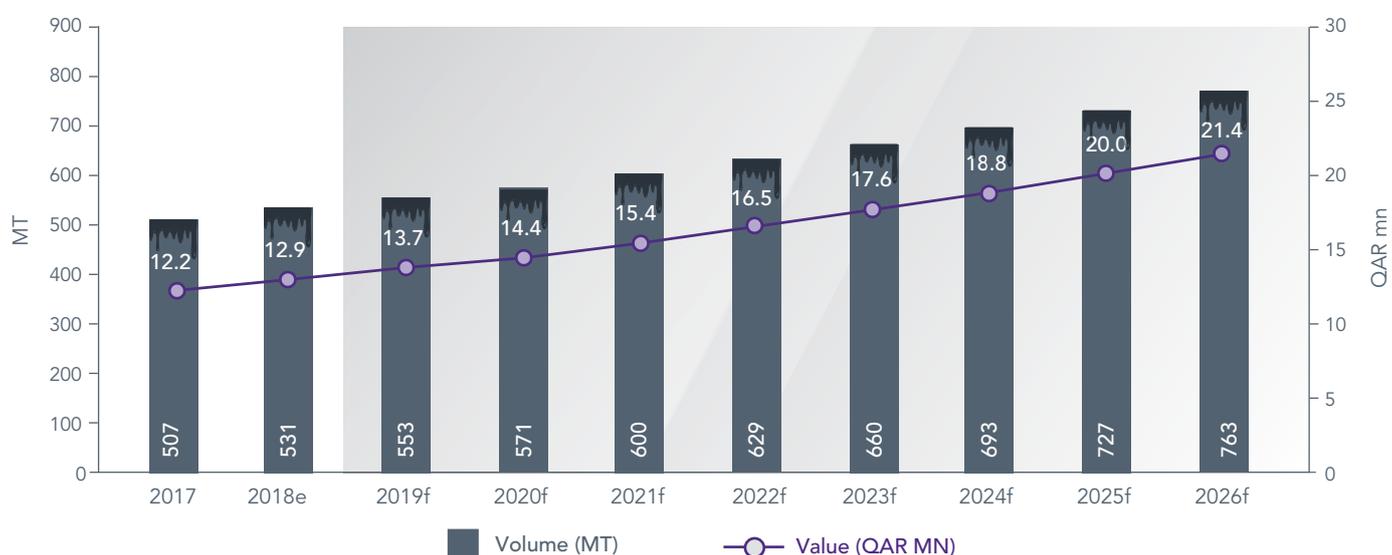
Figure 4: Turkish Delight Pricing Analysis



4.4.1.4 Demand Forecast

The demand for Turkish delight is forecast to grow to 763 tons in 2026 from 507 tons in 2017 at a CAGR of 4.6%, while in terms of value it is forecast to grow to QAR 21.4 million in 2026 from QAR 12.2 million in 2017 at a CAGR of 6.5%²⁶. The growth in Qatar's population, increase in tourist arrivals for business and leisure purposes as well as the growing trend in gifting of confectionery products during various celebrations will be the key factors influencing the growth of the Turkish delight market for the next ten years.

Chart 30: Turkish Delight Demand Forecast, 2017 - 2026



Source: Team Analysis based on MDPS Data and Primary Interviews

Qatar is home to several small and medium sized producers with a bakery/ patisserie scale manufacturing capacity that produce a wide variety of Arabic sweets apart from Turkish delight. These manufacturers mostly focus on catering to the local demand; as a result, exports are negligible to the tune of less than one ton per annum. Opportunities exist for setting up an industrial scale Turkish delight manufacturing facility in Qatar since domestic manufacturers currently contribute only

30% of the demand while the remaining 70% being fulfilled by imports from Turkey, Kuwait, Oman and Lebanon. Setting up new manufacturing facilities will not only offer a product that is made in Qatar but will also provide for import substitution. The Turkish delight market is estimated to grow to QAR 21.4 million in 2026; which translates to an average incremental revenue of QAR 0.94 million worth of opportunity for entrepreneurs to tap into each year between 2018 and 2026.

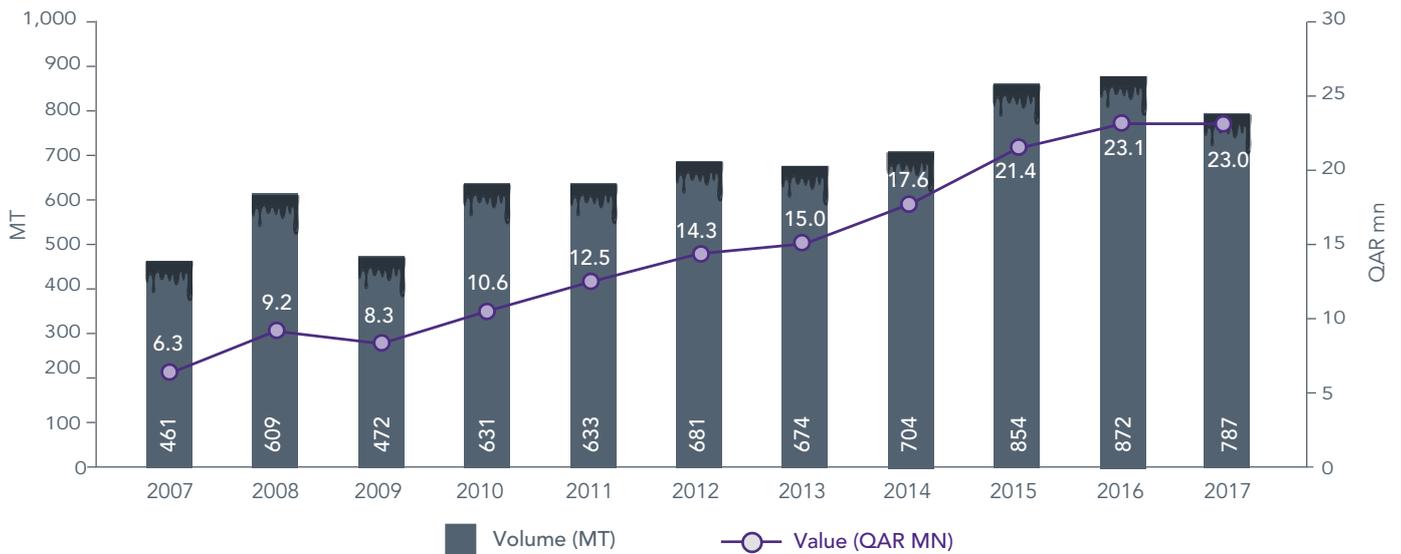
4.4.2 Domestic Production: Halawa Tahinia

4.4.2.1 Historical Demand and Current Market Size

The demand for Halawa Tahinia in Qatar was estimated at 787 tons in 2017, valued at QAR 23 million. In terms of value, the demand in 2017 remained more or less flat, declining by 0.4% over the previous year, while in terms of volume it declined by 9.7% over the previous year due to decline in imports which reduced by 22%²⁷. Domestic production registered an increase of 8.4%. Over the last ten years, Halawa Tahinia demand increased from 461 tons in 2007 to 787 tons in 2017 at a CAGR of 5.5%, while in terms of value it increased from QAR 6.3 million in 2007 to QAR 23 million in 2017 at a CAGR of 13.8%.

²⁶Team Analysis based on Planning and Statistics Authority Data and Primary Interviews; ²⁷Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

Chart 31: Historic Halawa Tahinia Market Size (Volume and Value), 2007 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

Chart 32: Halawa Tahinia Imports v/s Domestic Sales (Volume and % of Imports), 2007 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

Domestic production of Halawa Tahinia was estimated at 378 tons accounting for 48% of the total demand in 2017, while imports accounted for 52% of the market. The share of imports ranged between 56% and 62% of the total market between 2011 and 2017. Saudi Arabia, Lebanon, Egypt and Jordan are the key

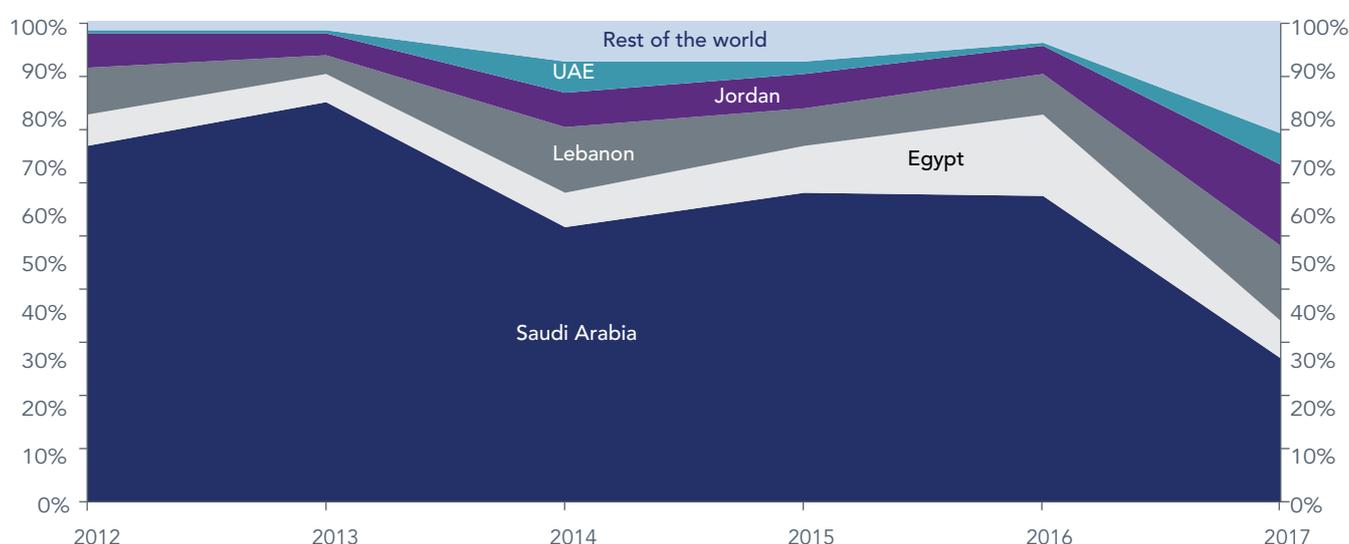
exporters of Halawa Tahinia where manufacturing is undertaken on an industrial scale by Arabic sweets manufacturing factories. Some of the key players with an established Halawah Tahinia manufacturing facility have been listed in the 'Key Suppliers' section of the Qatar market overview segment.

4.4.2.2 Sources of Imports

The analysis of Qatar's cumulative Halawa Tahinia imports amounting to 2,665 tons from 2011 to 2016 indicates that Saudi Arabia (62%), Lebanon (10%), Egypt (9%), Jordan (8%), Turkey (3%) and the UAE (3%) are the major sources of Halawa Tahinia imports in Qatar²⁸. Since 2012, Saudi Arabia has been the largest supplier contributing more than 60% of Qatar's Halawa

Tahinia imports each year, however, after the blockade imports were reduced to half its share at 30% in 2017, while that of Egypt decreased from 17% in 2016 to 8% in 2017. The share of imports from Lebanon gradually decreased from 8% share in 2016 to 15% in 2017, while the share of Jordan increased from 6% in 2016 to 17% in 2017.

Chart 33: Key Sources of Halawa Tahinia Imports, 2012 - 2017



Source: Team Analysis based on ITC Trademap Data

4.4.2.3 Pricing Analysis

Raw materials such as sesame seeds, sugar, milk, dry fruits and flavoring agents used in the preparation of Halawa Tahinia account for 35% to 45% of the selling price. Manufacturers tend to purchase these ingredients in bulk from local suppliers who import from neighboring GCC countries, Iran, India and other countries. The trend in selling price of Halawa Tahinia follow the trends in pricing of sesame seeds, milk, sugar and dry fruits since these are the key ingredients accounting for a significant share of the raw materials cost. The price of locally produced Halawa Tahinia ranges between QAR 40 and QAR 90 per Kg depending on the quality of ingredients used, while the price of imported Halawa

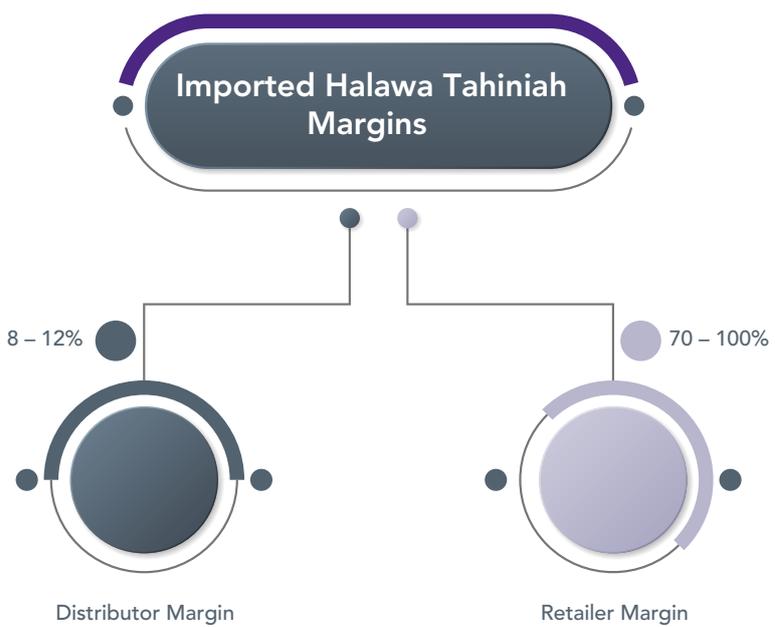
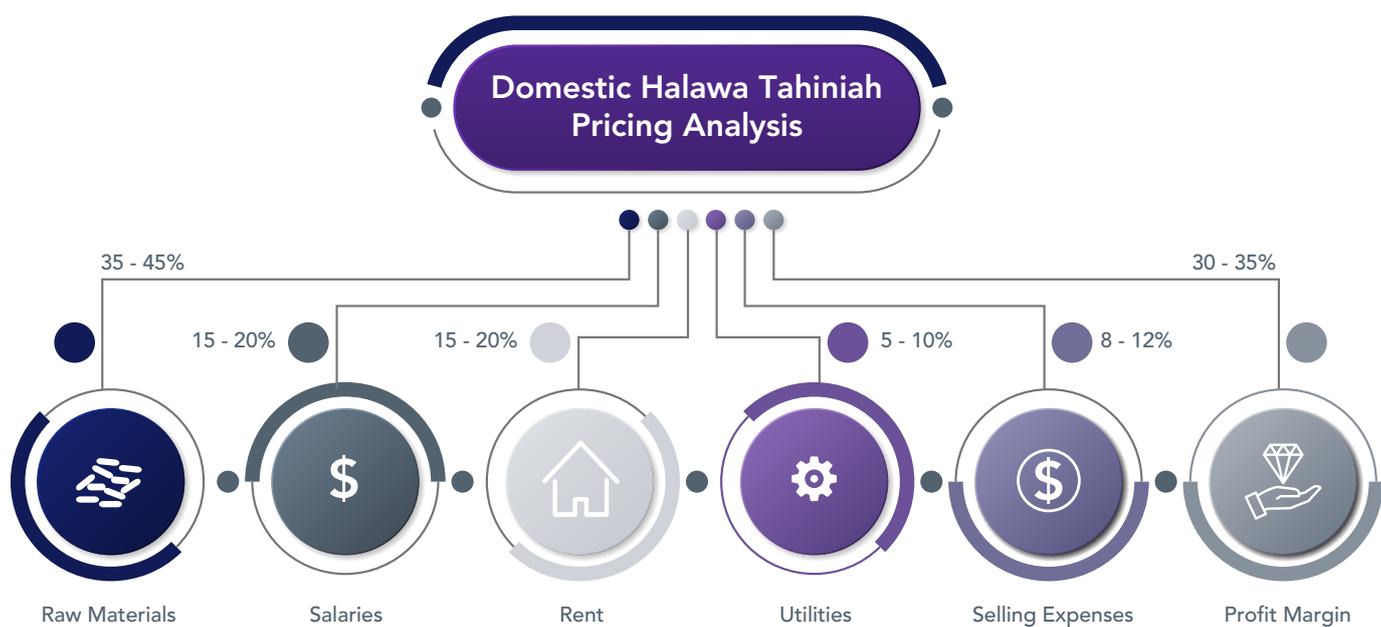
Tahinia available in hypermarket and retail stores ranges between QAR 45 to QAR 120 per kilo.

Apart from raw materials, the salaries paid to staff and the rent of the premises are the other major cost components that influence the selling price. For domestic manufacturer's, the profit margin on Halawa Tahinia varies between 30% to 35% and depends on the type of raw materials consumed and the scale of the manufacturing facility. Distributor's margin for importers of Halawa Tahinia varies between 8% and 12% while retailer's margin can be as high as 70% to 100%.

²⁸Team Analysis based on Planning and Statistics Authority Data and Primary Interviews



Figure 5: Halawa Tahinia Pricing Analysis



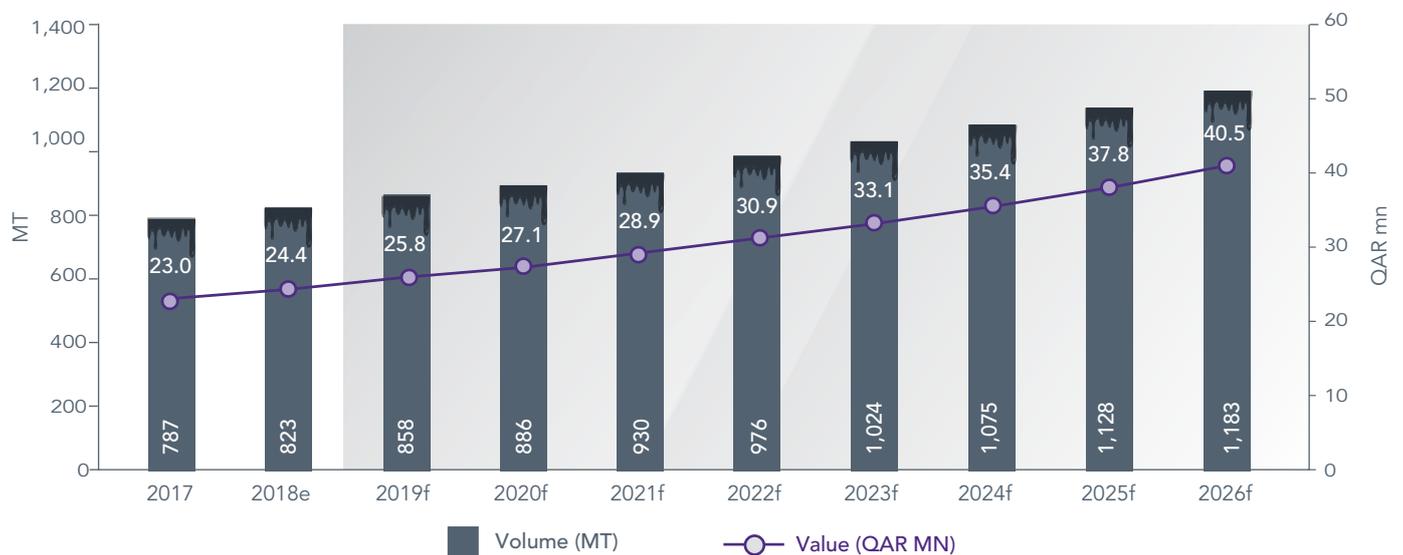


4.4.2.4 Demand Forecast

The demand for Halawa Tahinia is forecast to grow to 1,183 tons in 2026 from 787 tons in 2017 at a CAGR of 4.6%, while in terms of value it is forecast to grow to QAR 40.5 million in 2026 from QAR 23 million in 2017 at a CAGR of 6.5%²⁹. Growth in Qatar's population as well as increase in consumer spending on confectionery products during festivals, special occasions as

well as other discretionary purchases will drive the demand for Halawa Tahinia for the next ten years. The setting up of new bakeries and Arabic sweets shops in existing and upcoming malls, hotels and newly developed areas will also help in boosting the Halawa Tahinia market in Qatar.

Chart 34: Halawa Tahinia Demand Forecast, 2017 - 2026



Source: Team Analysis based on Planning and Statistics Authority Data and Primary Interviews



²⁹Team Analysis based on Planning and Statistics Authority Data and Primary Interviews



4.4.3 Key Suppliers of Halawa Tahiniah and Turkish Delight

Table 13: Arabic Sweets, Halawa Tahiniah and Turkish Delight Manufacturers in Qatar

Arabic Sweets, Halawa Tahiniah and Turkish Delight Manufacturers in Qatar	
Name	Brief Profile
Al Arz And Al Salwa Automatic Bakery	It has a large-scale manufacturing facility for Arabic sweets and pastries in Qatar. The bakery has a total production capacity of 1,365 tons per annum ³⁰ of various types of Arabic sweets. Turkish delight and Halawa Tahiniah account for approximately 20% of its production.
Habeeb Bakery and Sweets	It is much smaller than Al Arz And Al Salwa Automatic Bakery with a capacity of 128 tons per annum of confectionery products. The key offering is Turkish delight and other Arabic sweets.
Al Aker Sweets	It is known for its high-quality Arabic desserts such as Kunafeh and Turkish desserts. It offers an extremely large selection of both Ramadan- and Eid-specific sweets and various forms of normal and sweet pastries for the average consumer. With a total of nine branches in Qatar, the shop has established a strong presence in the Arabic and Middle Eastern sweets market.
Abdul Kader Hallab Sweets	It is considered one of the largest sweet parlors in Qatar and is very similar to Al Aker Sweets in its offerings. Abdul Kader Hallab Sweets has been operating in Qatar for several years. The shop sells various confectionery preparations and only 25% ³¹ of the total production consists of Halawa Tahiniah and Turkish delight.
Patisserie Suisse	Of the vast selection of confectionery items offered, Patisserie Suisse also supplies Arabic sweet preparations, Turkish delight and Halawa Tahiniah account for approximately 40% of its production.
Shahad Al Jazeera Sweets & Pastries	Part of its operations are dedicated to producing Turkish delight; however, the key focus of Shahad Al Jazeera is pastries, oriental sweets and gulf sweets.
Semiramis Sweets	It is one of the largest sweets shops specializing in selling Arabic and Turkish sweets, such as Maamoul, Halawa Tahiniah and Baklava, and various forms of pistachio-filled desserts and sweet rolls. The shop's offerings appeal to various consumer segments, such as tourists, expats and local Qatari population with a wide variety of Arabic and Turkish sweets. The manufacturing facility has an estimated production capacity of 35 tons per annum.
Bohsali Al Kasr Sweets	It is considered one of the most traditional sweet shops in Qatar, offering Arabic sweets and various desserts for occasions such as Ramadan. Some of the examples of the offerings include the Arabic Maamoul (date-filled desserts biscuits) and various types of Lebanese sweets including Halawa Tahiniah. Bohsali Al Kasr Sweets has a small manufacturing facility with an estimated production capacity of 15 tons per annum ³² for all products, including Arabic sweets, Halawa Tahiniah and Turkish delight.
Oriental Bakery	It is a well known restaurant, bakery and dessert parlor in the local market. The bakery produces oriental sweets, Arabic sweets and pastries. The bakery has an estimated production capacity of 20 tons per annum.
Al Quds Sweets	The shop specializes in selling pistachio desserts (Turkish delight), assorted biscuits and middle eastern cheese dessert (kunafeh).
Massis Sweets	It operates as a supermarket, dessert parlor and a bakery, offering a diverse range of Arabic and oriental sweets, mainly Arabic desserts and Lebanese sweets like Halawa Tahiniah. The shop has an estimated capacity of 18 tons per annum and has developed an extensive consumer base coupled with an exclusive brand image.

³⁰Gulf Organization for Industrial Consulting (GOIC); ³¹Primary Interviews with Sugar Confectionery Manufacturers

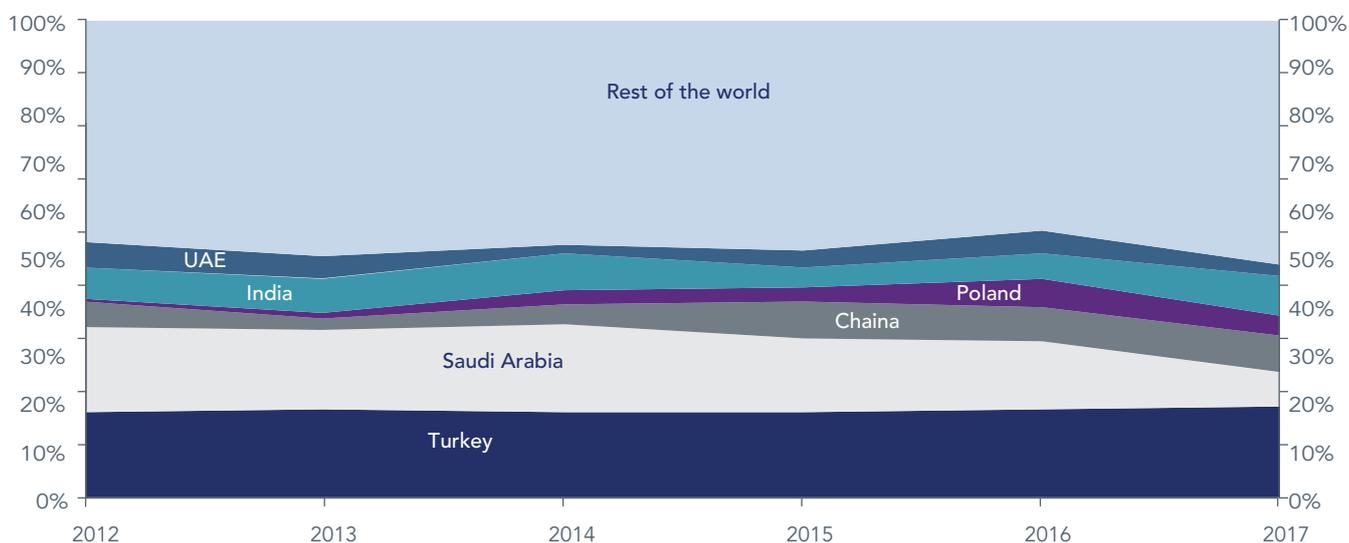


4.4.4 Sources of Sugar Confectionery Imports

The analysis of Qatar’s total sugar confectionery imports amounting to 26,496 tons from 2012 to 2017 indicates that the Turkey (18.3%), Saudi Arabia (15%), India (6.4%), China (6%), the UAE (3.7%) and Poland (3.2%) are the major sources of imports of sugar confectionery products³³. After the blockade, the share

of sugar confectionery imports from Saudi Arabia decreased from 15% in 2016 to 7% in 2017 while that of UAE decreased from 5% in 2016 to 2% in 2017. These volumes were substituted by imports from various countries such as Turkey, Oman, Kuwait, Lebanon, India, China, Poland, Indonesia, Malaysia, etc.

Chart 35: Key Sources of Sugar Confectionery Imports, 2012 - 2017



Source: Team Analysis based on Planning and Statistics Authority Data

In 2017, the sugar confectionery products that were imported from the key supplying countries include the following;

Turkey: cough drops (5% of Qatar’s cough drops imported from Turkey in 2017), fruit jellies and pastes (23% of Qatar’s fruit jellies and pastes imported from Turkey in 2017) and sugar syrups (22% of Qatar’s sugar syrups imported from Turkey in 2017).

Saudi Arabia: Halawa Tahinia (30%), chewing gum (31%), and sugar candies powder (22%).

India: fruit jellies and pastes (33%), almond and pistachio candy (14%).

China: fruit jellies and pastes (4%) and sugar syrups (13%), chewing gum (6%).

Poland: chewing gum (3%) and sugar candies powder (2%).

UAE: almond and pistachio candy (10%), toffee & Turkish delight (8%).

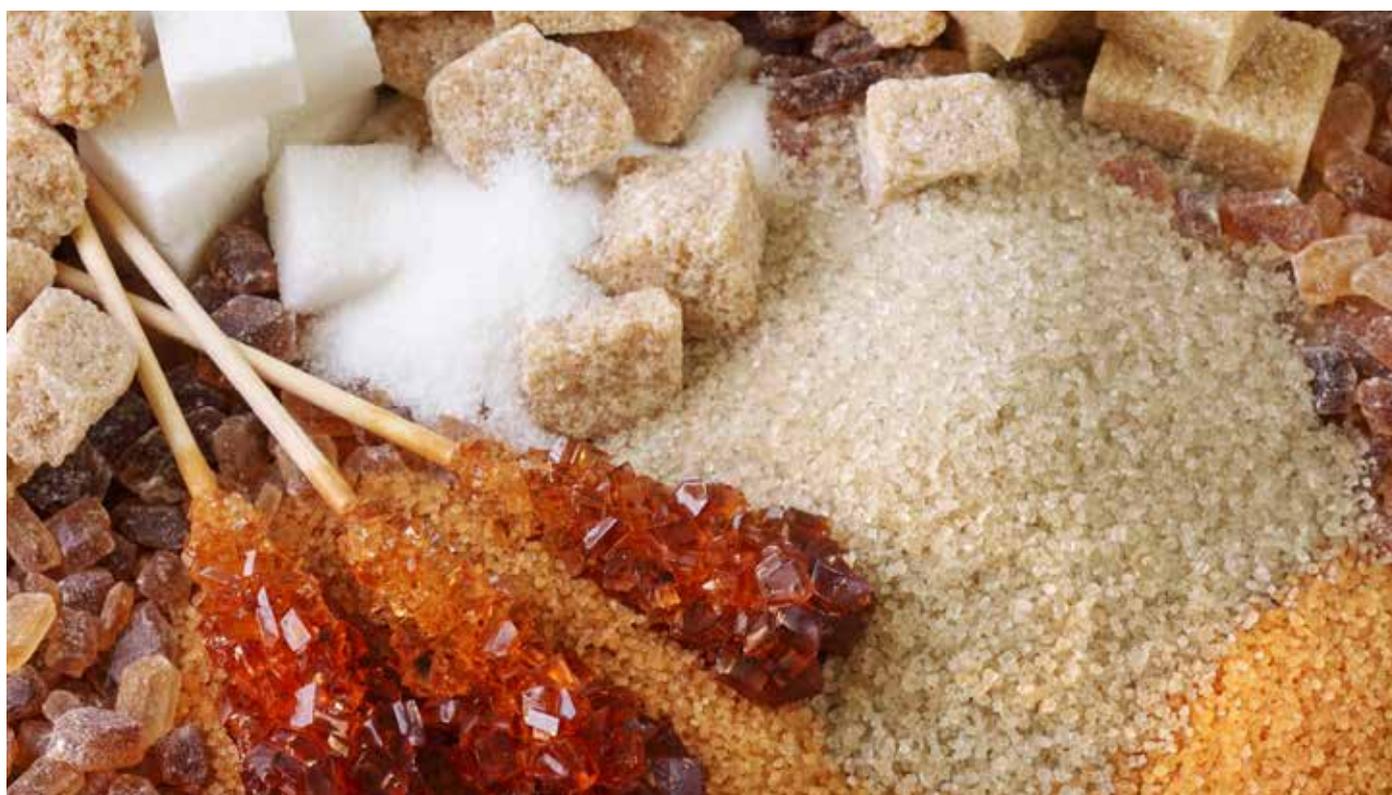
³³Team Analysis based on Planning and Statistics Authority Data and ITC Trademap Database



4.4.5 Key Suppliers of Imported Sugar Confectionery

Table 14: Leading Sugar Confectionery Suppliers in Qatar

Sugar Confectionery Suppliers in Qatar	
Name	Brief Profile
Ali Bin Ali Group (ABA)	ABA is associated with confectionery brands such as Cadbury, Mars, Bounty, Snickers, Galaxy, Twix, etc. It is one of the largest distributors in terms of number of brands under its portfolio and high customer loyalty.
Charlotte Trading and Contracting	Charlotte Trading is considered as one of the leading distribution companies for fruit jellies ³⁴ , sugar candies, bonbons and candy drops. The trader also distributes to the local franchise of Sweet Factory. Top brands distributed include Haribo, Cocon and Erko.
United International Trading	It is the distributor of sugar syrups and Arabic sweets in Qatar. The key brand under United International Trading is Al Tayyeb.
Al Ansari and Aujan	Its key line of business is beverages trading; it also deals with several sugar confectionery brands through imports from Saudi Arabia, the UAE and Kuwait.
Al Rowad Trading	It offers various Arabic sweets readily packed and also dried confectionery products, such as jellies, packed Halawa Tahinia and sugar drops and sugar candies. Some of the key international brands include Garoto, Lokman, Laica and DelConte.



³⁴Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

4.5 SWOT Analysis

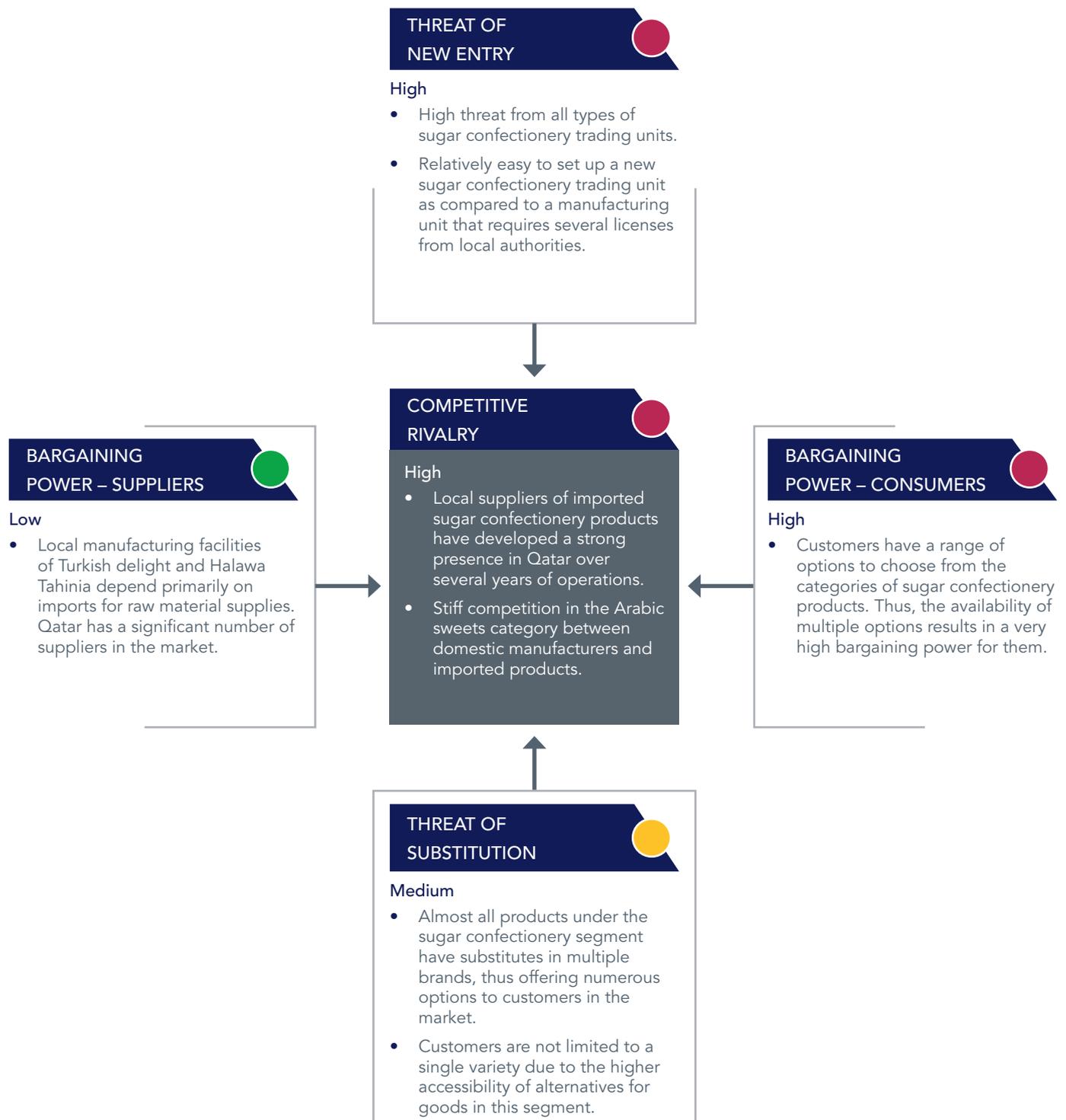
Figure 6: SWOT Analysis - Sugar Confectionery





4.6 Michael Porter's Five Forces Model Analysis

Figure 7: Michael Porter's Five Forces Model - Sugar Confectionery







4.7 Key Success Factors

Figure 8: Critical Success Factors - Sugar Confectionery Manufacturing

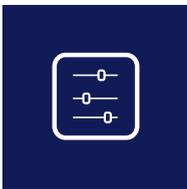


A. Access to raw materials:

- Access to raw materials is crucial for companies in the manufacturing field to thrive in the local market. Similar to the chocolate production segment; the sweet confectionery manufacturing sector requires development of raw materials supplying channels and backup supply strategies for convenient delivery of materials.

B. Technical Know-how

- Production knowledge and product-specific technical knowledge is extremely important and a pre-requisite for the workforce and the management engaged in the sugar confectionery business. A clear understanding of the type of raw materials, the equipment required and the strategy in production are the core elements required for setting up a sugar confectionery manufacturing unit.



C. Skilled Labor

- Considered a pre-requisite in the local market for mass production or even small-scale preparation of sweets.

D. Marketing and Advertising

- Product differentiation under sugar confectionery is of high priority where the supply is high and the demand is much lower. There are several players in the market offering similar goods, thus the unique marketing of products manufactured locally could award the enterprise with a larger market share for their products in the future. Frequent advertisements and marketing campaigns in print, TV, radio and online media plays a vital role in informing the target audience of product offerings that can result in increased sales and enhanced brand visibility.



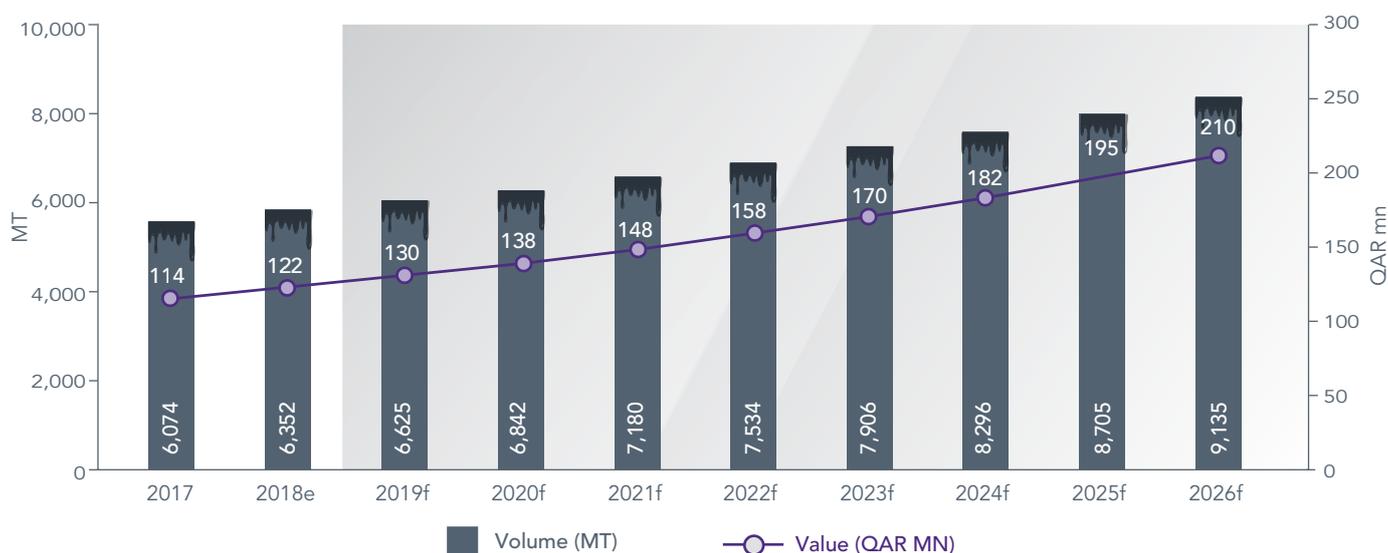


4.8 Future Outlook

The demand for sugar confectionery in terms of volume is estimated to grow at 4.6% between 2017 and 2026³⁵. The demand for sugar confectionery is forecast to grow to 9,135 tons in 2026 from 6,074 tons in 2017, while in terms of value, it is forecast to grow to QAR 210 million from QAR 114 million in 2017 at a CAGR of 7%³⁶. This demand will be driven by

growth in consumer spending on confectionery products during festivals and special occasions as well as other discretionary purchases. The setting up of new bakeries, pastry shops and dessert parlors in existing and upcoming malls, hotels and newly developed areas will also help in driving the demand for sugar confectionery in Qatar.

Chart 36: Qatar's Sugar Confectionery Demand Forecast, 2017 - 2026



Source: Team Analysis based on Planning and Statistics Authority Data

Apart from domestic production of Turkish delight and Halawa, currently there are no well-established manufacturing facilities for other sugar confectionery products. As a result, Qatar is dependent on imports from other countries to fulfil its demand. Considering this situation, opportunities exist for setting up new manufacturing facilities for chewing gum (12.6% value share of the sugar confectionery market), sugar syrups with added flavoring (29%), fruit jellies and pastes (7%), sugar candies (5%) and toffee (5%) that are currently amongst the sizeable and growing segments of the sugar confectionery sector.

³⁵World Economic Outlook Database; ³⁶Team Analysis based on Planning and Statistics Authority Data and Primary Interviews

5. REGULATORY ANALYSIS

5.1 Regulations on Chocolate and Sugar Confectionery Manufacturing

Newly registered manufacturing facilities will apply for and obtain the food handler's certificate for all their staff members as a strict requirement for anyone working in the preparation, handling or transporting of any type of food products. Chocolate and sugar confectionery are considered as a food products and hence manufacturers have to abide by the regulations and food standards that are primarily derived from Qatar's Food Control Law enforced in 1990³⁷. The law has a total of 35 articles covering the preparation, handling, packaging and importing of foods and food products in Qatar. The articles highlight the ideal conditions through which food is supposed to be handled and delivered to the customer. In the table below, key articles pertaining to strict guidelines and rules for food and beverage outlets have been highlighted.



³⁷Source: <http://www.legal.gov.qa/LawArticles.aspx?LawArticleID=40736&LawID=2648&language=en>



Table 15: Regulations for Chocolate and Sugar Confectionery Manufacturing

Select Articles on the Regulations under Qatar Law No. 8 of 1990 for Human Food Control		
Article	Description	Affiliated Authorities
2	<ol style="list-style-type: none"> Where food is contrary to the standard specifications declared in the bylaws and decisions executing this Law and other related laws. Where food is unsuitable for human consumption, harmful to human health, rotten, contaminated or damaged. Where food is frequently altered by any means that may change its nature. 	<ul style="list-style-type: none"> Ministry of Public Health Ministry of Municipality and Environment
3	<p>Food shall be deemed harmful to human health in the following cases:</p> <ol style="list-style-type: none"> If contaminated with radioactive materials, microbes, parasites or pesticides that may cause diseases in humans; If it contains toxic materials exceeding the legally prescribed limits; If traded by a person infected with an infectious disease, or carrying its microbes; If originating from an animal infected with a disease whose infection transmits to humans, or originating from a dead animal; If mixed with dust or impurities that exceed the ratio prescribed by law, or are impossible to purify; If it contains a prohibited colouring, preservative material or other additive; If its containers or packaging include materials harmful to human health. 	<ul style="list-style-type: none"> Ministry of Public Health Ministry of Municipality and Environment
4	<p>Food shall be deemed rotten, damaged or otherwise unsuitable for human consumption in the following cases:</p> <ol style="list-style-type: none"> Where chemical or microbial analysis proves a change in its composition or if its natural properties change in terms of taste, appearance or smell; Where the period of validity of use expires in accordance with the date fixed in the statement written on its information label; Where food or its packaging or containers include larva, worms, insects, waste or animal residuals; Where food is prepared, produced or stored in or by unsanitary situations or methods. 	<ul style="list-style-type: none"> Ministry of Public Health Ministry of Municipality and Environment
7	<p>The Ministry of Public Health, the Ministry of Municipality and Environment and all of the municipalities within their geographic jurisdictions shall monitor imported food after its release from customs departments and its transportation into the country, as well as food produced locally, and inspect such food within the markets, commercial or industrial shops, similar public establishments and industrial facilities, regardless of their capital and number of staff, means of transport used for food transportation, stores, warehouses and their attached or subordinate squares. This is to ensure the application of the provisions of this Law and its executive resolutions and to control cases that violate such provisions.</p>	<ul style="list-style-type: none"> Ministry of Public Health Ministry of Municipality and Environment
9	<p>The specifications and requirements set out in this Law and its implementing resolutions shall exist in all food trading locations, and for food containers, and packaging, means of food transport, and to those persons employed in any food trading operation.</p>	<ul style="list-style-type: none"> Ministry of Public Health Ministry of Municipality and Environment



General Regulations on Imports of Chocolate and Sugar Confectionery³⁸

Direct marketing for international goods from foreign companies is allowed through local offices in Qatar. A selection of bakery and cooking ingredients can be directly marketed in Qatar through registered local offices. Imports generally require a license. A company that intends to import goods into Qatar needs to be legally registered with the Ministry of Commerce and Industry (MCI) according to the Commercial Registration Law No. 11. Additionally, all importers and exporters are expected to be listed in the Register of the MEC. The importers should also request

the Ministry of Municipality and Environment for an inspection of the premises they wish to import the goods to. Products under the HS codes 18063110 and 18063210 (Chocolates, Containing Cocoa, Including Alcohol) cannot be imported into Qatar by any distributor other than Qatar Distribution Company (QDC)³⁹, a subsidiary of the Qatar Airways Group that has exclusive rights with respect to the imports and distribution of these chocolates in Qatar.

GCC Unified Customs Regulations

Under QS 9/1996, food labels must contain the following information on the original label or primary packaging:

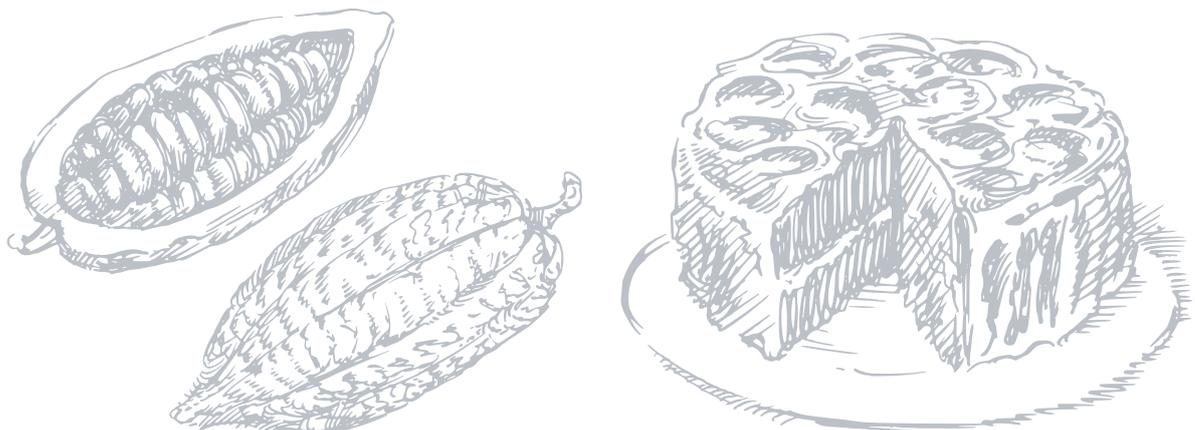
- Product and brand names
- Ingredients in descending order of proportion
- Additives
- Net contents in metric units (volume in case of liquids)
- Dates of production and expiry
- Manufacturer's name and address
- Country of origin
- Special storage, transportation and preparation instructions, if any

Original labels must be printed in Arabic. However, bilingual labels are permitted, provided Arabic is one of the languages

(e.g. Arabic/English) and all the required information printed in the foreign language is also printed in Arabic.

Arabic language stickers are permitted in lieu of original Arabic or bilingual labels, provided the sticker is extremely difficult to remove, includes all required label information, does not cover required information on the original label and does not contradict information on the original label. Local officials consider such stickers to be labels.

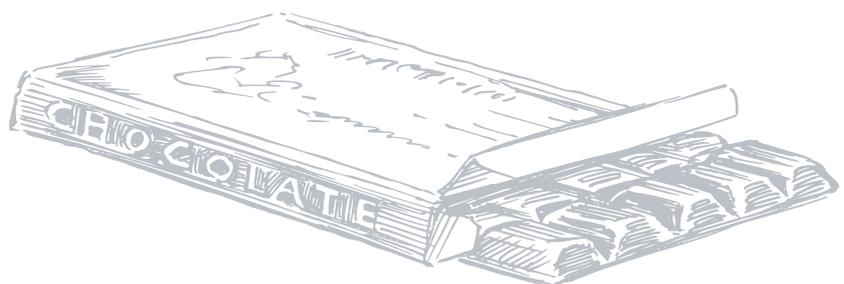
According to the GCC Standardization Organization (GSO), the GSO standard no. 150/2007 presents the mandatory expiration periods to be mentioned on all of the imported goods and the expiration date that should be recorded based on the type of packaging.



³⁸Qatar General Authority of Customs; ³⁹WTO - Qatar Trade Policy Review, April 2014; ⁴⁰Standardization Organization For G.C.C (GSO)

Table 16: Chocolate and Sugar Confectionery Expiration Periods

Mandatory Expiration Periods for Chocolate and Sugar Confectionery Goods ⁴⁰		
Product	Packaging Type	Expiration Date
Chocolate (all forms)	Packaged in carton, aluminum foils or plastic packaging	12 months
Chewing Gum	Moisture-proof packaging	18 months
Jellies	Metallic or glass packaging	24 months
	Tightly sealed plastic or aluminum foil containers	12 months
Halawa Tahinia	Metallic or plastic packaging	12 months
	Wrapped in paper or aluminum foils	6 months
All Forms of Candy	Suitable packaging	24 months
Sugar Powders	Car tons or plastic containers	18 months



6. SETTING UP A CHOCOLATE CONFECTIONERY MANUFACTURING FACILITY IN QATAR

The success of a chocolate confectionery manufacturing facility depends on several factors that must be taken into consideration to ensure smooth operations throughout the lifespan of the factory. Key aspects to be considered by entrepreneurs include focus on quality of raw materials and finished products, investment in the best machinery, hiring of skilled workforce, customer centricity and innovating constantly with changing market trends.

6.1 Key Success Factors

Figure 9: Key Success Factors – Chocolate Manufacturing

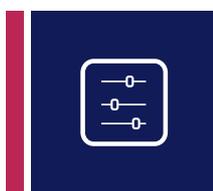


A. Access to raw materials:

- Access to raw materials at competitive prices is of prime importance for chocolate manufacturers setting up shop in a highly challenging market such as Qatar. It would be vital for a business to develop raw materials supply channels, both local and external.

B. Investment in machinery:

- The quality of machinery is of significant importance while developing a manufacturing facility. Sourcing the right mix of machinery can ensure consistency in quality; optimum production rates as well as can contribute to operational efficiency.



C. Technical know-how:

- Technical knowledge of the entire manufacturing framework is very important for businesses or investors planning to establish presence in the local market. A clear understanding of the type of raw materials, the equipment required and the strategy in production are the core elements required for setting up a chocolate manufacturing unit. A highly experienced recipe specialist plays a vital role in selecting the right mix of ingredients and constantly maintaining the consistency of all its products.

D. Access to skilled labor:

- Access to skilled labor is usually executed through foreign hiring, as the skilled labor pool in Qatar is limited to only a few sectors of the industry. The skilled workers with sound experience in chocolate manufacturing techniques are required in production, supervisory and quality control roles. The business must also consider hiring a design team and a sales team for support in the distribution of products to local retailers and businesses.



E. Customer centricity:

- The premium brand developed by the chocolate manufacturer and the supplementary services offered are fundamental to developing a strong relationship with the consumer. Strong customer relationships positively influences the overall buying experience of the customer. The synergy of top-quality products combined with an impeccable customer buying experience ultimately creates stronger connections, both on individual and corporate levels.

F. Innovation strategy:

- Customers constantly look for products that are customized to satisfy their changing tastes. The buying characteristics of the local market calls for a development of a strategy that includes a focus on product differentiation by identifying these changing tastes. The result is a highly competitive product and service, unique from the competitors and new to the market.



Degree of Importance | High | Medium



6.2 Risk Factors

Key risk factors involved in setting up a chocolate confectionery manufacturing facility include the following:

Figure 10: Risk Factors Involved Chocolate Manufacturing

	Risk	Impact	Mitigation
A	Poor quality and inconsistency in manufacturing	<ul style="list-style-type: none"> • Fall in sales • Difficulty in retaining customers • Negative brand reputation 	<ul style="list-style-type: none"> • Procurement of high quality raw materials. • Adhere to good and leading manufacturing practices. • Establish effective quality control procedures. • Regular maintenance of equipment.
B	Inadequate product mix	<ul style="list-style-type: none"> • Poor sales • Difficulty in retaining customers 	<ul style="list-style-type: none"> • Develop a wide range of products to cater to diverse customer segments.
C	Inadequate machinery and skilled labor	<ul style="list-style-type: none"> • Poor manufacturing efficiency • Poor quality output • Loss of customers 	<ul style="list-style-type: none"> • Installation of adequate machinery based on market demand. • Hiring skilled workforce, experienced plant manager and recipe specialist.
D	Unavailability of raw material	<ul style="list-style-type: none"> • Adverse impact on supply chain • Delay in production schedule 	<ul style="list-style-type: none"> • Develop long-term relationship with raw material suppliers. • Adhere to good and leading practices in procurement.

6.3 Manufacturing Process

Depending on the scale of production and the quality of the finished product, there are two main techniques that can be used for manufacturing chocolate confectionery, 1) From cocoa beans, 2) From chocolate blocks/ bulk chocolate.

1) Chocolate Confectionery Manufacturing from Cocoa Beans

This process is mainly followed by chocolatiers and small scale manufacturers that focus on preparing premium quality/ gourmet chocolates by combining cocoa beans, milk, sugar

and other fruit and nut fillings. Factories adopting this method of production are referred to as bean-to-bar manufacturing facilities that convert the cocoa bean into a chocolate bar. Average size of investment (pre-op, fixed assets and working capital) in a chocolate confectionery manufacturing facility ranges between QAR 8 million to QAR 12 million depending on the country of origin of the equipment, source of raw material imports and annual production capacity of the facility.



Figure 10: Chocolate Confectionery Manufacturing Process from Cocoa Beans







2) Chocolate Confectionery Manufacturing from Chocolate Blocks/ Bulk Chocolate

This process involves combining bulk chocolate, which is readily available from various suppliers in the form of blocks that are melted and combined along with other ingredients. Handmade chocolate manufacturers as well as factories with automated production lines adopt this method to produce standard (mass-market) as well as high quality chocolate confectionery.

For setting up a medium scale manufacturing facility, the second method is preferred, as it requires lower investment in machinery as compared to the first method that requires investment in roasting, grinding and winnowing machines for converting the

cocoa beans to cocoa liquor. The second method also enables a quick production process as it helps in saving time taken to sort, roast and grind the cocoa beans that is followed in the first method. Average size of investment (pre-op, fixed assets and working capital) in a chocolate confectionery manufacturing facility based on this process ranges between QAR 3 million to QAR 7.5 depending on the country of origin of the equipment, source of raw material imports and annual production capacity of the facility.

Figure 12 Chocolate Confectionery Manufacturing Process from Chocolate Blocks or Bulk Chocolate



6.4 Raw Material Requirement

The raw material required for the facility would depend on the manufacturing process adopted by the chocolate factory. In the case of a bean-to-bar manufacturing facility, cocoa beans would be the key raw material used, while chocolate blocks/ bulk chocolate would be used in the case of other factories. The other standard raw materials used in the manufacturing of chocolate confectionery include sugar, milk powder/ concentrate, fruits, nuts and packaging materials such as aluminum foil, paper, plastic and corrugated boxes.

Due to unavailability of domestic sources for cocoa beans, these need to be imported from international suppliers in Ivory Coast, Ghana (Cocobod), Cameroon (Ephoka), Ecuador (Olam Ecuador S.A.), and Indonesia (Golden Harvest Cocoa). Chocolate blocks can be sourced from domestic as well as international suppliers. Rafco F&B is a Qatari company, which is the distributor for prominent brands like Cacao Barry and Callebaut. The other raw materials such as sugar, milk powder/ concentrate and packaging materials can be sourced from local suppliers who import these commodities in bulk from various countries.

6.5 Regulatory Requirements

Entrepreneurs intending to set up a chocolate manufacturing facility should comply with various rules & regulations and obtain the necessary licenses & permits required for chocolate production and packaging.

Figure 13: Regulatory Requirements for Chocolate Manufacturing Facilities

	<p>1 Commercial Registration from the Ministry of Commerce and Industry (MCI)</p>		<p>2 Trade and signage license from Ministry of Municipality and Environment (Baladiya)</p>
	<p>3 License for compliance on fire safety from Qatar Civil Defense</p>		<p>4 Immigration approval and staff visas from Immigration and Passport control (Ministry of Interior)</p>
	<p>5 Food handlers certificate for new employees required by the government for the handling of food products (Ministry of Public Health)</p>		<p>6 Electricity connection from Kahramaa</p>

In addition to the above requirements on licenses and permits, the manufacturing facility should comply with quality, health & safety and environment regulations.

Quality: Qatar follows the standards prepared by the Gulf Standardization and Metrology Organization of the GCC (GSMO). All operating procedures must comply with the stipulated quality manual.

Health and Safety: Health and safety aspects are regulated through Qatar Labor Law 2004. The Ministry of Labor's National Committee of Occupational Health and Safety oversee the health and safety regulation. All manufacturing facilities should obtain a HACCP Certificate and ensure that all operating procedures comply with the health and safety manual.

Environment: Manufacturing units have to receive an environmental permit issued by the Ministry of Municipality and Environment. Details of the entire project along with data on air pollutants, solid and liquid waste generated need to be submitted in order to receive the permit. Manufacturing facilities should obtain certification of ISO 14001 for environment. All operating procedures must comply with the environment manual and the factory should not generate any chemicals or obnoxious waste.

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