



Organic Agriculture in Saudi Arabia

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The organic sector in Saudi Arabia is young and dynamic. A comprehensive system of data collection is not yet in place. Thus, the information shared in this document may not be exhaustive.

All information contained in this document has been compiled by the authors within the framework of the "GIZ/MoA Organic Farming Project."

Numerous persons and organizations have supported the realization of the study. The authors thank the following organizations and professionals for their contributions in sharing their experience and knowledge:



Department of Organic Agriculture (Ministry of Agriculture) | Abdul Aziz Al Telas (Al Mahalliah)
 Eng. Ajmal Hayat (Al Watania) | Dr. Ahmed Suliman (GIZ) | Dr. Mohammed Abdalla (GIZ) | Eng. Badr Al Mutairy (SOFA)
 Prof. Ibrahim Al Shahwan (Organic Pilot Farmer & SOFA Vice-Chairman)

The authors would also like to especially thank the GIZ Sector Project "Sustainable Management of Resources in Agriculture" which works on behalf of the German Federal Ministry for Economic Cooperation and Development and addresses sustainable production systems, genetic resources, cultivated biomass, soil, water and climate.

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Foreword

Alfalfa Harvest, Najran

FOREWORD



Dear reader,

Global markets for certified organic products have been growing rapidly over the past two decades. Growth has mainly been driven by the increasing health awareness among consumers. In consonance with global trends, Saudi Arabia is seeing a growing consumer demand for healthy and high-quality foods. Domestic organic markets are emerging in the Kingdom. However, in search of high-quality, healthy products, some segments of Saudi society have shifted their consumption patterns towards imported organic foods. Organic agriculture offers substantial opportunities for small farmers in the Kingdom. The shift from severe competition at local conventional markets to an organic niche market offers attractive price premiums in a growing market environment. However, the benefits of organic agriculture are not confined to business opportunities. In addition to market considerations, organic is environmentally friendly and protects the Kingdom's valuable resources by strengthening soil fertility, biodiversity and other ecosystem services.

In mid 1425H – 2005G, the Ministry of Agriculture commissioned GIZ to support the development of the organic agriculture sector in Saudi Arabia, bringing in extensive international expertise in organic sector development. Over the past 7 years, the Organic Farming Project has established governmental structures and support services to expand organic production and foster the further development of this sector. To help meet the high standards for quality, the Ministry of Agriculture introduced its own Saudi National Organic Regulation and Standards in 2010. Standards include guidelines for production, processing, trade and the import of organic products. However, organic market development in the Kingdom is largely dependent on consumer trust in certified organic products. As a result, the Ministry of Agriculture is safeguarding consumers' interests via its national organic control system. Its thorough implementation, together with the monitoring and surveillance of all organic-sector activities, is the core function of the Department of Organic Agriculture (DOA).

This first Organic Sector Study offers an overview of a young but steadily growing organic sector. I hope this study will provide not only comprehensive insight into the current status of organic agriculture in the Kingdom but also an understanding of the potential health, economic and environmental benefits of this important segment of agriculture in the Kingdom. As you read through the pages of this study, I hope you enjoy learning more about how the organic sector originated, where we stand now and what opportunities lie ahead for organic agriculture in the Kingdom of Saudi Arabia.

Sincerely yours,

H.E. Dr. Fahd Bin Abdul-Rahman Bin Sulaiman Balghunaim
Minister of Agriculture

Chapter 1

SAUDI ARABIA – A COUNTRY COMMITTED TO SUSTAINABLE FOOD PRODUCTION

Suk Al Shemal (Farmers Market), Riyadh

SAUDI ARABIA – A COUNTRY COMMITTED TO SUSTAINABLE FOOD PRODUCTION

Consumer demand for healthy and high quality foods is growing in the Kingdom of Saudi Arabia. At the same time, domestic organic markets are emerging. Organic is not only healthy to consumers but also environmentally friendly and water saving.

Worldwide, consumer attention to food safety and the environment has increased overwhelmingly in recent decades. There is a steadily growing concern about human and environmental health. The rising awareness is reflected in an annually increasing rate of organic agricultural production across the world. Countries recognize organic as a promising alternative to conventional farming.

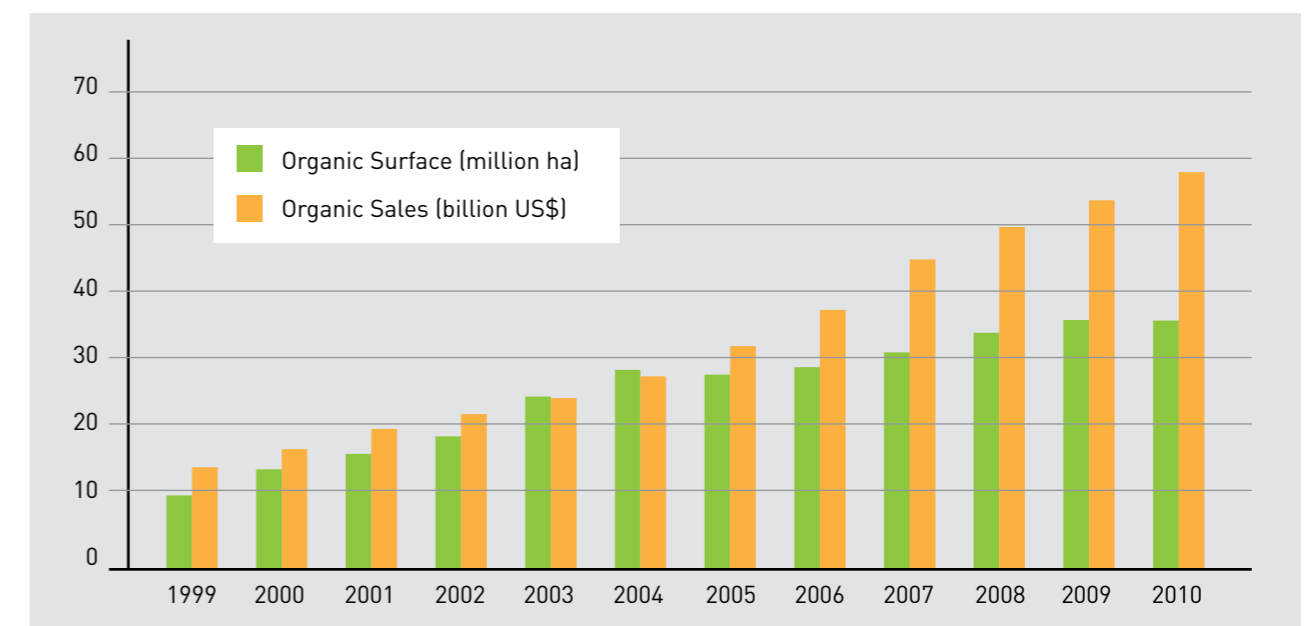
Organic agriculture – a worldwide success story

Since the first scientific experiments on organic agriculture in the 1950s, the sector has seen immense development. Nowadays, about 1.8 million farmers are producing worldwide under organic regulations. Within the past ten years, the area of land devoted to organic agriculture has increased from 15 million to 37 million hectares (see Figure 1-1). Today, organic farming is the most dynamic and rapidly growing sector in the global

food industry. Twenty years ago organic agriculture represented a small-scale niche market. Since then, the increasing global demand for organic products has resulted in a total sales volume of almost 60 billion US dollars in 2010. As major sales markets for certified organic products are concentrated in Europe and North America – accounting for 97 percent of global revenues – further growth must be expected worldwide.

Because the global market for organic products has developed into a multi-billion-dollar business, the term “organic agriculture” is associated with strict standards and rules. At present, 66 countries have fully implemented regulations for organic farming, and 19 countries have finalized laws, as well as detailed standards and rules, but have yet to implement their regulations. Moreover, 25 countries are in the process of drafting their own organic standards.

Figure 1-1 Development of organic agricultural surface area and sales 1999 – 2010



Source: FiBL and SOEL (hectares), Organic Monitor (sales)

What is organic agriculture and who benefits from it?

Organic farming relates to a holistic, environmentally friendly production system that generates extensive benefits to state and society (see Box 1-1) – including producers and consumers (see Box 1-2, Box 1-3 and Figure 1-2).

Box 1-1

Benefits of organic agriculture

Benefits to organic farmers:

- Enhanced yields as a result of long-term soil fertility improvements
- Cost savings due to reduced input use
- Preservation and improvement of animal health
- Increase of water retention in the soil
- Increase and preservation of agrobiodiversity

Benefits to consumers:

- Guaranteed pesticide-free foods
- Guaranteed genetically modified organism (GMO)-free foods
- Certified, high-quality products
- Reduction of health risks

Benefits to the public:

- Decreased soil and water pollution
- Enhancement of biodiversity
- Contribution to water saving
- Securing of water quality
- Reduction of health risks for producers and consumers

Box 1-2

What is organic agriculture?

Organic agriculture is a production management system that promotes the sustainability of agricultural ecosystems and the production of healthy foods. Its main objective is to conserve natural resources: soil, water, and biodiversity. Organic agriculture emphasizes the use of on-farm inputs and encourages biological processes to increase the natural availability of nutrients. The soil is a central part of any organic farming system, and the aim is to maximize its fertility over time.

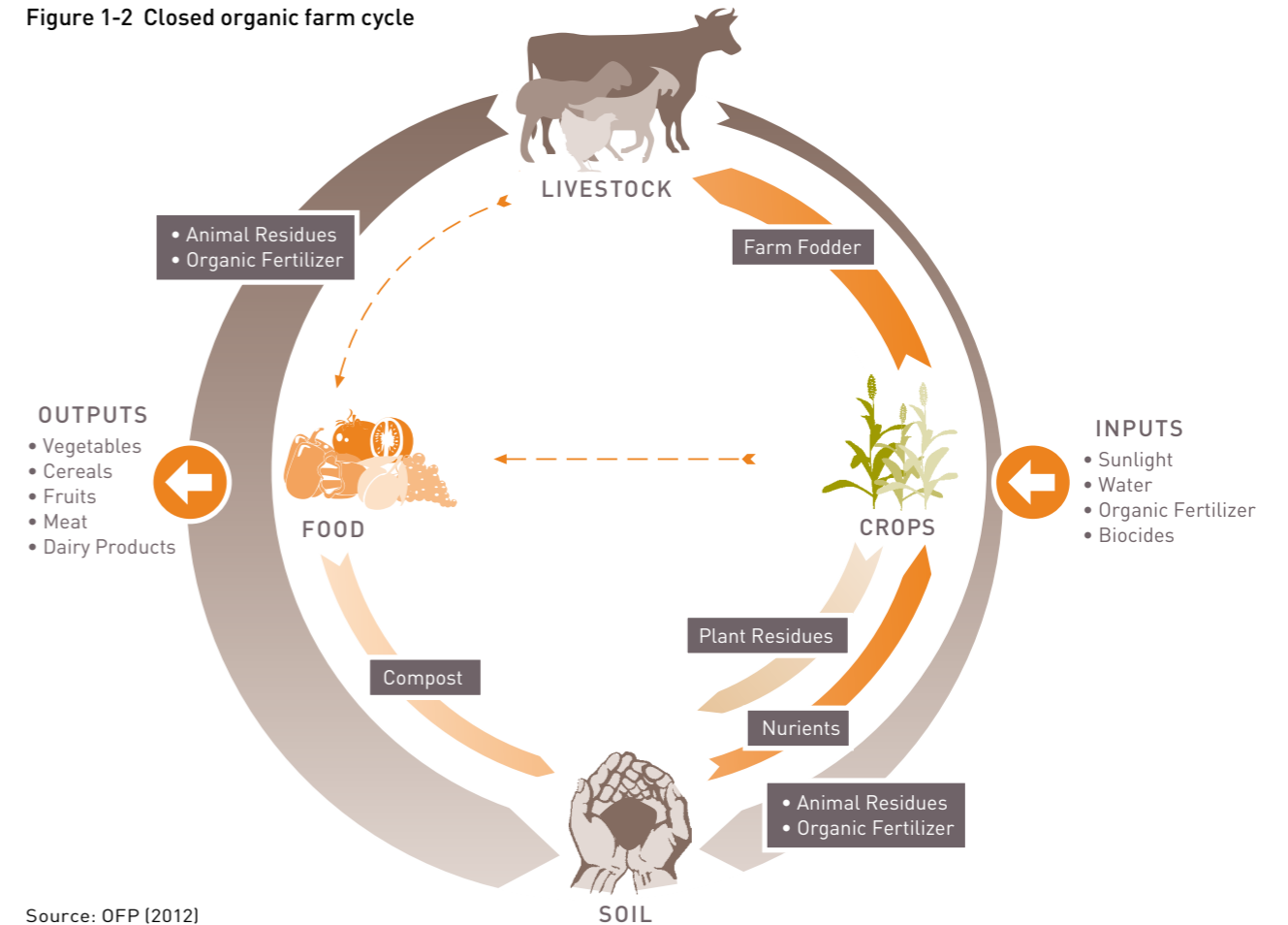
Organic agriculture relies on a closed farm cycle. It utilizes the mutual interdependence of habitats – soil, plants, animals, and human beings. Crop residues, as well as animal and green manure, are recycled and returned to the land, thus minimizing the use of non-renewable resources. The use of synthetic fertilizers and chemical pesticides is excluded, as pest and weed control is accomplished through natural means.

Overall, sound farm management is the cornerstone of organic agriculture. It is directed towards preventing problems while stimulating processes that enhance soil and plant nutrition and mitigate pests. The primary goal is to strengthen and improve the “soil-plant-animal system” in order to raise current and future yields without the use of external inputs.

In order to ensure the integrity of organic produce, farmers have to comply with strict standards and regulations. Therefore, organic farms are inspected and certified. The regulations are consistently monitored by national food safety authorities.

Many national organic regulations set criteria for the use of a special “seal of approval” labeling system to visibly differentiate organic goods that are produced in compliance with these regulations. Such seals of approval assure consumers that these labeled products meet the standards of the respective national organic-farming regulation.

Figure 1-2 Closed organic farm cycle



Source: OFP (2012)

Saudi Arabia puts the spotlight on organic farming

Saudi Arabia recognizes the potential of organic agriculture. In recent years, the Saudi government has started taking steps to support more environmentally friendly farming systems. In 2005, the Ministry of Agriculture (MoA) commissioned GIZ to help develop an organic sector within Saudi Arabia. In close cooperation with various stakeholders, a functional institutional and legal framework was put in place. Therefore, Saudi Arabia’s overall goal today is to boost the organic market to further strengthen the sector’s development.

By introducing the first National Regulation & Standards for Organic Agriculture in 2011, Saudi Arabia has shown its commitment for developing a strong organic sector. At present, organic farming is among the priorities of the Ministry of Agriculture, aiming to promote this concept in all regions for the benefit of producers and consumers alike.

Organic agriculture – a driver for healthy food production

Over the past years, food safety has gained increased attention within the Kingdom of Saudi Arabia (KSA). The extensive and intensive use of pesticides and chemical fertilizers within the agro-industrial production system has led to a widespread change of awareness regarding production methods and quality of food among both consumers and policy makers.

In order to cope with the growing demand for healthy food products that also help safeguard the scarce water and soil resources, organic farming is seen as a viable development strategy for the agricultural sector. In recent years, the Kingdom has committed important financial resources to develop and strengthen this sector, drawing upon valuable international expertise.

■ Box 1-3

IFOAM and its definition of organic agriculture

The most widely adopted definition of organic agriculture was developed and promoted by the International Federation of Organic Agriculture Movements (IFOAM), a non-governmental organization that acts as the worldwide umbrella organization for the organic movement. It brings together over 750 member organizations from more than 100 countries. Its mission is to lead, unite, and assist the organic movement in its full diversity and to promote the worldwide adoption of ecologically, socially, and economically sound systems that are based on the principles of organic agriculture.



IFOAM defines organic agriculture as follows:

“Organic agriculture is a production system that sustains the health of soils, ecosystems, and people. It relies on ecological processes, biodiversity, and cycles adapted to local conditions, rather than the use of inputs with adverse effects. Organic agriculture combines tradition, innovation, and science to benefit the shared environment and promote fair relationships and a good quality of life for all involved.”

Sustainable water use is a top priority

Currently, water demand for agriculture accounts for roughly 86 percent of the overall water consumption. Due to its recognized potential to reduce water consumption, organic agriculture is becoming ever more important in semi-arid and arid areas. The Arabian peninsula is one of the world’s driest regions, with rainfall averaging less than 130 millimeters per year. The sustainable use of water is thus a top priority within and for the Kingdom.



Drip Irrigation

The impact of organic farming on water availability and quality is remarkable. Above all, thanks to the improved incorporation of organic matter, the water-holding capacity of the soil structure improves considerably – leading to a reduced need for irrigation water compared to intensive conventional agriculture. In regard to water quality, organic farming prevents water pollution resulting from the use of synthetic fertilizers and pesticides, which is common in agro-industrial farming. In addition, improved crop rotation and permanent soil cover prevent erosion and soil degradation and hence improve the water-retaining capacity of arable land.

On the whole, organic farming is an important factor in the promotion of modern and innovative irrigation systems that increase water-use efficiency. In practice (where applicable), organic farming tends to substitute efficient drip irrigation (water-use efficiency 80-90%) for widespread center pivot sprinkler irrigation (water-use efficiency 50-60%).

All in all, it is indisputable that organic agriculture has great potential to address the current and upcoming challenges relating to sustainable water management within the agricultural sector of Saudi Arabia.



Center Pivot System

Chapter 2

HISTORICAL DEVELOPMENT OF THE ORGANIC SECTOR

Historical House (Midmakh Building), Najran

HISTORICAL DEVELOPMENT OF THE ORGANIC SECTOR

Since the early 1970s, the agriculture of Saudi Arabia has gone through tremendous changes. Once the world's sixth largest exporter of conventional wheat, Saudi Arabia is now promoting sustainable farming systems to have a more positive impact on both food security and water use.

Historically, agriculture on the Arabian Peninsula was characterized by small-scale production of dates and vegetables in areas with sufficient water resources. Constrained by water availability, these primarily small plots produced just enough food for local communities. Any surplus was bartered or sold to passing caravans.

Introduction of modern production methods in the 1970s

The agricultural sector in Saudi Arabia started to change drastically in the 1970s with the launching of extensive government programs to establish and promote modern farming methods. At that time, important investments were made for the construction of rural roads and the establishment of irrigation networks, storage centers, and export facilities. As a result of these interventions, by 1984, Saudi Arabia had become self-sufficient in wheat and, shortly thereafter, began to export significant

quantities of cereals. By the early 1990s, due to this subsidized agricultural scheme, the country had become an exporter of wheat, ranking sixth worldwide.

Promoting agricultural sustainability since the 2000s

At the beginning of this millennium, it became clear that the intensive agricultural production practices that had been established could only be maintained with a high use of production inputs and at the expense of fossil water. This would cause a serious drain on the Kingdom's water resources, drawing mainly from non-renewable aquifers. Furthermore, the widespread use of chemical fertilizers to boost yields had led to serious food-safety concerns.

In the course of negotiations regarding the country's accession to the World Trade Organization (WTO) in 2005, the Kingdom agreed to downsize its agricultural support and liberalize its trade regime as necessary steps to accelerate its integration into the world economy.

However, the Kingdom's scarce water resources remained of paramount concern, and in 2008, the government decided to continue down this path and phase out wheat production by 2016. Consequently, since 2009, Saudi Arabia has started to compensate for the annual reduction of wheat production (12.5% annually) with imports. As this decline has also reduced the country's food self-sufficiency, Saudi Arabia's attention is now increasingly directed towards production structures that support a sustainable development of the domestic market.

In this backdrop, Saudi Arabia has made an important strategy shift in recent years, aiming to favor sustainable production while abandoning conventional production structures. An important component of this strategy is the promotion of modern water-saving technologies, especially drip irrigation. In addition, farmers are encouraged to grow crops with higher economic value, such as fruits and vegetables, to take better advantage of the limited water resources. In this context, organic agriculture has become a vital part of the country's new "sustainability pathway," as its positive effects on food quality and water conservation are well recognized.

Figure 2-1 Main economic and agricultural indicators for Saudi Arabia

Total Area	(km ²)	2,150,000
Population ²		27,000,000
GDP per Capita ²	(US\$)	20,000
Total Cultivated Area¹	(ha)	835,000
Area of Cereal Crops	(ha)	329,000
Area of Fodder Crops	(ha)	160,000
Area of Vegetables – incl. Greenhouses	(ha)	107,000 9,000
Area of Fruits – incl. Dates	(ha)	239,000 162,000
Number of Farms ²	(#)	251,000
Labor Force ²		8,148,000
Employment in Agriculture ²	(%)	4.1

Source: OFP
(based on data from 1) MoA, 2009 and 2) CDSI 2009 & 2011)

Development of the organic sector since 2005

Before 2005, organic agriculture was almost nonexistent in the Kingdom. The organic products available on the Saudi market were mainly imported from the US or EU. The first important domestic players in this new market appeared in 2000: Nadec (National Agricultural Development Company), Al Watania Agricultural Company, and Al Khalediah (see Chapter 4). While Nadec – one of Saudi Arabia’s largest agricultural companies – dedicated a portion of its production to organic agriculture, Al Watania and Al Khalediah have specialized in organic. Today both enterprises have established themselves as leading organic operators in the Kingdom. Al Watania started building up its organic production structures, along with its own marketing channels, mainly through small, company-owned organic retail shops. Al Khalediah, however, is marketing its products mainly via supermarket chains (e.g. Carrefour).

In 2005, the Saudi government commissioned GIZ to support the development of the organic sector. As Al Watania and Al Khalediah were still the only major large-scale organic actors within the domestic market, the first step of the GIZ Organic Farming Project (OFP) was to stimulate the conversion of 10 farms to organic, becoming the first organic “pilot farms” in the country (see Box 2-1). Accordingly, during the initial stages of the project, the training of pilot farmers in a wide range of organic farming practices was a top priority. From 2007 onwards, the project’s focus was clearly on the creation of support services and governmental structures to expand organic production and sustain the further development of this sector.

Figure 2-2 Map of Saudi Arabia



Cartography: Sven Oehm (2012)

■ **Box 2-1**

GIZ Organic Farming Project – Mission & Milestones

On request of the Saudi Arabian Ministry of Agriculture, GIZ started to support the development of organic agriculture in April 2005. The overall mission of the Organic Farming Project was to establish a functioning and sustainable organic agriculture sector in Saudi Arabia. Within a mere 7 years, the project has turned organic agriculture in the KSA into a success story.



Phase I (2005 to 2007) – Setting the stage for organic agriculture in the KSA

The initial sector development work started with the establishment of organic pilot farms. In order to develop technical know-how among operators and strengthen farmers’ competencies, pilot farmers were intensively trained in all relevant topics, ranging from soil, plant, and animal production to irrigation water management and marketing aspects. In 2007, GIZ supported the founding of the Saudi Organic Farming Association (SOFA) in order to strengthen the private sector’s involvement in the organic sector.

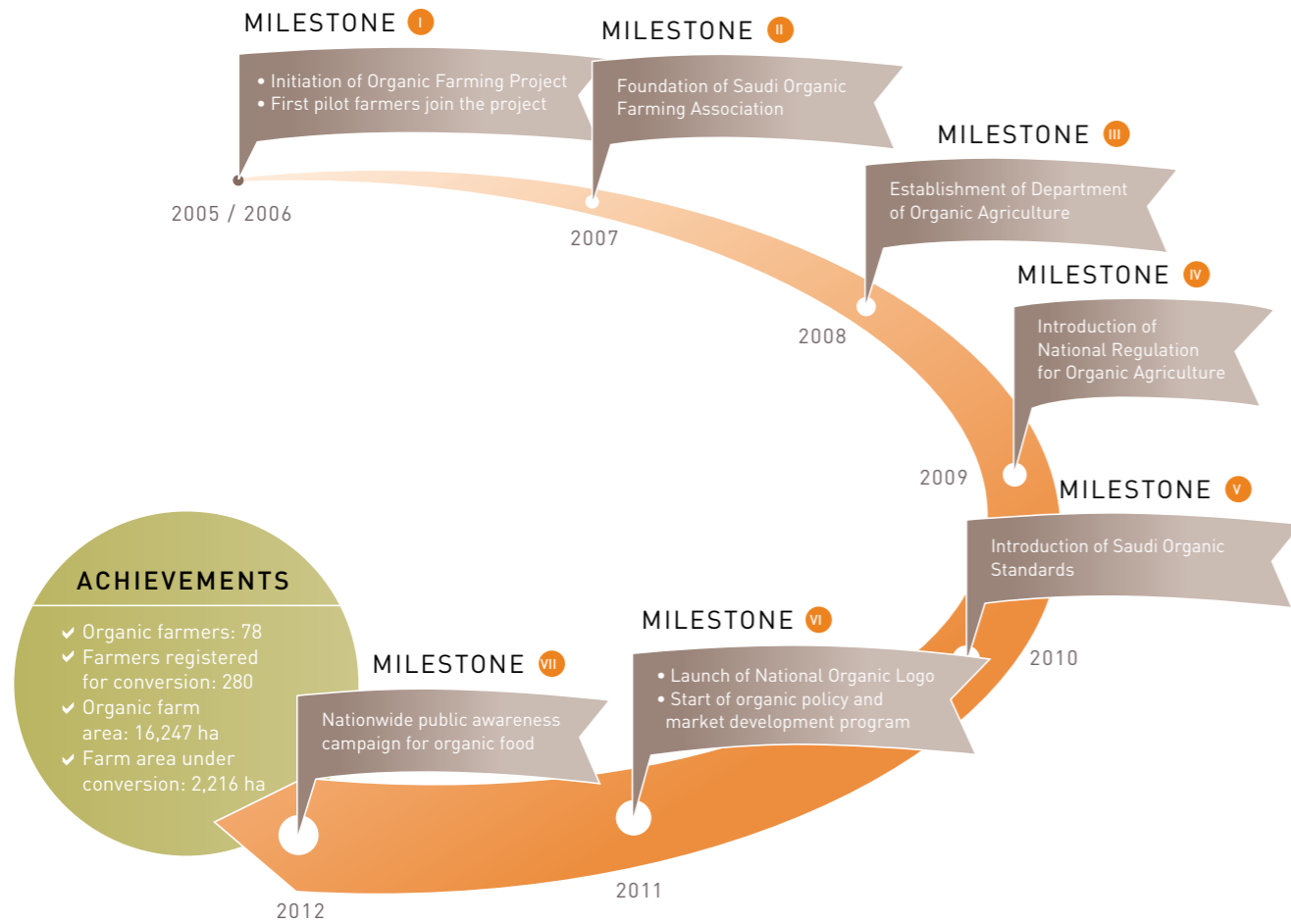
Phase II (2008 to 2010) – Enabling private sector development and shaping the legal organic framework

In the second project phase, the development of a supporting legal framework and functional value chains, including technical support services, was prioritized. In 2008, GIZ initiated the establishment of the Department of Organic Agriculture (DOA) within the Ministry. As the competent authority, the DOA is in charge of monitoring and surveillance for the entire organic sector. Because operational structures and sustainable capacities within the DOA were fundamental for the sector, the project worked very closely with the Ministry of Agriculture in this phase. This collaboration was further strengthened through the development process for a legal framework. In 2009, the National Regulation for Organic Agriculture was introduced to the sector. In the following year, the regulation was supplemented by the National Organic Standards, the so-called “Saudi Technical Specifications for Good Practices in Organic Production.”

Phase III (2011 to 2012) – Facilitating market development and shaping an Organic Agricultural Policy

The third phase started with an important milestone for the organic sector. In January 2011, the Saudi National Organic Logo for Organic Agriculture Products was officially introduced. Subsequently, the project launched its Organic Market Development Program in order to facilitate market access for operators and further develop organic value chains at national level. Simultaneously the project has taken up the design of a first Organic Agricultural Policy, pursuing the implementation of governmental support measures for sustainable and long-term organic sector development. In 2011, the DOA accredited certification bodies to carry out farm inspections based on the new National Regulation & Standards for Organic Agriculture. Consequently, a few months later, the first organic producers across the country were certified according to this new legal framework. In parallel, SOFA actively promotes organic farming at national level and strongly engages in market development activities. Organic products have entered Riyadh’s weekly market and a national organic awareness campaign has been launched in 2012.

Figure 2-3 Milestones and achievements within the Saudi organic sector



Source: OFP (2012)

The founding of the Saudi Organic Farming Association in 2007 paved the way for enhanced private sector development and can be viewed as one of the first important milestones for the organic agriculture movement in the Kingdom (see Figure 2-3).

One year later, in 2008, the Department of Organic Agriculture was created within the Ministry of Agriculture. It was this department that drafted Saudi Arabia's first regulatory framework for organic agriculture – the National Regulation for Organic Agriculture. Published in 2009, this new set of rules has formed the basis for any organic farming activity in the Kingdom.

By the year 2012, the OFP had succeeded in doubling the number of organic pilot farms. All farms, currently 21 (April 2012), are inspected by international certification bodies. Until the year 2010, private certification bodies had been responsible for the certification of organic farms in Saudi Arabia according to EU Standards. The new National Organic Regulation has been in place since 2011 and serves as the legal framework for certifying organic farms. Similar to the EU Regulation, certification bodies operating in the Kingdom must be accredited according to international standards.

Figure 2-4 Saudi National Organic Logo(s)



Saudi Organic Consumer Logo



Saudi Organic Input Logo

The Saudi National Organic Logo, launched in 2011, was another important milestone in the development of the organic sector in Saudi Arabia (see Figure 2-4). Its creation is the result of a close and successful cooperation between all three leading actors – the Department of Organic Agriculture, the Saudi Organic Farming Association, and GIZ. The logo serves as both a marketing instrument for certified organic operators and a guide for consumers. It is granted by the DOA to products that meet the requirements of the National Organic Farming Regulation. In 2011, a nationwide publicity campaign was implemented by SOFA and the MoA to create public awareness for this logo and boost the organic movement in general.

In addition to the organic logo used on product labels and promotional material, a special logo for organic inputs was created to differentiate organic inputs (see Figure 2-4, Chapters 3 and 5). A list with all organic inputs available on the domestic market using this label is published by the Department of Organic Agriculture and the Saudi Organic Farming Association (see Table 3-4).

Fast expansion of organic production in 2012

To date, the DOA has registered 78 farms as certified organic. As of July 2012, however, some 280 additional farmers have requested official registration at the Department of Organic Agriculture to convert their production system into organic. In 2012, almost 16,400 ha of arable land are being cultivated in compliance with the organic regulation; in addition, about 2,200 ha are currently under conversion (see Table 4-1). While crop production plays a key role within the organic sector, organic animal husbandry is still of minor importance. More information on production structures and organic marketing can be found in Chapter 4.



Public Awareness Campaign, Riyadh

Chapter 3

ACTORS INVOLVED IN THE ORGANIC SECTOR



Stakeholder Workshop, Asir

ACTORS INVOLVED IN THE ORGANIC SECTOR

The organic sector in Saudi Arabia is developing fast. Since the Organic Farming Project was launched in 2005, meaningful capacities and structures have been created in close collaboration with the public and private sector.

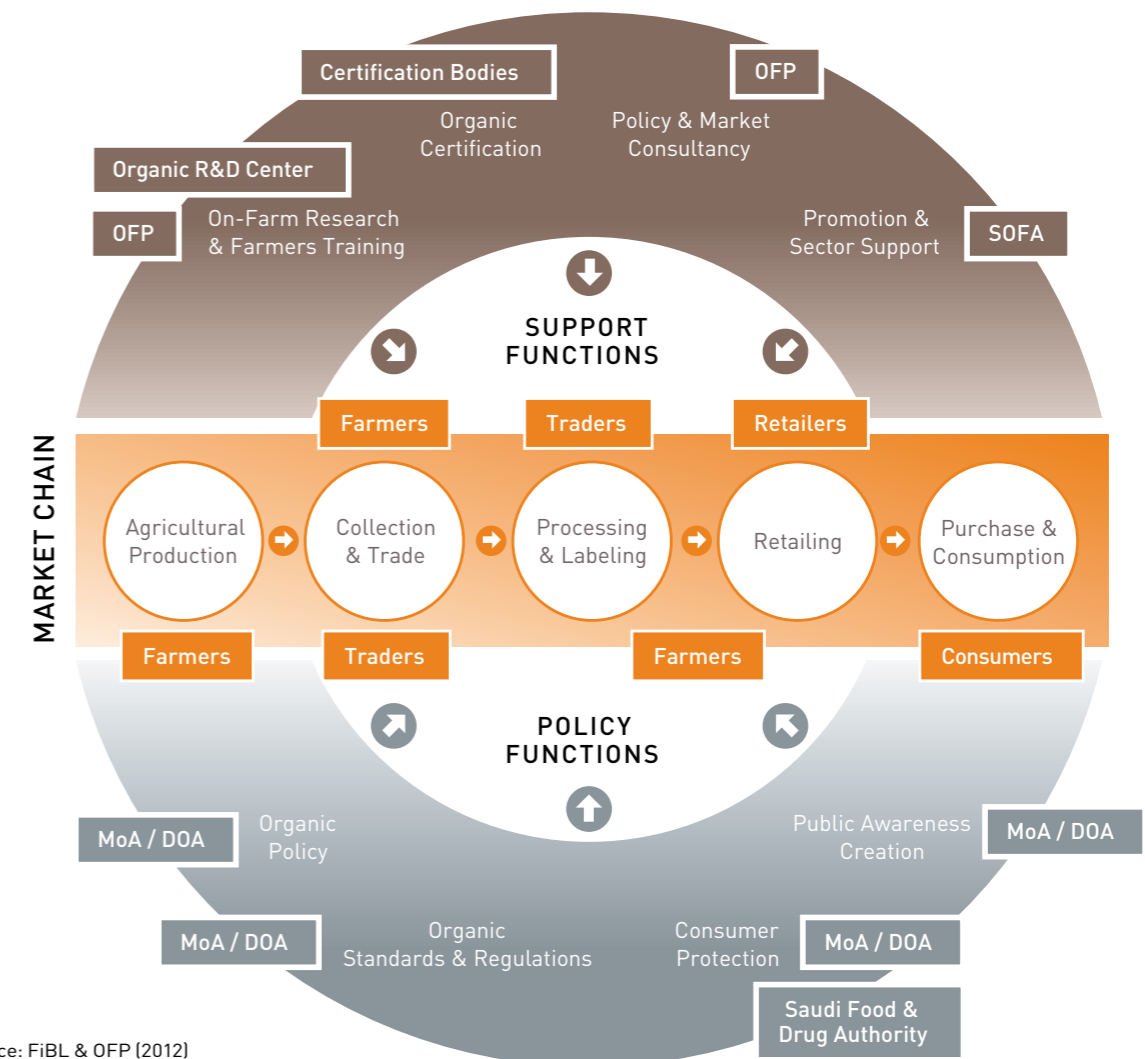
In general, there are three different groups of actors involved in the organic sector: (1) market chain actors directly involved in production and marketing processes for organic commodities – such as farmers, input traders, processors, retailers, and consumers, (2) private service providers who offer various types of technical, administrative, or management-related services to market chain actors, and (3) policy makers who support and promote the entire sector through a number of governmental measures (Figure 3-1).

Farmers – the basis of the organic sector

The farmers involved in organic production play a key role in this sector. In 2012, all 78 organic farmers throughout the Kingdom are producing in accordance with the new Saudi Organic Regulation. Among these are the 21 pilot farmers involved in the Organic Farming Project (see Table 3-1).

Farms are located throughout the country and are represented in all major agricultural production areas

Figure 3-1 Overview of main actors involved in the KSA's organic sector



Source: FiBL & OFP (2012)

Table 3-1 Pilot farmers of GIZ Organic Farming Project

Pilot Farm / Company	Region	Main Products
Al Mahdi	Asir	Vegetables, Fruits, Wheat, Herbs, Honey, Chicken, Sheep, Goats
Al Marzouqi	Baha	Barley, Cucumbers, Fruits, Tomatoes
Sulaiman Al Buti	Eastern Province	Dates, Vegetables, Mulberries, Grapes, Lemons, Limes, Figs, Alfalfa
Al Rayana	Eastern Province	Dates, Barley, Chilies, Eggplants, Garlic, Herbs, Dromedaries
Al Abdulmuhsin	Eastern Province	Fallow Land
Al Shawi	Hail	Dates, Fruits (e.g. Grapes, Pomegranates, Lemons, Figs), Vegetables
Al Furaihan	Hail	Dates, Olives, Vegetables, Wheat
Ali Mohammed Fahad	Jizan	Dates, Bananas, Cherimoya, Guavas, Lemons, Forage Crops
Al Adawi	Jizan	Figs, Lemons, Mangoes, Henna
Al Salem Farm	Jouf	Olives, Lemons, Fruits (e.g. Grapes, Pomegranates, Figs)
Abazeer	Madinah	Dates, Almonds, Barley, Citrus Fruits, Beehives
Al Aramiah	Makkah	Fruits (e.g. Pineapples, Mangoes, Papaya, Oranges, Plums, Grapes), Olives
Al Sweegah	Najran	Dates, Grapes, Figs, Olives, Vegetables, Wheat, Pasture
Judan Farm	Najran	Dates, Figs, Grapes, Mangoes, Alfalfa
Al Hejressyiah	Qassim	Dates, Barley, Wheat, Alfalfa, Corn, Potatoes, Goats, Sheep, Pigeons
Organic R&D Center	Qassim	Dates, Citrus, Mulberries
Wahat Maramer	Qassim	Dates
Al Fawaz	Riyadh	Tomatoes, Carrots, Eggplants
Dr. Al Shahwan for Organic Farming	Riyadh	Tomatoes, Cucumbers, Beans, Eggplants, Dates, additional variety of 36 vegetables, Sheep (from end of 2012)
Al Sheha	Riyadh	Dates, Vegetables, Fruits, Alfalfa, Goats
Al Janadriyha	Riyadh	Dates, Vegetables (e.g. Jews Mallow, Red Radish, Pumpkin, Beans, Tomatoes, Cabbage, Broccoli, Cauliflower)

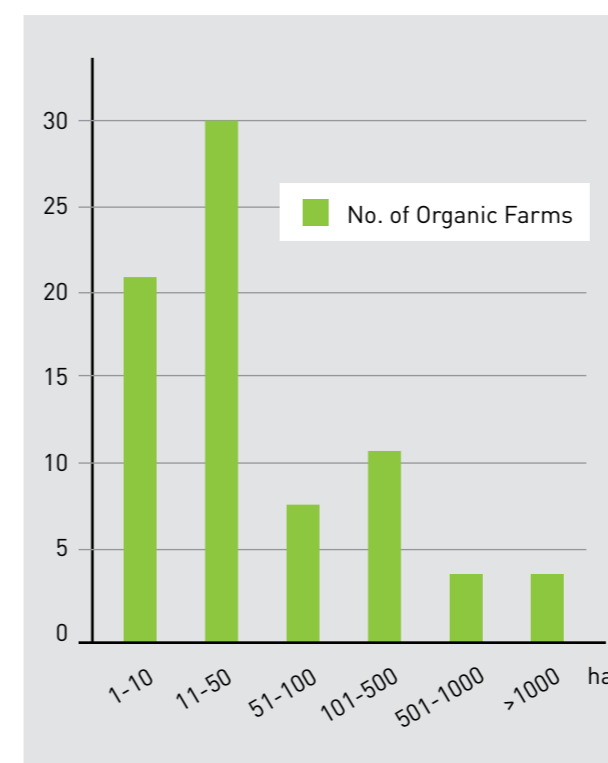
Source: OFP (2012)

(see Chapter 4). Organic production involves primarily those crops that are typical to each area: dates, vegetables, herbs, and fruits. Due to the limited availability of organic fodder, organic animal husbandry is currently restricted to a small number of farms and animals.

The organic farms vary greatly in size, from 1ha to several thousand hectares (see Figure 3-2). Most of the farms are run by the owners themselves, who mainly rely on hired foreign specialty workers to successfully implement the daily on-farm operations. Farm management capacities vary owing to the difference in the financial means of farm owners and the educational backgrounds of the farm managers and other hired staff.

The 21 pilot farmers involved in the Organic Farming Project have a special role in the organic sector. Having obtained in-depth training by GIZ, in cooperation with the MoA and SOFA, they act as regional promoters and multipliers for organic agriculture. As “pilot farms,” they attract the interest of conventional producers and assist them in converting to organic production. Most organic pilot farmers have participated in local, regional, and national events, such as workshops, festivals, and exhibitions. These farmers are deeply integrated and acknowledged within Saudi society. Moreover, they represent highly recognized personalities in public life – a most valuable basis for the effective promotion of organic farming and foods. In addition to production and collection, most farmers are also involved in trading and retailing activities.

Figure 3-2 Size of organic farms in Saudi Arabia



Source: OFP (2012)

Absence of specialized traders and processors

Most of the fresh fruits and vegetables produced are marketed directly by the producers. In many cases, fresh produce is sold from the farm gate. Specialized operators in organic trade and processing are still virtually nonexistent. The entire processing business is currently in the hands of a few innovative organic producers, i.e. companies who combine the production, processing, and trade of their products under one umbrella brand. Processing applies especially to vegetables (tomatoes), fruits (e.g. dates, pears, citrus, olives), and cereals. Tomatoes, for example, are processed into tomato paste, olives into olive oil, and fruits like pears or citrus into juice. Grain is mainly processed into flour, various types of pasta, and an array of baked goods, such as cookies and bread. Organic dates are graded and processed on farm, whereas the packaging is usually done by nearby packing companies. Although dates are one of the country’s main agricultural products, there is currently still no company in Saudi Arabia specializing in the processing of organic dates. In this context, three important farming enterprises that act as both producer and processor, as well as retailer and/or trader, are worth mentioning: Al Watania (production, processing, trade, and retail), Abazeer (production, processing, wholesale, and retail), and Al Khal-ediah (production and trade). Al Watania’s operations, for example, cover the entire value chain: the cultivation

of tomatoes, their processing into tomato paste, retailing the processed tomatoes through supermarkets, and selling them at its own retail stores.

Limited but growing number of retailers

In addition to the direct sale of fresh produce via farmers, specialized organic stores are gaining increasing importance, particularly for processed products (see Table 4-2). Some retailers are fully specialized in organic foods, others in health foods, where organic products are part of a larger product portfolio.

In response to the growing consumer awareness for wholesome and organic products, major supermarkets are gradually expanding their organic product ranges. Certain supermarkets have special organic sections, such as Carrefour and Danube; others like Tamimi display their organic products along with conventional products, sorted by product type. In all cases, however, the majority of the processed products offered by supermarkets – most of which are convenience foods (e.g. breakfast cereals, nutritional supplements, cookies, juices) – are imported, mainly from the US and EU.



Abazeer Retail Store, Jeddah

Service providers who are shaping Saudi Arabia’s organic agriculture sector

The entire organic sector of Saudi Arabia, including all key stakeholders, is closely related to the Organic Farming Project (see Box 2-1). The Saudi Organic Farming Association (see Box 3-2) and the Department of Organic Agriculture (see Chapter 5) are certainly the most relevant and influential actors in the Kingdom. SOFA’s main services, in addition to the overall promotion of organic agriculture, are focused on the support of its members through the provision of relevant information about all different aspects of organic agriculture – such as requirements and procedures for certification, marketing opportunities and contacts, innovative farming methods, and legal guidelines.



Al Watania Branch, Riyadh

The DOA represents the Ministry of Agriculture in all matters relating to organic agriculture and acts as a driving force for the establishment of all relevant public services and legal guidelines in favor of the organic sector. Its core task is the monitoring and surveillance of all organic sector activities. Furthermore, the DOA is responsible for the publication of the so-called "Organic Input List" (see Table 3-4). This document lists all authorized organic inputs, as well as retailers who produce, import, and/or trade these agricultural products. Another key task of the DOA is the coordination of public-relations activities, including festivals, exhibitions, and workshops. The main purpose of these events is the exchange, dissemination, and provision of information among all relevant actors within the organic sector. Finally, the DOA defines, develops, and fine-tunes the necessary legal guidelines to ensure optimal sector development (see Chapter 5).

The Organic Agriculture Research & Development Center, located in Unayzah (Qassim), is another important actor. As a research institution, it trains farmers in organic production methods and delivers farm-based consultancy on special topics (see Box 3-3). Above all the Center is dedicated to the delivery of practical solutions for meeting the needs of organic producers throughout the Kingdom.

Organic certification bodies operating in the KSA

Regarding organic certification, Saudi Arabia has attracted a number of international certification bodies. Currently, in the year 2012, there are four international certification organizations operating in the Kingdom (see Table 3-3): two from Germany (BCS and CERES), one from France (ECOCERT), and one from Egypt (COAE). The companies who have entered the certification market most recently are TAWTHIQ and OneCert. TAWTHIQ, the first Saudi certification body, is still in the process of accreditation. OneCert, a certification company from the US, was authorized by the DOA in February 2012 to certify according to the Saudi National Regulation but has yet to performed any certifications in Saudi Arabia. To date, the majority of Saudi Arabia's organic farms have been inspected and certified by BCS, whereas ECOCERT has certified the largest share of the organic surface area.

Until 2010, the certification of organic farms was performed by private certification bodies in accordance with international standards, especially the EU Regulation. Since 2011, organic farmers can also be certified according to the new Saudi National Organic Regulation. This new regulation, like the EU Regulation, requires that certifiers operating in the Kingdom be accredited according to international norms (ISO 65/17065).

Small number of input manufacturers and suppliers

Organic production is expanding, and the demand for organic inputs is growing fast. At present, there are only a few manufacturers of organic inputs in the Kingdom (see Table 3-4 and Box 3-1). Up to now, most organic inputs have had to be imported. Although there are a limited number of domestic suppliers for biological fertilizers and pesticides, there are currently no domestic producers of organic seeds. Therefore, organic farmers depend completely on imports, meaning that the availability of organic seeds is not always ensured. As a result, organic farmers are forced to use and rely on conventional untreated seeds. Overall, it is one of the sector's priorities to increase the number of input suppliers in the near future.

Actors involved in the Organic Sector

Table 3-3 Certification organizations operating in Saudi Arabia

Company	Accreditation	Certified Area	Percentage
ECOCERT Société Anonyme	✓	7,700 ha	47 %
BCS Öko-Garantie GmbH	✓	4,650 ha	28.5 %
CERES Certification of Environmental Standards GmbH	✓	880 ha	5.5 %
COAE Center of Organic Agriculture in Egypt	✓	2,920 ha	18 %
TAWTHIQ	in progress	200 ha	1 %
OneCert	✓	-	-

Source: OFP (2012)

GIZ – a driving force for sector development

Since 2005, GIZ has been acting as the main initiator, mediator, and facilitator in the organic sector in Saudi Arabia. Through its Organic Farming Project (see Box 2-1), GIZ promotes networking among sector stakeholders, develops policy and marketing concepts, and provides operating recommendations to decision makers and producers. With the aim of setting up essential private and public structures, the project collaborates very closely with the DOA (see Chapter 5) and SOFA (see Box 3-2), bringing in outside expertise wherever needed.

In the framework of the OFP, GIZ disseminates knowledge and enhances organic agriculture competencies mainly through training courses for organic farmers, addressing a broad range of topics, such as soil fertility, plant nutrition and protection, irrigation management, greenhouse and fodder production, animal husbandry, and the marketing of organic products. For the design of organic agricultural policies and marketing strategies, GIZ collaborates with all relevant actors.



GIZ Plant Nutrition Workshop, Asir



GIZ Organic Input Workshop, Riyadh

Table 3-4 Organic input companies in Saudi Arabia

Import/Trading Company	Production Company	Country of Origin	Input	
Advanced Ossos Agr. Est.	Carlan Lab	Spain	Fertilizer	Probion Set Probion Beri V Probion X Full
	Green Has Italia S.p.A	Italy	Fertilizer	Vit-Org
Al Mahalliah Company Trading & Agriculture Co. Ltd.	Al Ahram for Mining & Natural Fertilizers	Egypt	Fertilizer	Raw Phosphate
	Nabat Al Aradh Factory	Saudi Arabia	Fertilizer	Amino Fe Amino Cu Amino Zn Amino Ca Amino Mn Humic Power
			Soil Conditioner	BioFert Legumes BioFert Crops BioPhos BioPotas
			Plant Protection	BioGuard LoCup 6% Rhizo M Nema Stop
International Environmental Services	BIOWISH Technologies Inc.	USA	Fertilizer	BIOWISH Crop
Al Emar International	BioVert	Spain	Fertilizer	Manvert Biosteren Manvert Complex
			Soil Conditioner	Manvert Mator
Saudi United Fertilizer Company	Beijing Kingbo Biotech Co. Ltd.	China	Fungicide Acaricide	Vegard 0.5 AS Sophora
	Aglukon	Germany	Fertilizer	Multimicro Liquid
AL Manef Company	Arya Biotechnology	India	Fertilizer	Shrungi Biobest N Liquid Shrungi Biobest N Solid
Ibn Al Sheikh Agric. Est.	Kawa Agricultural Co. Ltd.	China	Fertilizer	Admiral Guano
Assasia Nawa Est.	Alginit Distribution Center Company Ltd.	Hungary	Fertilizer	Alginit
Yassin Agric. Company	Kelp Products Ltd.	South Africa	Fertilizer	Kelpak
Proteina Factory for Organic Fertilizers	Proteina Factory for Organic Fertilizers	Saudi Arabia	Fertilizer	Proteina Organic

Source: OFP (based on data from the DOA, 2012)

■ Box 3-1

Interview with Abdul Aziz Al Telas

Abdul Aziz Al Telas is the founder and CEO of Al Mahalliah Company – one of Saudi Arabia's first companies supplying organic inputs. Currently, Al Mahalliah is constructing a new factory to expand the domestic production of organic inputs. Production will start by the end of 2013.

Organic Farming is a relatively new movement in Saudi Arabia. What gave you the idea to go into this business?

"Almost 12 years ago, we took a closer look at the agricultural market. Back then, we noticed that there is a growing interest in organic agriculture among farmers. But there were almost no organic inputs available on the domestic market. This is why we made the decision to become active in this field and fill this market niche."

One can say that Al Mahalliah is one of Saudi Arabia's pioneers in the organic sector. What were your experiences at this early stage?

"To be honest – we were suffering in the beginning of our endeavor. We invested a lot of money and effort into gaining a good understanding of the organic input business. Since no one was producing such inputs in Saudi Arabia at that time, we visited numerous conferences and agricultural exhibitions all over the world to keep pace with the latest production standards. Our goal was, and still is, to provide farmers with the most modern organic inputs available on the market. In retrospect, I must say that the first years were quite tough, but it was worth it!"

So how is the situation today?

"In the past, 90% of our products, mainly biocides, were imported from the US, the EU, China, India, and Korea. Today, we only import around 15 to 20%. The majority of our products, especially fertilizers, come from domestic sources. The new factory that we are currently constructing in Al Kharj will further expand our domestic-product portfolio. Since the costs and sales prices for these inputs will be drastically reduced – by up to 50% – we expect a strong increase of organic input sales in the coming years.

The Ministry of Agriculture is currently developing a customized Organic Agricultural Policy for the Kingdom. What are your expectations?

"Such a policy will have an extremely positive effect on the organic market. The government would send a clear signal to all stakeholders that this sector has great potential, thus enhancing confidence and trust within the sector. This is likely to trigger further investment in organic farming and marketing. An important aspect of this policy should be the educational advertising of the benefits of organic farming. The most recent public-awareness campaign is a good example of how the government can have a strong impact on society. Many Saudis heard about organic food for the first time thanks to this campaign. So increased awareness is essential for the further development of this market!"

What, in your opinion, are the upcoming challenges for the organic sector?

"The key element is the consumer. If consumers recognize the value of organic foods, the demand will further increase and therefore lead to new, promising opportunities for all actors along the value chains. Nevertheless, the most important factor will be keeping supply on pace with demand. For this reason, a sound support policy is essential to help equilibrate the increasing demand for and supply of organic products. The important first steps have been made in this area. If we continue down this path, I am quite optimistic that Saudi Arabia's organic sector will have a prosperous future.

■ Box 3-2

Saudi Organic Farming Association

The Saudi Organic Farming Association was founded in 2007 with the support of GIZ, becoming the most important stakeholder platform related to organic agriculture in Saudi Arabia. SOFA is a private and independent non-profit organization under the supervision of the Ministry of Agriculture. It represents organic farmers, manufacturers, wholesalers, retailers, and importers. To date (mid-2012), SOFA has 143 members.

SOFA's aim is to incorporate all private stakeholders related to organic agriculture under one umbrella and to produce and provide consistent information to both members and consumers to further promote the organic sector. Its members represent all different segments of the value chain – farmers, traders, retailers, and scientists – although farmers represent the largest group by far. With its technical support, education, and training, SOFA seeks to encourage farmers to shift to organic production.

For its members, SOFA aims to improve market access and upgrade the sector by supporting farming. Beyond that, SOFA unites stakeholders along the organic market chain and enables them to exchange and communicate their interests. Often, SOFA acts jointly with the Department of Organic Agriculture.



Together, they develop and provide appropriate recommendations for the sector in general and members in particular. The launching of the Saudi National Organic Logo in February 2011 as part of a huge public campaign is one example of SOFA's important work in this area.



Public Relations Activity of SOFA, Riyadh



Presentation at Saudi Agro Food Exhibition, Riyadh

■ Box 3-3

Organic Agriculture Research & Development Center

In June 2009, H.E. the Minister of Agriculture took the decision to convert the "Qassim Agriculture Research Center" into the "Organic Agriculture Research and Development Center." As Saudi Arabia's first organic research and development center, its main research areas are soil science, horticultural science, plant protection, and biodiversity.



Date Palm Trees at the Organic R&D Center

The mission of this new Center is twofold: to deliver advice on organic agriculture to a broad farming community and to provide farm-based consultancy. So far, the Center has conducted a variety of activities

and events to promote organic farming within the Kingdom. It offers workshops, lectures, seminars, and training courses on various topics, mainly in close collaboration with both the Organic Farming Project and the DOA.



Biological Pest Control Workshop, Organic R&D Center

The new Organic R&D Center is gradually improving its capacities for playing the lead role in the coordination and implementation of research and extension services related to organic agriculture. One fundamental strategy is to shift its research activities closer to the farmers' fields, in order to provide better hands-on solutions to technical challenges in the field and to obtain a better linkage between research and extension activities.



Nursery at the Organic R&D Center

Chapter 4

PRODUCTION AND MARKETING OF ORGANIC PRODUCTS

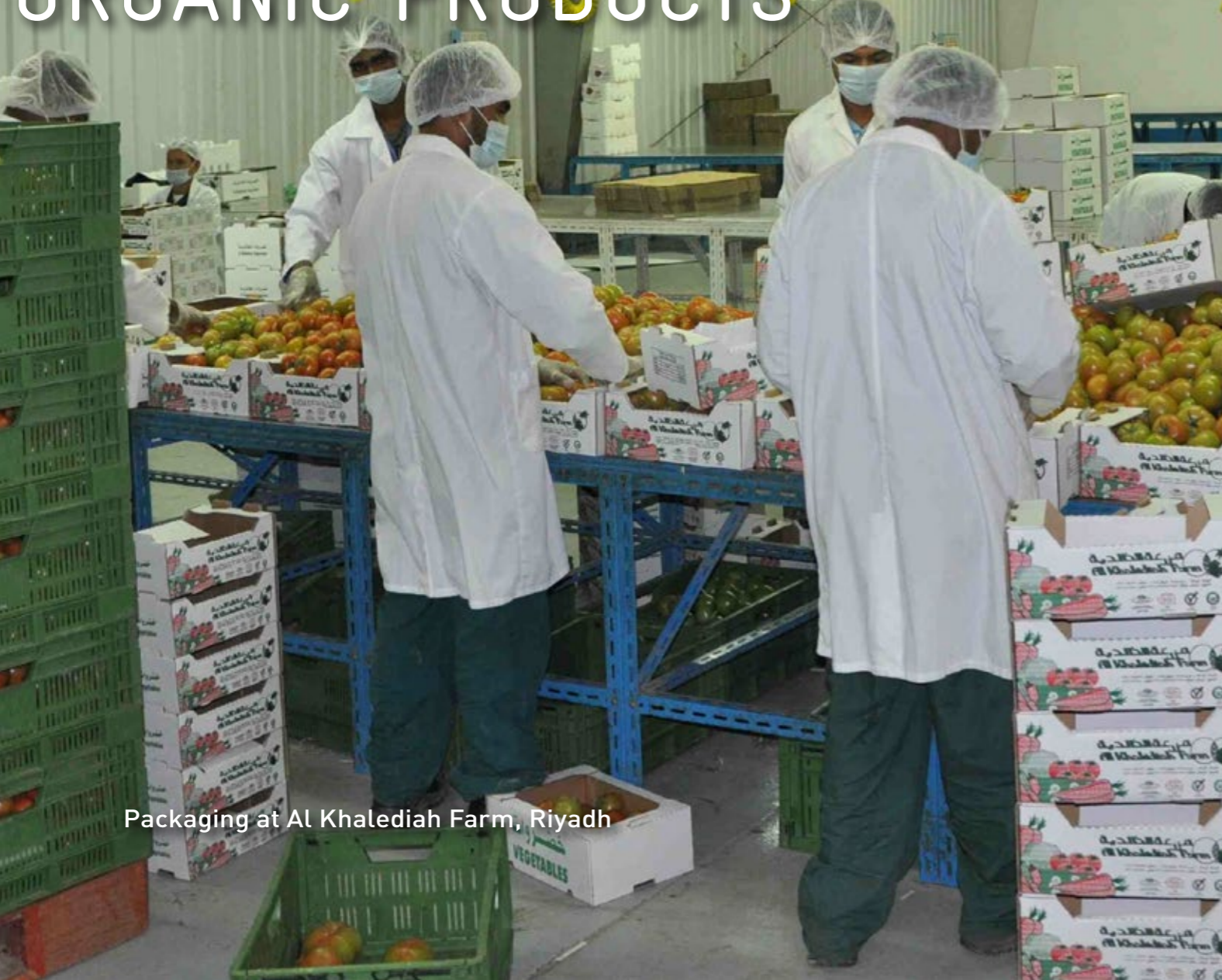
PRODUCTION AND MARKETING OF ORGANIC PRODUCTS

The total area of organically certified land is expanding fast as more farmers are converting to organic production. At the same time, organic sales are growing with the increase in consumer awareness. Nevertheless, an improved coordination between production and marketing will be crucial in order to better balance supply and demand.

Saudi Arabia is famous for its desert climate. Yet, there are great seasonal and regional differences in precipitation and temperature, which explain the large variations in agricultural production across the country. The central regions are hot in the summer and cool in the winter. During the summer months, the maximum temperatures exceed 50°C. Conversely, nighttime temperatures in the winter can drop below the freezing point. Throughout the year, the climate is dry, with average annual rainfalls between 50 and 100 mm. In contrast, the coastal areas are hot and humid in the summer, while winters are warm. Comparatively favorable agricultural conditions exist in the mountainous region in the southwest of the country, where the total rainfall can reach 250 mm/year. The prevailing crops of a region are dependent upon climatic characteristics: The mild coastal climate in the southwest allows for the cultivation of tropical fruits. Wheat and vegetables are grown predominantly up-country. For organic production, these varying local conditions are just as important as good market access.

Regional differentiation of organic production

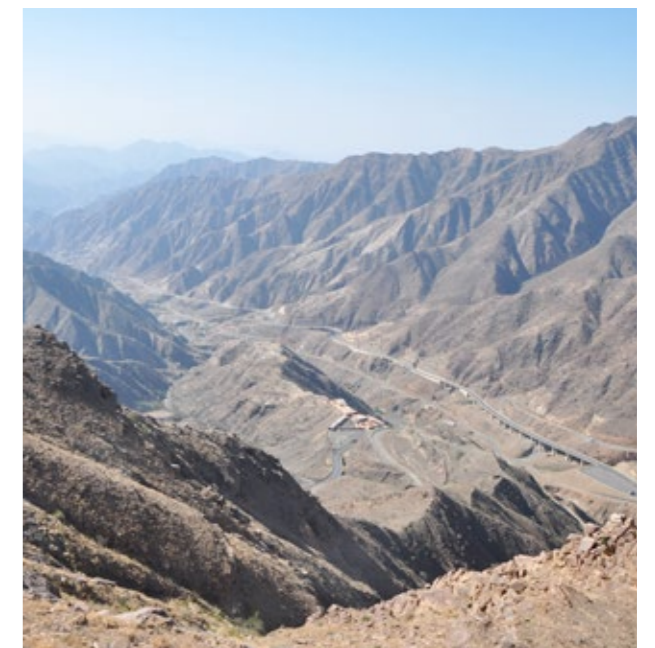
Organic production can be found throughout the country in various agricultural areas (see Figure 4-1). The most important are Qassim and Al Kharj, located in the center of Saudi Arabia, which is considered to be the agricultural heart of the Kingdom; the main products of these areas include dates, vegetables (e.g. carrots, cucumbers, tomatoes, lettuce), and fodder crops. Saudi Arabia's most important olive-production area is located in the northern region of Al Jouf. This region is also prominent for its date-tree cultivation. Major fruit-production centers are located in the southwest along the Red Sea coast. Jizan is especially well known for its production of tropical fruits, such as mangos and papayas. Asir's mountainous area is famous for small-scale agricultural production on terraces. The main crops cultivated there include fruits and vegetables – such as peaches, apricots, potatoes, and lettuce.



Packaging at Al Khalediah Farm, Riyadh

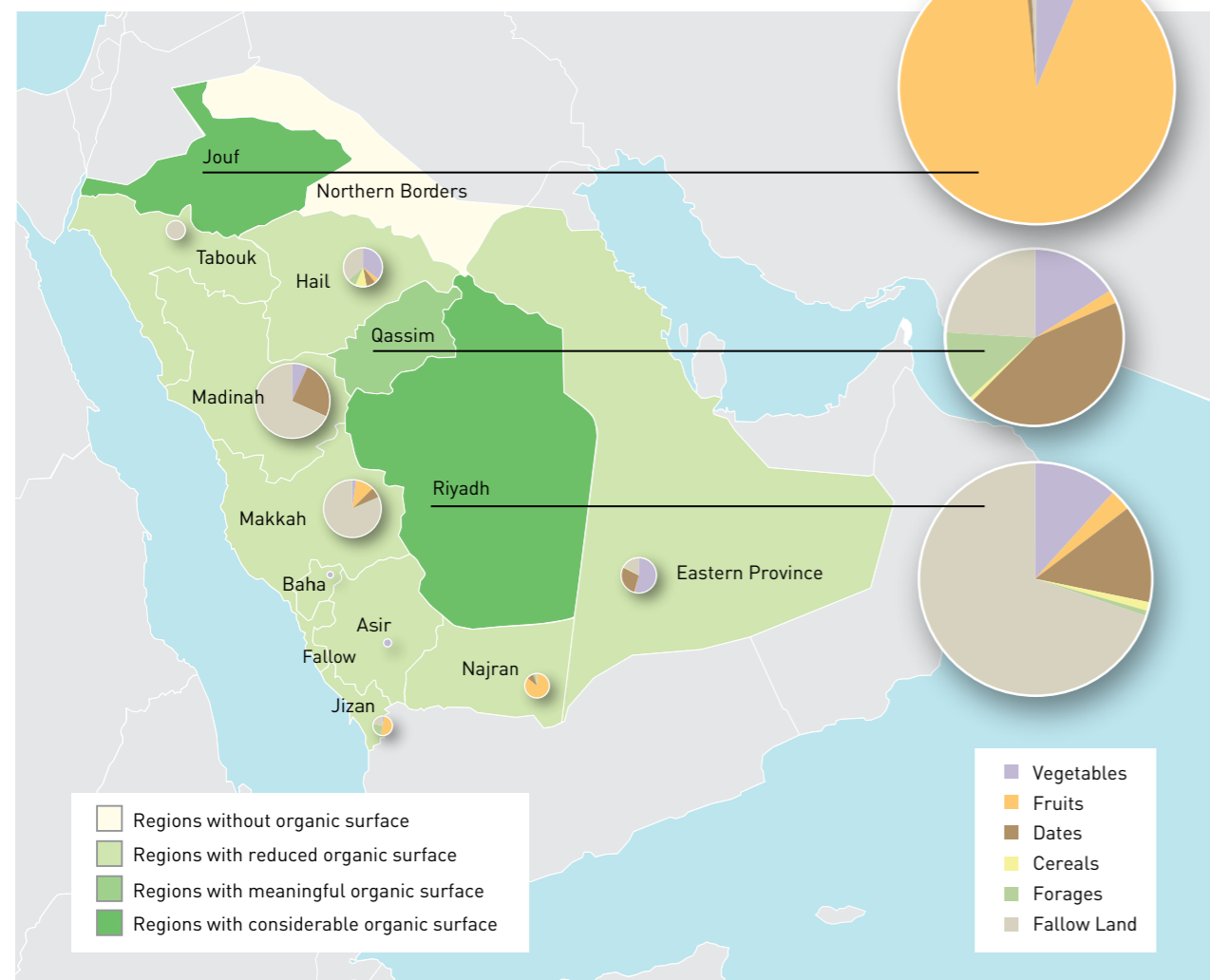


Desert Landscape, Center of the KSA



Asir Mountains, Southwest of the KSA

Figure 4-1 Organic production by region



Source: OFP & FiBL (based on data provided by the DOA)

Organic animal husbandry – still of minor significance

Compared to organic crop production, organic animal husbandry is still of little relevance. In 2012, about 2,800 farm animals were kept in accordance with organic standards – the majority of these were sheep and goats. In addition, approx. 735 small ruminants are currently certified “under conversion,” i.e. in the process of becoming organic.

To date (mid-2012), organic livestock production is entirely focused on meat production. Specialized organic dairy farms are virtually nonexistent. Currently, the production of organic fodder is insufficient, hindering the expansion of the organic livestock sector.



Organic Camels, Qassim

Table 4-1 Organic production by region

Region	Farms (no)	Crop Area (ha)		Fallow Land (ha)		Livestock (heads)		Birds (heads)	
		organic	conversion	organic	conversion	organic	conversion	organic	conversion
Asir	1	5	0	0	0	150	0	50	0
Baha	1	0	2	0	0	0	0	0	0
Eastern Province	5	105	0	20	0	9	0	0	0
Hail	4	101	0	58	0	0	0	0	0
Jizan	2	34	0	9	0	95	0	0	0
Jouf	6	6.982	1.408	63	0	0	0	0	0
Madinah	2	192	0	409	0	0	0	0	0
Makkah	1	0	71	315	0	0	0	0	0
Najran	2	28	0	1	0	0	0	0	0
Northern Borders	0	0	0	0	0	0	0	0	0
Qassim	22	2.395	103	785	6	2.541	90	300	0
Riyadh	31	1.027	616	3.797	10	0	645	0	0
Tabouk	1	0	0	20	0	0	0	0	0
TOTAL	78	10.869	2.200	5.477	16	2.795	735	350	0

Source: OFP & FiBL (based on data provided by the DOA)

Main organic crops

The most important organic crops in Saudi Arabia are vegetables – in particular tomatoes, eggplants, cucumbers, and onions – and fruits, such as dates, citrus, olives, and grapes (see Figure 4-2). Organic vegetables are produced both on the open field and under controlled conditions (i.e. polytunnels and greenhouses); the latter is particularly common for crops like tomatoes, cucumbers, and eggplants. Legumes are mainly cultivated as part of a sound crop rotation. Fallow

land is either included in crop rotations or constitutes converted production areas for upcoming cultivation. Among fruits, date palms are of major importance in Saudi Arabia. Their production is distributed throughout the country; Alfalfa is the major organic forage crop. Organic cereal production has little significance compared to conventional agriculture; only a few farmers grow organic barley, wheat, sorghum, and corn.



Organic Date Production, Al Jouf



Organic Greenhouse Production, Riyadh

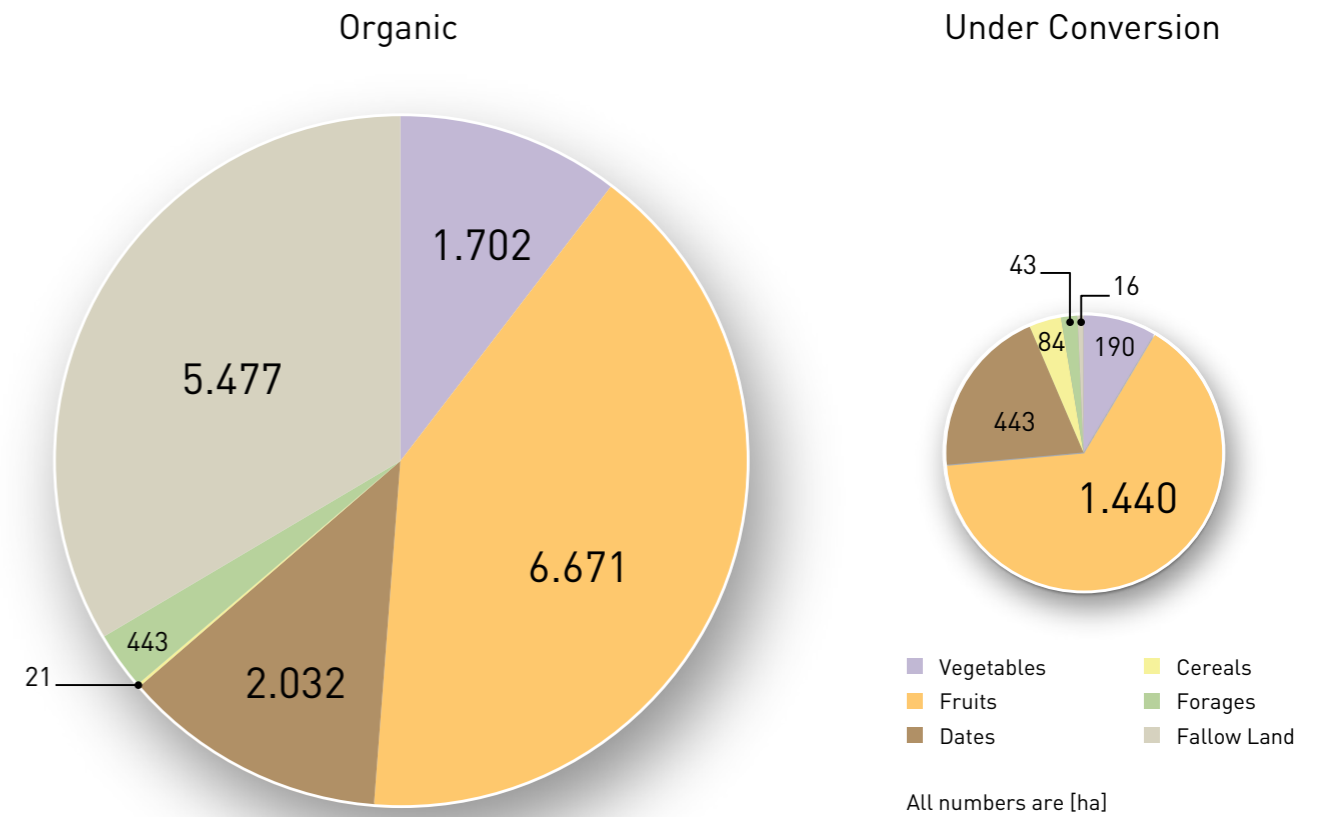


Organic Grape Production, Najran



Organic Sorghum Production, Jizan

Figure 4-2 Main organic crops grown in the KSA



Source: OFP (based on data provided by the DOA)

Main markets for organic produce

Saudi Arabia's major urban areas are the main consumption centers for organic products. The majority of specialized organic shops, as well as supermarkets with organic sections, are located in some of the country's largest cities: Riyadh, Dammam, Al Khobar, and Jeddah. Overall, the market for organic produce is still small, fragmented, and often personalized. The limited and seasonal supply makes it difficult to establish close collaboration with traders and retailers. This is particularly true for perishable crops, which are sold predominantly within the production region – through the local markets or at the farm gate.

The home delivery system that a number of farmers have developed to reach consumers directly represents an interesting alternative. Farmers like Ibrahim Al Shahwan have responded to the current situation by using a direct distribution system, delivering organic vegetable baskets to their customers – on a weekly basis (see Box 4-1).



Pilot Farmer Ibrahim Al Shahwan, Riyadh



Organic Vegetables at Farmers Market, Riyadh

■ Box 4-1

Interview with Pilot Farmer Ibrahim Al Shahwan

Ibrahim Al Shahwan’s farm is located in the desert-like landscape south of Riyadh. On six hectares of land, he is growing around 40 different kinds of organic vegetables. Although he is working as a full-time professor for plant pathology at the King Saud University, Ibrahim Al Shahwan is an organic farmer at heart. In order to demonstrate to his students the advantages of organic farming, he has set up his farm as a sideline.

How did you start growing organically?

“As a scientist in plant pathology, I am aware of the severe risks of using pesticides. The uncontrolled use of fertilizers and pesticides in conventional farming is causing high levels of contamination in a range of produce on sale in Saudi Arabia. I show my students how conventional farmers use pesticides and how we are operating on my farm without using any chemicals. Once they have seen that, they will never want to eat anything but organic!”

Why is organic agriculture important to you?

“Besides being a scientist, I am also a father. And for that, it is my deepest interest to offer healthy products without any chemicals. We have to make sure that future generations have access to safe and healthy food.”

You have set up a delivery service for your products. How is the demand?

“Each week I send out baskets containing an assortment of vegetables to some 80 or more households. I can hardly keep up with the demand, which is steadily growing. I would be delighted if I had more colleagues to cooperate with to keep my customers happy.”

What are the challenges facing the organic agriculture sector in Saudi Arabia today?

“Organic farming in the Kingdom is in a transitional phase. At the moment, demand is greater than supply. This is actually a promising situation. But there is still a long road ahead of us. Our goal must be to promote organic farming to a wider public and make all consumers in Saudi Arabia aware of the benefits of organic food.”

How would you describe the future of organic agriculture in Saudi Arabia?

“Saudi Arabia’s upcoming challenge is to develop a sustainable way of using its scarce water resources. Organic farming can contribute to that mission by increasing the water retention of the soil and improving its fertility. My ambitious hope is that, in 5 to 10 years, organic produce will play a significant role in the food market of Saudi Arabia. If the awareness for healthy food continues to stimulate the demand for organic produce, I see a huge chance and potential for the organic sector in the Kingdom.”

An increasing number of specialized retail shops

Retailers specializing in organic and health foods are gaining importance. Although the logic of both types of retail shops is the same – providing healthy and high-quality foods to consumers in urban areas – there are important differences in terms of ownership and product range. For instance, Al Watania, Saudi Arabia’s leading organic retailer, currently with a total of 20 outlets in all major cities (see Table 4-2), is the commercial branch of a large agricultural cooperation. The product range consists exclusively of organic in-house

products, with a clear focus on fresh fruits and vegetables in addition to other grocery products, such as olive oil, pasta, tomato paste, and flour.

Other important specialized retailers use a different marketing strategy: Abazeer, located in Jeddah, and BioBest, in Riyadh, both sell a broad range of organic products, fresh and processed, making them the first and largest completely organic retail stores in Saudi Arabia. Their organic product portfolios also include beauty products. While BioBest is solely a specialized vendor with no affiliated production sites – selling

mostly imported products – Abazeer offers fresh fruits and vegetables from its own farm as well. Organic Plus, which entered the market in 2011, making it Saudi Arabia’s newest retailer, has a similar concept. Like Abazeer and BioBest, it has a large selection of organic products ranging from fresh produce and convenience foods to beauty products. Most of the processed groceries are imported.



BioBest Organic Retail Store, Riyadh

Table 4-2 Organic sales outlets across the Kingdom

City	Sales Outlets	Location
Riyadh	Watania	9 branches all over Riyadh
	BioBest	Musa Bin Nussair Street, Olaya
	Organic Food Center	Al Oroba Street, Olaya
	Nutrition Corner	Al Oroba Street, Olaya
	Bait Al A’shab	Al Muger Bin Shiaa Street
	Al Mizan Al Tapei	Prince Sultan Street
	Mini Mall	King Abdulaziz Road
	Dr. Al Shahwan for Organic Farming	Home Delivery Service
Jeddah	Watania	Um Ul Qura Street
	Abazeer	Al Musadiyah Market No 3, Almadinah Al Nazil Road
Damman	Fteet	Prince Naeif Bin Abdul Azizz Street
	Watania	Dhahran Doha
Al Khobar	Organic Plus	King Faisal Road
Al Hassa	Bait Al Saha	Al Mubaraz Al Thuriat Street
Qatif	Al Mizan Al Tapei	n/a (no data available)
Shagra	Watania	Abdul Aziz Mosque Street
Makkah	Watania	Ibrahim Al Jafali Street
Madinah	Watania	Mohammad Bin Abdul Aziz Street
Buraydah	Watania	King Abdul Aziz Road (Buraydah)
Unayzah	Watania	Zulif Road
Hail	Watania	Talateen Street
Al Rass	Watania	King Abdul Aziz Road (Al Rass)
Abah	Watania	Khalidia Street
Tabouk	Al Tabia Center	n/a (no data available)

Source: OFP (2012)

An increasing involvement of larger supermarket chains

In response to the increasing consumer awareness for natural and organic products, most of the hypermarkets in the Kingdom, such as Carrefour, Tamimi Market, Danube Hyper Market, and Lulu Market, are offering a selection of organic groceries as well (see Table 4-3). However, they still focus considerably more on international products, and organic is not yet of strategic relevance. Major obstacles that hamper better commercial relations between organic producers and supermarkets are, on the one hand, the small and inconstant production volumes, and, on the other hand, the relatively high fees charged by supermarkets for shelf display and storage. The latter is especially critical for small and medium-sized producers, who are not able to compensate for these fees with the revenues

that they receive from such sales, particularly as they are in a weak position to negotiate favorable price and payment conditions in this context.

Nevertheless, it is very likely that the supermarket chains in Saudi Arabia, like their counterparts in other countries, will begin to play a more dominant role in organic marketing in the near future as consumers become more informed and sensitive about the benefits of organic foods. In this sense, organic is likely to become a key differentiation factor, especially for those supermarket chains that aim to source within the Kingdom and are interested in counterbalancing food imports with high domestic quality, especially in regard to fresh produce.

Table 4-3 Supermarkets with organic section in the Kingdom

Sales Outlets	Branches	Locations
Danube Hyper Markets	11	Jeddah (9), Riyadh (2)
Tamimi Markets	14	Al Khobar (2), Dammam (2), Riyadh (9), Jeddah (1)
Carrefour	12	Riyadh (5), Jeddah (1), Dammam & Al Khobar (4), Madinah (1), Buraydah (1)
Lulu Markets	3	Riyadh (2), Al Khobar (1)

Caption: () = data in brackets refers to number of branches

Source: OFP (2012)



Organic Section at Carrefour, Riyadh



Organic Section at Danube Supermarket, Riyadh



■ Box 4-2

Interview with Ajmal Hayat, sales manager of Al Watania

Al Watania is the organic pioneer in Saudi Arabia. It started its organic food production in 2001 in Qassim. As of 2012, Al Watania operates four different organic farm sites in the country, with a total of 2,600 hectares of land. It sells its products through a nationwide network of company-owned organic sales outlets. The product portfolio ranges from fresh fruits, dates and vegetables to juices, pasta, and flour – making Al Watania not only a producer but also a key processor and retailer for organic food within Saudi Arabia.

Why did Al Watania switch from conventional to organic production?

“Sheikh Sulaiman Abdul Aziz Al Rahji, the company founder, was very concerned about the quality and safety of conventionally produced foods. His idea was to promote and provide pesticide-free foods to Saudi consumers and thus contribute to a healthier and more ecological future for the Kingdom. You could say that turning to organic agriculture was just a logical consequence of his vision.”

Could you say a few words on the current development of the organic market?

“I can speak for Al Watania – we have seen a continuous growth of organic sales in the past, and the development does not seem to be slowing down. For years, we have experienced a 7 to 8 percent annual increase in sales from our own retail shops. Today, we have 20 sales outlets across the country. Within the next 5 to 6 years, we are planning to expand the number of shops by up to 70 percent. I see a promising future for the organic market in Saudi Arabia. But there are still a lot of challenges ahead of us.”

What, in your opinion, must be done to sustain the positive market trend?

“Saudis have a strong purchasing power and respond quite favorably to high-quality and high-priced commodities such as organic products. The future key challenge will be to target, address, and inform consumers about the benefits of organic foods. We need to create consumer awareness that organic foods are high-quality products that are more expensive but have a high value and positive health effects.”

Could you explain that in more detail?

“If you want to boost the sector, you have to raise public awareness about the positive effects of organic agriculture. There was a successful campaign by the Ministry of Agriculture early this year. A good start has been made. What is most important now is to continue this promising initiative. Because Saudis trust the government, public campaigns have a significant influence on consumer awareness. Once they are aware of the positive health effects of organic foods, I am quite confident that they will be willing to spend more money on their daily groceries.”

Where do you see future opportunities for supporting sector development?

“The health and educational sector certainly must be targeted early on. Schools, universities, and medical facilities are suitable partners for the promotion of organic and health foods. It is all about education. Children and young people are the consumers of tomorrow. If we teach them today about the benefits of organic foods, we will make a significant and, above all, long-term and sustainable contribution to the development of the organic sector. In the end, we all benefit – the consumers, the farmers, and the traders.”



Chapter 5

LEGAL AND INSTITUTIONAL FRAMEWORK OF SAUDI ARABIA'S ORGANIC SECTOR

Policy Workshop at the MoA, Riyadh

LEGAL AND INSTITUTIONAL FRAMEWORK OF SAUDI ARABIA'S ORGANIC SECTOR

The legal and institutional framework for organic agriculture is still young. The fast-growing sector requires careful supervision by the Department of Organic Agriculture, who ensures that framework conditions favor organic-sector development.

The national control system for organic agriculture serves as the basis for the sector's functional development. Its sound implementation, together with the monitoring and surveillance of all organic-sector activities, is the core function of the Department of Organic Agriculture. This includes the supervision of interactions among sector participants and the control mechanisms by domestic and international certification bodies.

Saudi Organic Regulation and Standards

Legally, the national control system is rooted in the National Regulation & Standards for Organic Agriculture, which are in line with the European Organic Regulation. Due to the arid production environment, specific local conditions have been considered and included. While the Regulation provides the general framework for organic farming, the Standards define all technical details and allowed substances related to organic production. The National Organic Regulation was approved by H.E. the Minister of Agriculture in 2009. Subsequently, the Standards, the so-called "Saudi Technical Specifications for Good Practices in Organic Production" were added in 2010 to complement the Regulation. The National Regulation & Standards for Organic Agriculture guides the work of the DOA. For instance, the DOA grants the use of the National Organic Label to those actors that fulfill all conditions according to the Regulation.

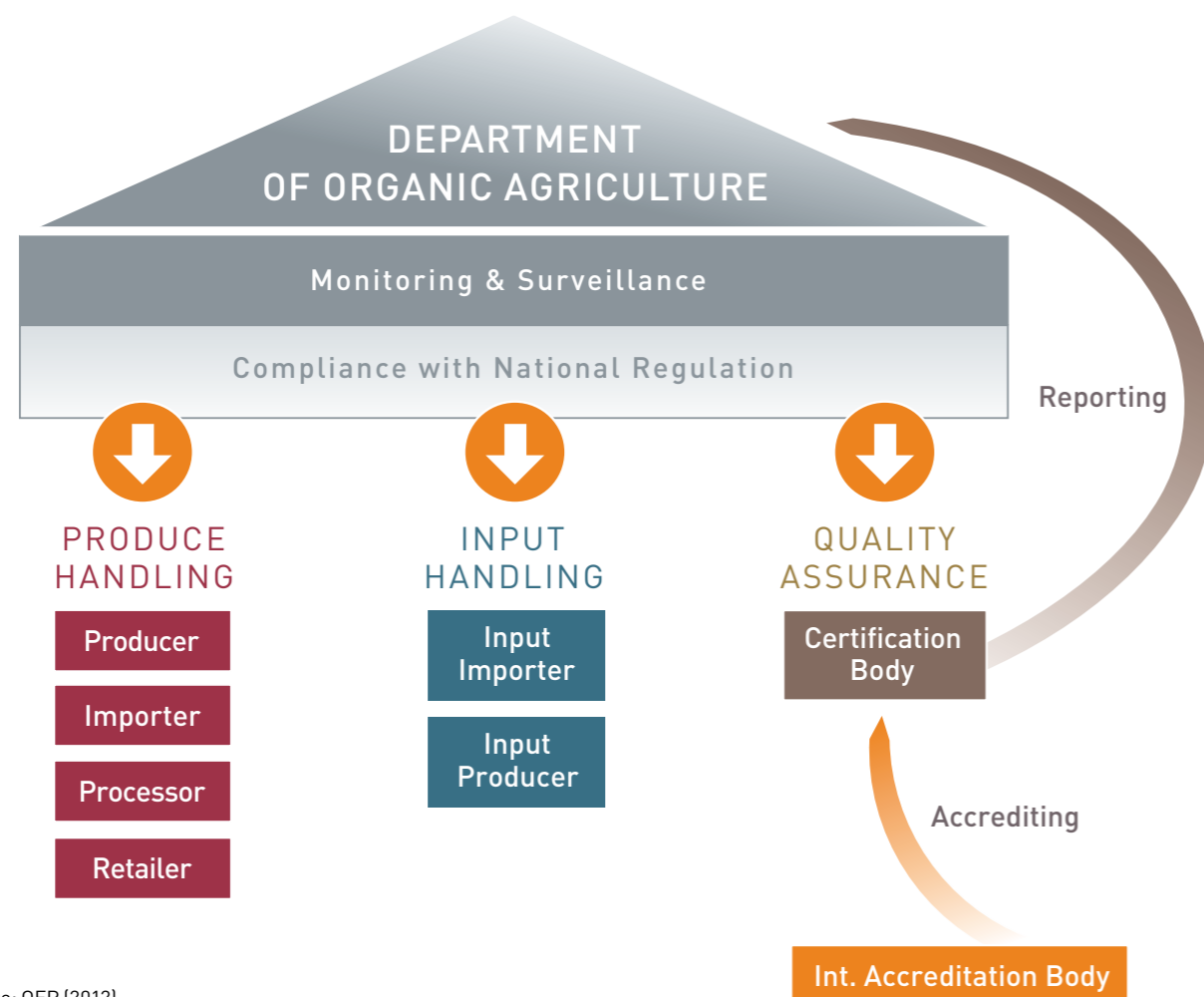
Saudi Organic Law

Subsequent to the approval of the National Organic Regulation, the Saudi Organic Law was drafted to provide a legal basis for sanctions and penalties in the case of irregularities and violations of the requirements laid down in the National Regulation & Standards for Organic Agriculture. The Saudi Organic Law was developed by a technical committee of the Ministry of Agriculture. The law is currently under revision by higher authorities.

Supervising the organic sector – the national control system

The national control system is based on the National Organic Regulation, as well as the National Organic Standards. To ensure operator compliance with legal directives (Regulation), the DOA is in charge of the monitoring and surveillance of all sector activities. The DOA is responsible for the registration and control of all actors involved in organic production and marketing, including farmers, processors, traders, retailers, importers, and organic-input dealers (see Figure 5-1). With regard to organic certification, the DOA confers its control competence in the form of licenses to private certification bodies who comply with the requirements of the Saudi National Regulation for Organic Agriculture by offering adequate services that guarantee objectivity, qualification, and impartiality. Only certification bodies accredited by internationally registered accreditation services (see Figure 5-1) are eligible for such licenses. As part of the national control system, the DOA also carries out regular control visits to organic farms throughout the Kingdom. On these visits, inspectors take plant and soil samples, which are then analyzed by accredited laboratories for chemical and toxic residues. The level of control intensity and frequency of such visits depend on a risk assessment that takes into account the occurrence of irregularities and potential abuse. In any case, all farms are controlled at least once a year. The control system also includes the monitoring of the national food-retail sector. Random controls are conducted at supermarkets, farmers' markets, and specialized organic retail shops. The validity of organic certificates is verified and withdrawn from the market in the case of non-conformity. The same conditions apply for all stakeholders engaged in the processing of organic products. In addition, the DOA monitors all producers and traders of organic inputs. The evaluation and authorization process for inputs follows special guidelines (see Box 5-1).

Figure 5-1 The national control system – key function of the DOA



Source: OFP (2012)

The Organic Input List – guidance for producers and certifiers

Once inputs are approved by the MoA (see Box 5-1), the DOA adds them to the “Organic Input List,” a document that lists all approved organic inputs (see Table 3-4). The list is regularly updated, which facilitates the work of organic producers, traders, advisors, and certification bodies, by clarifying whether or not an input is officially approved for organic production and which fields of application are allowed.

As of July 2012, 32 organic inputs are listed. Most of them are fertilizers, soil conditioners, or plant-protection agents. Regularly updated versions of the “Organic Input List” are published online on the DOA’s website, making them accessible to everyone. Furthermore, the list is also accessible via the Saudi Organic Farming Association.

Governmental support for organic farming

The Saudi government acknowledges that the organic sector in Saudi Arabia is still in a nascent stage. In order

to capitalize on the achievements to date and further enhance the sector’s development through sound governmental support, the Ministry of Agriculture has put the development of an Organic Agricultural Policy at the top of its agenda. The overall goal of this policy is to upgrade the framework conditions and support measures that favor a steady and well-balanced growth of the sector in the coming years. Of special concern is a sustainable expansion of organic food production in line with the increasing market demand.

In 2011, the Ministry of Agriculture delegated the development of the Organic Agricultural Policy to GIZ, as a key activity of its Organic Farming Project. In collaboration with the Agricultural Policy Division of the Humboldt University of Berlin, the OFP finalized a comprehensive organic support policy concept in mid-2012, incorporating input from numerous Saudi stakeholders and drawing on international expertise in this field. Taking into account experience from the European Union as well as the special conditions prevailing in Saudi Arabia, this draft document specifies interventions in four clearly defined objectives (see Box 5-2).

■ Box 5-1

AUTHORIZATION PROCESS FOR ORGANIC INPUTS

Organic agricultural inputs are evaluated and approved exclusively by the DOA. All authorized inputs meet the requirements of the Saudi Organic Regulation. The approval process for these inputs is designed to ensure the effective handling of applications:

1. Input registration

Input application forms are submitted to the DOA. Application forms are well-structured and differentiated by input type (e.g. fertilizer, plant-protection inputs). The input must meet the requirements specified in the National Organic Standards.

2. Evaluation of applications

The DOA evaluates each submitted application. A specialized unit of the DOA is responsible for this assessment. The input-evaluation procedure used by the DOA is identical to that of the EU.

3. Recommendation of (dis)approval

Depending on the outcome of the evaluation, a recommendation for approval or rejection is made by the DOA. This recommendation is forwarded to the Agricultural Services Department of the Ministry of Agriculture, who is in charge of the final approval for all agricultural inputs used in the Kingdom.

4. Final decision

The MoA communicates the final decision to the applicant. In the case of a positive decision, the MoA officially registers the approved input. At the same time, the applicant receives the right to use the Organic Input Label.



The Organic Input Label is the property of the MoA. It simplifies the marketing of organic inputs and the certification process for operators in the KSA, as it provides evidence as to whether or not a certain input is allowed for organic production. This is the only labeling scheme for organic inputs in the entire Gulf Region.

■ Box 5-2

ORGANIC SUPPORT POLICY OBJECTIVES

The organic agricultural policy focuses on the following four major objectives (listed in descending priority):

1. Increase in productivity and in the number of organic farms
2. Production of healthy foods
3. Conservation of natural resources
4. Preservation of water/sustainable water use

Governmental support measures are aimed at achieving these objectives.

The Saudi National Organic Label and its promotion

One area that merits special attention is the government’s commitment to promoting awareness for organic agriculture. The main instrument for this strategy is the Saudi National Organic Label. Since its launching in early 2011, it has helped differentiate organic products and promote organic foods in various exhibitions and trade fairs. Nevertheless, the label and its message has not reached the general public. Thus, it is not surprising that stakeholder workshops conducted as part of the Organic Farming Project concluded that there is a clear lack of broader consumer information about the label and the benefits associated with organic products.

As a result, a nationwide public consumer awareness campaign was undertaken from January to March 2012. The campaign was carried out in close collaboration between SOFA and the Organic Farming Project. Road banners were placed in all major cities in the KSA, including Jeddah, Riyadh, and Al Khobar. In parallel, the “organic message” was spread through various media, such as newspapers, Facebook and Google advertisements.

Since its launching in early 2011, the Saudi National Organic Label has also been promoted abroad. An important platform for this promotion work has been the International Federation of Organic Agriculture Movements (IFOAM), through which the label was promoted at organic conferences, exhibitions, and trade fairs, as well as on the IFOAM website. In addition, the OFP has developed various PR materials, such as flyers, brochures, and manuals, which have helped promote the label as part of the dissemination process of technical information.

Chapter 6

OUTLOOK AND UPCOMING CHALLENGES

Organic Farmers at R&D Center, Qassim

OUTLOOK AND UPCOMING CHALLENGES

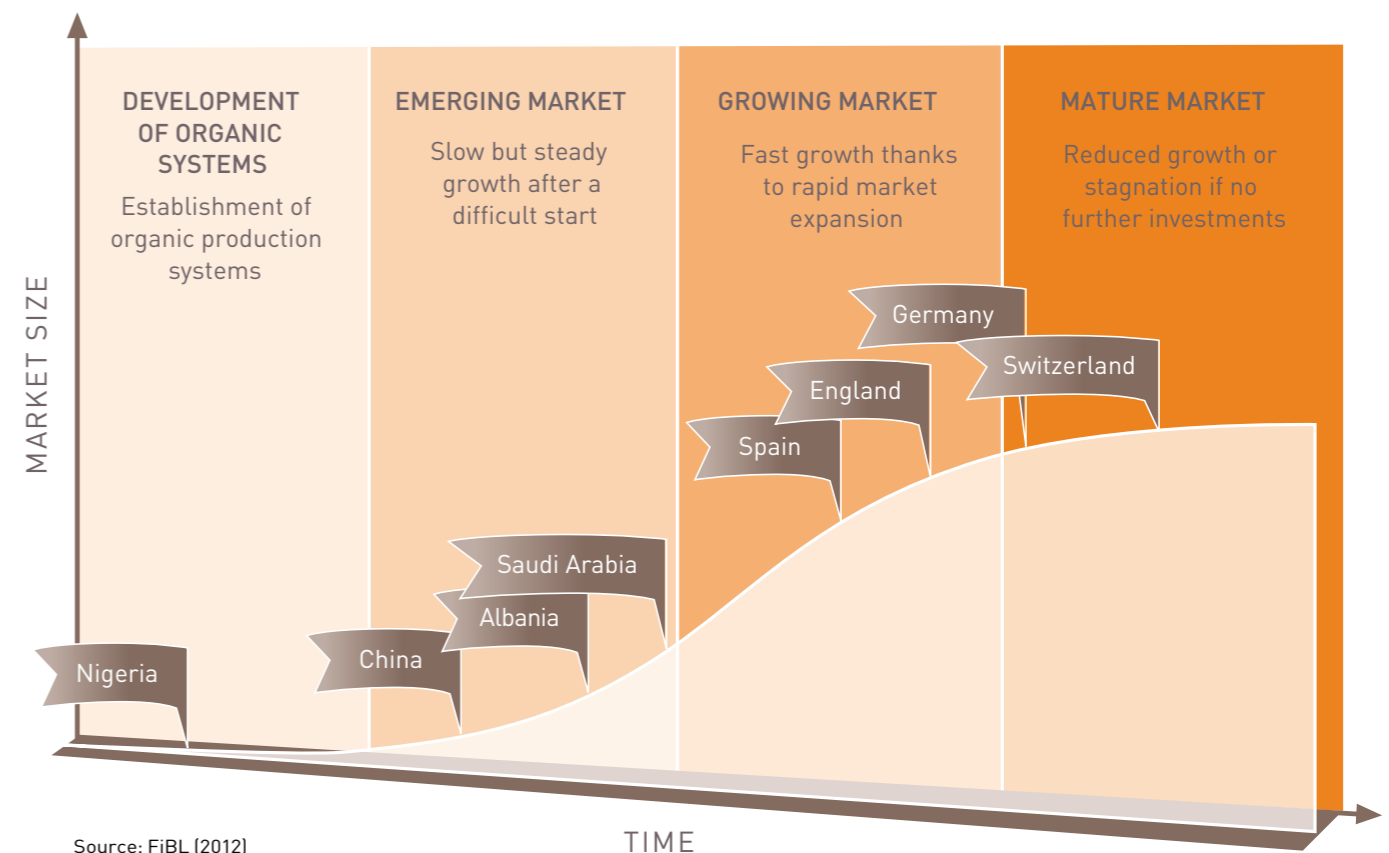
The favorable legal and economic conditions for the organic sector in Saudi Arabia promise strong growth in the coming years. At this point, the implementation of sound support measures and interventions is essential for overcoming the upcoming challenges and triggering optimal impact.

Compared to other countries, the Saudi organic market is still small. From a market-development perspective, Saudi Arabia's organic sector is at a stage where a fast expansion of organic sales must be expected in the coming years (see Figure 6-1). This rapid growth will be stimulated mainly by a governmental support program setting a strong focus on the linking of organic production with the retail sector, improving market access for producers. With increasing organic production and a growing consumer interest for healthy and environmentally friendly products, retailers will be encouraged to progressively include more organic products in their sales portfolios.

Expected development pathway and key challenges

From 2005 to 2012, the organic sector in Saudi Arabia has developed remarkably. During this period, a sound institutional and supportive framework has been established. This framework will serve as a sound basis for further sector development. Most of the important actors, as well as the essential legal and structural conditions, are in place: e.g. organic production systems, the National Organic Regulation & Standards, the National Organic Label, a certification system for organic operators, and the relevant sector institutions, such as SOFA and the DOA.

Figure 6-1 Domestic organic market – Saudi Arabia compared to other countries



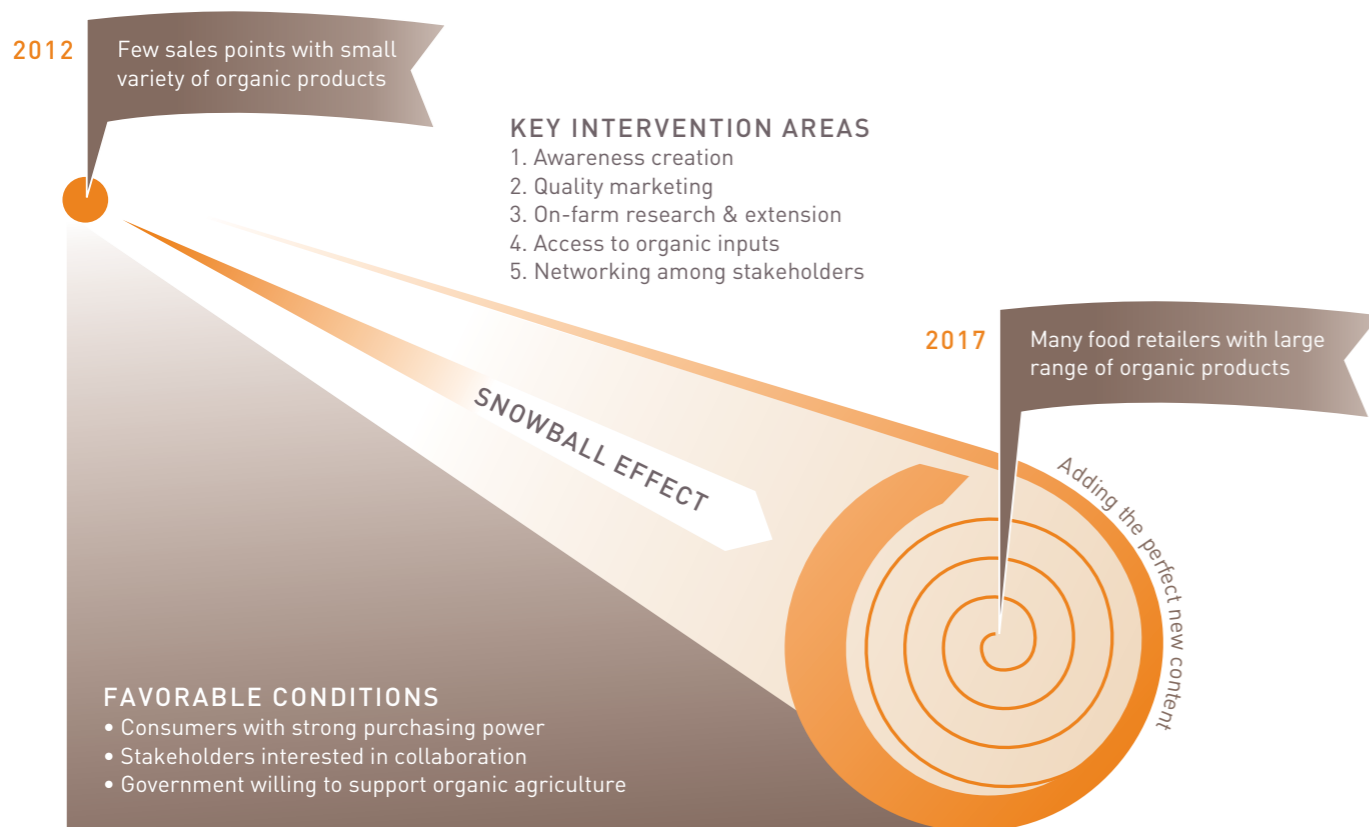
Source: FiBL (2012)

The coming years will certainly capitalize on these achievements. However, in contrast to the early stages of sector development, further sector growth will be stimulated increasingly by the market. The future expansion of organic production will occur not only as a result of government-driven interventions that encourage farmers to convert to organic, but also – and primarily – in response to an increased demand from consumers and retailers alike.

The prospects for development in Saudi Arabia are not only encouraging but also promising. On the one hand, consumers are interested in healthy foods and have strong purchasing power. On the other hand, stakeholders have invested in the expansion of organic businesses, and the government is committed to providing sustainable support for the organic sector (see Figure 6-2).

The bottom line for an overall successful development of the organic market is a coherent “trustworthy value concept” that is fully understood by consumers and implemented to all segments of the value chain: from production, trading, and processing to retailing and consumers. The optimal implementation of such production, marketing, and networking activities, however, is associated with a series of challenges, which are best grouped into five specific, complementary and mutually supportive intervention areas: (1) awareness creation, (2) quality marketing, (3) on-farm research & extension, (4) access to organic inputs, and (5) stakeholder networking. The concrete needs and types of action proposed for each case is outlined below.

Figure 6-2 Saudi organic market development pathway and key intervention areas



Source: FiBL (2012)

Challenges

Challenge 1: Awareness creation

The Saudi National Organic Label is not widely recognized among the general public. The linkage between the Organic Label and organic products has to be strengthened. Promoting organic will remain of greatest importance for stimulating the consumers' interest and demand for organic foods. A strong and coherent message for consumers will be a necessity – focusing primarily on the health benefits relating to organic foods. This message should be communicated in various ways, including far-reaching PR campaigns – such as TV spots, billboard advertisements, farmer days and visits, and organic trade fairs and exhibitions. Since modern consumers are the main target group, these public awareness activities should be implemented with a high degree of creativity, catching optimal media attention and helping establish organic

as part of a modern, healthy lifestyle. In addition, PR activities need to be especially effective in addressing female consumers due to their importance in daily decision-making related to food.

Since awareness creation requires considerable conceptual and financial investment in order to efficiently target both consumers and value-chain actors, a coordinating entity representing the sector should ideally take the lead. Among existing entities within the sector, SOFA – together with its members and collaborating partners, including the Ministry of Agriculture – appears to be by far the most suitable entity for organizing and carrying out such PR activities.

Challenge 2: Quality marketing

The successful expansion of the organic market will depend, to a large extent, on how consumers will perceive the quality of the organic products that will be offered in the marketplace. In this respect, not only taste will matter but also various external factors relating mainly to appearance (shape and color) and presentation (packaging and labeling). Thus, organic actors should be encouraged to develop marketing concepts that translate into products with optimal label and package design that are sold with sound communication, helping consumers to perceive a clear added value when buying and consuming an organic product. In any case, the perception about organic products in the marketplace must be in line with the general “PR message” that is spread through public-awareness activities.

In practice, product and label design is an activity for which product owners (i.e. farmers, traders, retailers) are fully responsible. However, since attractive label and product design strongly influences consumers' purchasing decisions and organic sales, special awareness creation and capacity building among stakeholders seems crucial in this area. SOFA can play a significant role by assisting its members with practical advice and contacts related to label and package design.

Challenge 3: On-farm research & extension

In recent years, the Organic Farming Project has carried out important capacity-development activities in the area of organic extension. However, since an organic extension service is not yet adequately represented throughout Saudi Arabia and the demand for such services is expected to increase, this area calls for continued special attention. To ensure sound and efficient organic production at the local level, agricultural support services must be not only be regionally available, but also crop and context specific, appropriate to the key crops grown in each region.

In practice, to sustainably develop such regional structures and advisory services, the involvement of regional agricultural directorates is of utmost importance. In addition to their importance for on-farm research & extension, these directorates are likely to play a key role in the development of “regional organic-sector status reports” as part of a continuous needs assessment and monitoring system at the national level. Such reporting will help identify specific regional needs and define the corresponding actions. The National Organic Agriculture Research and Development Center will have an important role to play in this extension.

Challenge 4: Access to organic inputs

At present, in mid-2012, farmers' access to organic inputs is still limited. Although the expected expansion of the sector is likely to trigger new investments in this market, special attention must be given to provide optimal framework conditions for both public and private actors in this field. Of special importance are functional linkages between input producers, input traders, and the National Organic Research and Development Center in the context of testing new inputs, potentially as part of ongoing on-farm research & extension activities.

From a governmental perspective, continuous capacity development within the Department of Organic Agriculture is essential for ensuring optimal procedures that stimulate the availability of new organic inputs in Saudi Arabia. In this respect, the "Organic Input List" (see Table 3-4) developed and published by the DOA is of greatest relevance, as it must be of high quality in order to serve as a key reference document for organic producers, certification bodies, and input traders. Currently, the limited availability of organic seeds represents an especially significant bottleneck. Accordingly, the DOA is being asked to respond to this shortcoming by facilitating organic-seed imports and increased seed availability for organic producers.

Challenge 5: Networking among stakeholders

Last but not least, the development of the organic market strongly depends on how stakeholders will interact and become involved with each other. Functional relationships that go beyond conventional price-setting negotiations are a crucial prerequisite to the improvement of sector framework conditions and the exploitation of new market opportunities. The facilitation of information exchange between actors along the value market chain (e.g. producers, processors, and retailers) will be essential. In addition, the main objective is to build consumer trust in the National Organic Label and the related institutions. Through networking, both of these essential "development ingredients" should be created in order to promote both organic-market and organic-sector development.

Stakeholder interaction must take place at various levels – local, regional, and national – and address all major issues along the value chain: production, trading, marketing, and consumer-awareness creation. While networking activities at the local level may focus primarily on technical aspects (see Challenges 3 and 4), interactions at the national level are also likely to address activities with a wider scope, including marketing, awareness creation, agricultural research, and policy issues.

Special policy and support measures for the organic sector

In order to successfully cope with the above-mentioned challenges, a special organic policy is needed for Saudi Arabia. Such a policy would have two main objectives: first, to strengthen the organic sector and its actors through sound government interventions and, second, to support the transition of conventional farms to organic, thus expanding the organic production base to meet the domestic market demand for organic produce.

Since the sustainable use of natural resources is a core concern of organic agriculture, such an organic policy would also effectively promote efficient water utilization and soil-enhancing production methods. With regard to production and marketing, a special organic policy would primarily aim to improve market opportunities and access for organic farmers, while processors, traders, and retailers would benefit essentially from the increased consumer demand resulting from effective public-awareness creation and from the establishment of viable marketing structures and regional organic markets throughout the KSA.

At the local level, the regional agricultural directorates would play a lead role in establishing efficient support and networking functions. At the national level, SOFA should be strengthened to expand its market-development and support activities to the sector and its members. Essentially, SOFA should play a more dominant role in establishing effective market structures in close collaboration with its members, as well as retailers, directorates, and municipalities.

Given the importance of the various complementary and mutually reinforcing support measures mentioned above, the future of the organic sector in Saudi Arabia strongly depends on a decision by the government to put such an Organic Agricultural Policy in place. Without such a policy and the corresponding support measures, one can expect to see rather slow sector development and expansion. In other words, at the current stage, clear incentives and support measures are essential for the strengthening of sector structures and stakeholders in order to pave the way for successful sector development in the coming years.

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LIST OF ABBREVIATIONS

CEO	Chief Executive Officer
CDSI	Central Department of Statistics & Information (Saudi Arabia)
DOA	Department of Organic Agriculture
EU	European Union
FiBL	Research Institute of Organic Agriculture
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
H.E.	His Excellency
IFOAM	International Federation of Organic Agriculture Movements
ISO	International Organization for Standardization
KSA	Kingdom of Saudi Arabia
MoA	Ministry of Agriculture
OAP	Organic Agricultural Policy
OFP	Organic Farming Project
OMDP	Organic Market Development Program
PR	Public Relations
R&D	Research & Development
SOFA	Saudi Organic Farming Association
US	United States
WTO	World Trade Organization

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■ **Layout:** weeks.de Werbeagentur GmbH

■ **Diagrams:** Christina Ernst
Felix Ruhland (GIZ)
Claudia Kirchgraber (FiBL)

■ **Language Editing:** Leslie Ocker

■ **Print:** Metzgerdruck

Correct citation:

Hartmann Marco, Khalil Saad, Bernet Thomas,
Ruhland Felix, and Al Ghamdi Ayman
Organic Agriculture in Saudi Arabia – Sector Study 2012
Deutsche Gesellschaft für Internationale Zusammenarbeit GIZ
(GmbH), Saudi Organic Farming Association (SOFA),
Research Institute of Organic Agriculture (FiBL) & Ministry of
Agriculture of Saudi Arabia (MoA), Riyadh, KSA 2012

© 2012 GIZ (ISBN 978-3-939394-87-7)
and FiBL (ISBN 3-03736-230-8)

Available online:

- www.sofa.org
- www.moa.gov.sa/organic/portale
- www.saudi-organic.org.sa
- www.giz.de/en/worldwide/366.html
- www.fibl.org

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