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## ORGANIC AND FREE-FORM: LEADING THE WAY TO FREEDOM FROM ALLERGIES

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## Overview & Key Developments Driving Demand

The Shift in consumers' lifestyles towards healthier and sustainable alternatives is fueling the demand for organic and free-from food and beverage segments in the Middle East. The segment is experiencing a CAGR of 35-40% in the region. Furthermore, the rise in the adoption of sustainable lifestyles in the region is anticipated to further fuel the vegan and plant-based diet among consumers.

Frost & Sullivan estimates the organic and free-from industry in the Middle East region at USD 7-8 Billion in 2022. Increasing incidences of food allergies among consumers in the Middle East region is positively contributing to new product launches within the free-from categories. Demand for organic and free-from food products holds the dominating market share while the beverage category accounts for a minor share but higher growth potential in the region. Major demand drivers for organic and free-from food and beverages include higher disposable income followed by rising health awareness and government initiatives towards increasing and promoting healthy lifestyles among consumers. In the region, UAE and Saudi Arabia are driving the demand for organic and free-from products.





## Developments in the Organic and Free-from Sector:

- Higher focus for Organic products** - Organic and natural product suppliers have registered a rise in demand of up to ~300<sup>2</sup>% for their products in the Middle East. Organic dairy is the key segment that holds the highest market share in the organic and free-from market while organic and free-from snack holds high growth potential based on the ongoing trends in the region. To meet the consumer's demand for free-from snacks, entities such as Mary's Gone Crackers, Inc. have launched their clean-label, plant-based, gluten-free crackers in the region.
- Organic on-the-go snacking trend** - It is quite evident that the consumers in the region are turning health-conscious and have started exhibiting interest towards 'better-for-you' products. Considering the hectic lifestyle of the consumers, brands are coming up with organic on-the-go, guilt-free snacks to gain traction and generate brand awareness. House of Pops, a UAE-based plant-based, healthy ice-cream brand has witnessed a CAGR of 137% from 2018 for its healthy popsicle offerings. The entity is aiming to expand its footprint across GCC based on the consumers' positive response towards their guilt-free dessert offerings.
- Convenience 'Free-from' products experiencing high demands** - In the region, where customers are showing a greater preference for goods marked as gluten-free, dairy-free, sugar-free, and items without artificial preservatives, the "free-from" sector is increasing dramatically. The trend is also supported by growing cases of allergies among the consumers and a shift towards products that are labelled as allergen-free. Freakin' Healthy is a UAE-based entity that is gradually expanding its ready-to-eat, clean-label, free-from portfolio. In 2022, it launched its ready-to-eat vegan cheese spread in four flavors. The entity claims to be UAE's first brand to produce clean-label vegan cheese, which is locally<sup>3</sup> produced.



<sup>1</sup>Frost & Sullivan Analysis

<sup>2</sup>Growing opportunities for organic in the Middle East

<sup>3</sup>Targeting non-vegans: UAE's Freakin' Healthy expands into ready-to-eat category with clean label vegan cheese spread- Food Navigator

## Key Opportunities & Disruptions

The young consumers of the region are driving the market and influencing the sales of sustainable and free-from products in the region. The mass population is highly influenced by social media advertisements and tends to make their purchase decisions driven by the same. A major example of it is the shifting consumer preferences towards gluten-free products by the population of expats, generation-Z and Millennials. Key opportunities to expand the market reach within the region and cater to consumers' dynamic demands are as follows:

01

**Impact creation through social media** - Product promotions and marketing through social media channels have a strong influence on product sales in the region. Consumers follow social media content creators who post videos about the value of health and immunity. Entities in the region have received a lot of inquiries, particularly on the demand side for food and beverage products, where people are eager to switch based on the recommendations received from these influences. This has also created discussions regarding chemical-free, plant-based, and organic products.

02

**E-Commerce Growth** - Millennials are upfront towards technology adoption in the region and are driving sales via the E-commerce channels for various food and beverage product categories. Entities operating in the region are collaborating with e-commerce players to expand their footprint and cater to the local consumers' demands. For instance, Careem- a leading multi-service app in the region has launched Saudi's healthiest on-demand food delivery service in Riyadh and Jeddah<sup>4</sup> to support the customer demands and access to healthy food without any subscription. E-commerce is booming in the region and promoting sales of organic and healthy products through the channel is considered more profitable than having a brick-and-mortar model in the initial stages of expansion.

03

**Experiments with plant-based ingredients** - Consumers in the region are keen on trying products with clean-label, plant-based, ethically sourced ingredients. Snacks with ingredients such as pumpkin seeds, flax seeds, quinoa, oats, and brown rice are perceived to be healthy and have better traction value as compared to others. However, entities are also focusing on plant-protein, as the flexitarian population is expanding within the region. Saudi Arabia in the region is the largest importer of plant-based protein ingredients in the Middle East. With the free-from meat and seafood substitute segment surging in the region, plant-based proteins such as peas, soy, and mushrooms are anticipated to increase.

<sup>4</sup>Careem Food launches Saudi's healthiest on-demand food delivery service- Zawya Press Release



## Current Challenges

- **The price point issue** - Organic ingredients are majorly imported in the region as the local conditions do not support their production. This makes these food and beverage products tagged as premium, affecting their prices in the Middle East countries. Initiatives must be taken to reduce the cost of these products and to make them easily accessible to the masses.
- **Lack of consumer awareness** - A significant portion of the Middle East population is still poorly informed about the merits of the adoption of sustainability and organic products to their lifestyles. Consumers also misunderstand the difference between organic versus natural. These nuances affect the growth of sales of the products in the region. Organic products are perceived as expensive among consumers. To tackle this, product accessibility needs to be increased through more variety, sizes, and price points within the organic and free-from categories.

## Future Strategic Outlook

Consumers in the Middle East countries are open to the adoption of organic and free-from lifestyles for the sake of sustainability. A study showed that approximately 20% of consumers in Saudi Arabia alone have reported incidences of food-based allergies. Increasing health awareness is also impacting the industry as consumers are getting highly inclined towards products that are free of gluten, lactose, soy and other potential allergens.

To expand the footprint in the organic and free-from sector, entities need to first focus on spreading awareness on the merits of consumption of organic and free-from products as still the majority of consumers are unaware of the same. Additionally, players need to focus on positioning their products in the market in such a way that consumers adopt their offerings based on the health benefits that they impart. The government in the region could further promote the adoption of organic lifestyle products to support local producers and entities. It is noteworthy that product labelling also plays a crucial role as it drives the purchase decision of the consumers. Entities should not only focus on organic and free-from products but should position the products in such a way that it promotes holistic well-being. These strategies would further support the growth of the organic segment within the region.







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