The Arab League – an opportunity to improve the EU cheese export

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Abstract
This paper analyses the possibility of the EU cheese export improvement by getting into the market of the League of Arab States. The most significant final dairy product is cheese. Regarding geography and continents, Europe is top cheese manufacturer in the world. The European Union (EU) has the largest share within the production structure in Europe. Arab League imports EU cheese in the amount of EUR 643.7 million, i.e. this market absorbs 39% share of total cheese value. Abovementioned indicators demonstrate that it is possible to increase market participation of the EU countries in this market in the following period.
Keywords: cheese, international trade, Arab League, European Union

1. Introduction

Leading manufacturers within the EU are Germany, France, Italy and the Netherlands which are also among the major global cheese exporters. Until 2013, one of the most considerable exporting destinations was the Russian Federation. One third of entire cheese production of these countries was exported to Russia. Disputes between the European Union and the Russian Federation resulted in mutually introduced sanctions which included ban on milk and dairy product import into the Russian market. Sizeable market surpluses of cheese as a consequence of the embargo and abolition of restrictions on milk production in the EU require new market indentification and conquering. Export represents a "Conditio sine qua non" for growth and development of cheese manufacturing business entities in the European Union. Cheese consumption and import have an increasing trend in the League of Arab States (Arab League) market which covers population of EUR 390 million. That is a result of changes in eating habits and growing consideration regarding the population health.

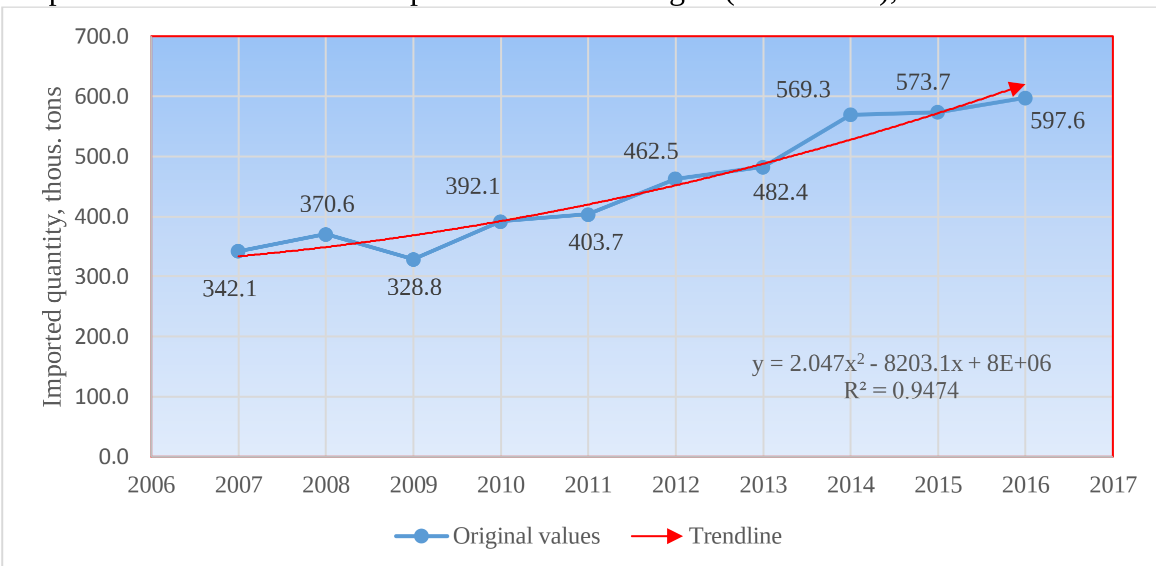
Aim of research is to comprehend the movement of cheese in international trade of the most significant EU member states and the Arab League, i.e. to determine the participation and structure of the EU member countries in that trade. The purpose of the results is to identify the improvement possibilities of the European Union cheese export. Basic sources of data have been collected from International Trade Center (ITC) for the period 2007–2016 by applying standard statistical and mathematical methods. The intensity of changes is quantified by calculating the rates of changes by applying functions with the most suitable trend lines to the original data. Occurrence stability is calculated by applying coefficient of variation (CV). Specific changes are shown in the form of tables and graphs.

2. Research results

The Arab League is a regional organization of Arab states from and around North Africa, the Horn of Africa and Southwest Asia. It was founded on 22 March 1945 in Cairo by six member states: Egypt, Iraq, Jordan, Lebanon, Saudi Arabia and Syria. Today, the League counts 22 member states. The Arab League's primary objective is "to draw closer the relations between member States and co-ordinate their political activities with the aim of realizing a close collaboration between them, to safeguard their independence and sovereignty, and to consider in a general way the affairs and interests of the Arab countries." (http://avalon.law.yale.edu/20th_century/arableag.asp).

In the period between 2007 and 2016, the regional organization's (of Arab states) total cheese import was 4.5 million tonnes which amounts to 8% of the global import structure. Average annual cheese import is at a level of 452 thousand tonnes (Table No. 1) and an average price of 3.2 EUR/kg, displaying growth (Graph No. 1) at an average annual rate of 6.39%. It had increased from 342.1 thousand tonnes in 2007 to 255.5 thousand tonnes until 2016, i.e. 74.7% which is equal to 597.6 thousand tonnes.

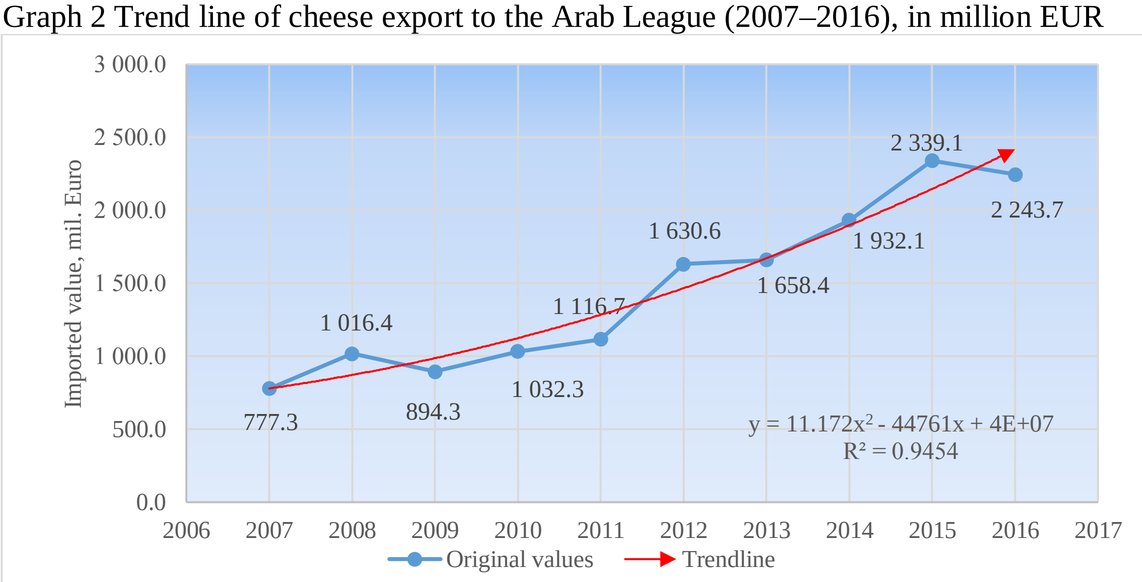
Graph 1 Trend line of cheese export to the Arab League (2007–2016), in thousand tonnes



Source: author's calculations from *INTRACEN* data

In terms of value, the Arab League import is valued at an average of EUR 1.5 billion (Table No. 2). Over this ten-year period, the League had imported cheese in the value of EUR 14.6 billion which accounts for 7% of total global import. Import value shows a growth (Graph No. 2) at an average annual rate of 12.5% and significant variations in relation to the average of 39.2%.

Graph 2 Trend line of cheese export to the Arab League (2007–2016), in million EUR



Source: author's calculations from *INTRACEN* data

Cheese consumption and import have an increasing trend in the Arab League as a result of growing consideration regarding the population health. This trend had led to a decrease in jam, peanut and chocolate consumption which are traditional dessert ingredients in this region as well as an increase of consumption of cheese and other dairy products. Arab consumers, especially the women obtain knowledge on healthier lifestyle owing to increasing use of the Internet and availability of digital information. Women are expected to maintain a healthy family thus they are becoming quite selective in their choice of foodstuffs (Euromonitor International, 2015).

Among the Arab League states, Saudi Arabia is the largest cheese importer at 1.3 million tonnes and an average price of EUR 3.3 per kilogram. Import shows growth at an average annual rate of 5.65%. It amounts to 29% in the League's imported cheese volume structure. Average import value within the research period is EUR 436.8 million. Import had increased by 119.2% during the final year of the research period in comparison to the first year of research.

Saudi Arabia receives its largest import volume from Denmark at 22.0% with an average import price of 2.8 EUR/kg followed by Egypt at 19.2% and 2.6 EUR/kg. New Zealand comes third at 8.9% and 3.9 EUR/kg, followed by Bahrain at 8.2% and an average import price of 5.5 EUR/kg and finally the United States at 6.7% at a price of 5.0 EUR/kg. These countries account for 65% of total Saudi Arabia import. Highest import value in Saudi Arabia is realized from Denmark (18,5%), Egypt (15%), Bahrain (13.4%), Poland (8.6%) and New Zealand (7.9%) which accounts for 63.4% of total cheese import value. The overall market is growing for a number of reasons, overall population growth, demographics, (50% of Saudis are under the age of 28), the growth of modern retail (currently only 45% but growing strongly) and therefore the chilled route to market (*www.bordbia.ie*).

Table 1 Largest cheese importers of the Arab League (2007–2016), in thousand tonnes[1]

Countries	Average value	Variation interval		CV (%)	Structure (%)	Change rate (%)
		Min	Max			
Saudi Arabia	131.3	103.6	171.9	19.0	29.0	5.65
Lebanon	33.6	26.7	40.9	12.8	7.4	1.17
Kuwait	32.8	25.7	51.6	22.5	7.3	3.04
Libya	32.7	25.9	46.8	20.6	7.2	-0.50
Egypt	29.5	8.6	57.9	48.5	6.5	12.22
Arab League	**452.3**	**328.8**	**597.6**	**22.2**	**100**	**6.39**
Source: author's calculations from *INTRACEN* data, www.trademap.org						

Lebanon is second with import amounted to 33.6 thousand tonnes at an average price of 3.4 EUR/kg which is 7.4% of total Arab League import. It shows mild growth at an average annual

[1] The research lacks data on quantities and value of the United Arab Emirates import for 2009, 2010 and 2011, therefore it was not feasible to express relevant statistical data. An emphasis should be made regarding the final year of research period when cheese import to the United Arab Emirates was 63.9 thousand tonnes in comparison to 42.3 thousand tonnes in 2007 which indicates an increase of 50.8%.

rate of 1.17% and the smallest trend disturbance (12.8%) among the studied countries. Average import value is EUR 114.9 million. Largest suppliers are: Egypt at 17.1% and 2.3 EUR/kg, Morocco at 14.6% participation and price of 4.6 EUR/kg; Syria at 12.3% and average import price of 2.3 EUR/kg followed by Hungary amounting to 10.3% and 3.4 EUR/kg and Denmark at 7.4% and price of 3.2 EUR/kg of cheese. Said countries account for 61.7% of total Lebanon cheese import volume. In terms of cheese placement into Lebanese market, France is not among the first five countries. However, due to the high quality cheese it exports to this market with an average price of 5.3 EUR/kg, France is positioned as one of the most significant exporters into this market at 9.3% in value terms. Morocco (19.7%), Egypt (11.7%) and Hungary (10.2%) are leading countries in Lebanon's import value.

Average import amounting to 32.8 thousand tonnes and a 7.3% share ranks Kuwait as third among the Arab League cheese importers. Saudi Arabia is Kuwait's largest cheese exporter at an average amount of 9.3 thousand tonnes (28.2%). Egypt is next at 12.3% and an average export of 4,000 tonnes, followed by Bahrain (11.5%), Cyprus which exports cheese to Kuwait in the average annual amount of 2,000 tonnes (6.1%) and the U.S. with an average of 1,600 tonnes (4.9%).

Furthermore, Libya accounts for 7.2% share of Arab League imports. The Arab League annually imports an average of 32.7 thousand tonnes from Libya with an estimated value of EUR 83.7 million. Due to the fact that data on supply markets are available only for period 2007–2010 and according to available data, only the primary suppliers are provided: Tunisia, Egypt and Austria. In relation to physical volume of cheese import, Libya is the only country among the studied importers which exhibits negative growth rate at 0.50%. Import decreased by 4.4% in the period 2007–2016. Such trend is a consequence of political instability as well as the public finance crisis (*www.reuters.com*).

Table 2 Largest cheese importers of the Arab League (2007–2016), million EUR

Countries	Average value	Variation interval		CV (%)	Structure (%)	Change rate (%)
		Min	Max			
Saudi Arabia	436.8	268.6	614.4	27.4	29.8	9.11
Kuwait	124.1	71.8	241.6	38.8	8.5	8.97
Lebanon	114.9	75.3	149.3	23.1	7.8	6.60
Egypt	88.7	15.0	135.7	41.2	6.1	25.35
Libya	83.7	29.3	145.5	55.8	5.7	13.49
Arab League	**1,463.8**	**777.3**	**2,339.1**	**39.2**	**100.0**	**12.50**
Source: author's calculations from *INTRACEN* data, www.trademap.org						

Egypt is fifth on the list of Arab League importers with an average of 29.5 thousand tonnes (6.5%). During the observation period it had realized the most intense growth rate at 12.22% with substantial deviation in relation to average 48.5% which is also the highest variation among the studied countries. Such substantial deviation from average is a result of the political crisis, i.e. The Egyptian Revolution of 2011 when a dramatic decrease of import was noted. Import value amounts to an average of EUR 88.7 million and average import price of 2.6 EUR/kg. Egypt's largest import source is New Zealand at 21.2% and price of 3.1 EUR/kg followed by the Netherlands at 20.1% and 3.9 EUR/kg, the United States of America at 17% and 2.1 EUR/kg; Poland at 8.6% share and 3.2 EUR/kg and finally Ireland at 6.7% and an average import price of 3.1 EUR/kg.

Represented data on Arab League's import market imply a dynamical growth pace of cheese value in relation to quantities which is an indicator of changing consumers preferences and increase in high quality cheese demand. Described countries account for 57.4% of the League's imported volume. Other countries which demonstrate import growth rate are United Arab Emirates, Algeria, Jordan, Bahrain, etc. In comparison to the first (2007) and final (2016) year of the research period these countries mark an import growth rate of 50.8%, 45.6%, 53.5% and 278%, respectively.

Most significant import sources of the Arab League are Egypt, Saudi Arabia, Denmark, Bahrain and New Zealand which account for 44.5% of total cheese import value.

Non-EU countries account for 61% of total cheese import value (Table No. 3) [2]. Regarding non-EU countries, most significant cheese suppliers of the Arab League market are Egypt at 13.3%, Saudi Arabia at 9.4% and Bahrain at 6.9%; followed by New Zealand at 6.8% and the U.S. at 5%. These countries account for 41.4% of total cheese placement into this market[3].

Table 3 Largest Arab League cheese exporters outside the EU (2007–2016), million EUR

Countries	Average value	Variation interval		CV (%)	Structure (%)	Change rate (%)
		Min	Max			
Egypt	219.0	113.9	262.1	21.0	13.3	6.34
Saudi Arabia	155.3	58.5	241.4	38.0	9.4	16.89
Bahrain	114.7	14.6	226.0	47.6	6.9	28.32
New Zealand	111.5	66.4	152.3	24.2	6.8	6.30
USA	82.9	17.8	143.7	49.8	5.0	17.88
Non-EU	1,008.0	542.9	1,302.3	22.7	61.0	9.44
Arab League	1,651.6	866.1	2,339.1	29.2	100.0	11.16
Source: author's calculations from *INTRACEN* data, www.trademap.org						

Arab League imports of the EU cheese amounts to EUR 643.7 million, i.e. 39% of total cheese value that this market absorbs (Table No. 4). Denmark, Poland, France, the Netherlands and Ireland are leading countries in terms of the European Union export. Import value of cheese from these countries over the ten-year period is EUR 4.5 billion which amounts to 69.3% of cheese import into the Arab League's market.

[2] International Trade Center (ITC) statistics on Arab League's **import value towards the suppliers** (EUR 16.5 billion) differ from the data on **import value of import countries** (14.6). According to the given clarification (*www.trademap.org/stFAQ*), that could be a result of different means of data reporting and sources of data (country of origin or importing country), included costs (transport and insurance), etc. Hence, suppliers participation in Arab League imports and other statistics are calculated on the basis of original ITC data for each observed phenomenon.

[3] At the moment of research, ITC statistics database had not allowed insight into analytical data according to specific supplier and **Arab League's imported cheese quantities**.

Table 4 Largest cheese exporters among the EU countries to the Arab League (2007–2016), million EUR

Countries	Average value	Variation interval		CV (%)	Structure (%)	Change rate (%)
		Min	Max			
Denmark	135.2	78.5	216.0	39.5	8.2	8.87
Poland	89.1	45.6	140.5	39.7	5.4	13.09
France	88.2	54.3	131.3	33.0	5.3	10.31
Netherlands	86.3	27.4	148.7	49.1	5.2	19.73
Ireland	47.3	14.0	98.4	53.5	2.9	24.22
EU	**643.7**	**323.2**	**1,036.8**	**41.7**	**39.0**	**13.64**
Arab League	**1,651.6**	**866.1**	**2,339.1**	**29.2**	**100.0**	**11.16**
Source: author's calculations from *INTRACEN* data, www.trademap.org						

Although the largest global exporter, Germany is not among the first five countries in terms of imported value of cheese into the Arab League's market. However, it is worth mentioning that imported value of cheese made in Germany over the ten-year period amounted to 449.3 million which represents 7% of EU cheese imported to the Arab League market. Cheese placement value shows a dynamic annual growth at an average rate of 20.63%. Between 2007-2016, value of imported cheese from this EU member state into Arab League's market increased up to 440.8% reaching value of EUR 74.1% million in the final year. Germany's participation in this organization's import is 2.7%. Due to available quantities of raw materials, mentioned political and economic opportunities in Europe, it can be expected that Germany increases its participation in this market.

In terms of quantity, EU export[4] to the Arab League countries amounts to an average of 169.6 thousand tonnes which is 37.5% of share in cheese import into this market (Table No. 5). Cheese reached volume of 243.4 thousand tonnes during the final year of period of analysis which is in comparison to the first year and 128.1 thousand tonnes a 90% increase. Growth tendency at an average annual rate of 7.39% indicates the relatively dynamic movement of cheese export (Graph No. 3). Among EU member states, Denmark puts the largest quantity of cheese into the Arab League market. Over the ten-year period, average export was 49.9 thousand tonnes which accounted for 11% share of the League’s import. Average export price is EUR 2.7 per kilogram. It primarily supplies the Saudi Arabia market and a 58% share. The Netherlands follow at 5.7% in the League’s imported cheese volume structure. Largest volume of export is realized in Algeria (30.8%) and Egypt (23.1%). Assortment of exported goods contains 89.8% of different processed, mouldy and other cheese at an average price of 3.3 EUR/kg. Cheese export increases at an annual average rate of 8.27%.

The next EU country in terms of export volume is Poland at an average of 21.1 thousand tonnes, average price of 4.2 EUR/kg and 4.7% share in the said market. Having 94.6% of share, processed cheeses prevail in the assortment of exported cheeses. Largest export volume is aimed

[4] Cheese placement analysis according to quantities of cheese exported from the EU member states into the Arab League market was conducted on the basis of data on each studied country due to the fact that data on Arab League import quantity from each country is not available.

at Saudi Arabia (31.9%) and Iraq (23%). Ten-year period shows an increase of 131.3% in terms of export. Among other reasons, such intensive export of Polish cheese into the Arab League market is affected by Poland's difficulties to participate in the EU market. From the standpoint of Polish manufacturers, presence of cheese made in Poland at EU supermarkets (particularly in France and Germany) has been exacerbated or completely restricted (*www.dairyglobal.net*).

France is next with an average export of 17.4 thousand tonnes of cheese. Having an annual growth rate of 7.64%, France increased export by 94% over the last ten year. It has a 3.9% share of total cheese imports into the Arab League market. Regarding the assortment of exported cheese, processed cheese has the largest share at 42.9%, followed by whey cheese, blue veined cheese and cheese with different flavour varieties (35.4%) as well as soft cheese (13.6%). Average price of French cheeses in terms of the Arab League market is 5 EUR/kg which indicates a high share of high quality, i.e. specialty cheeses.

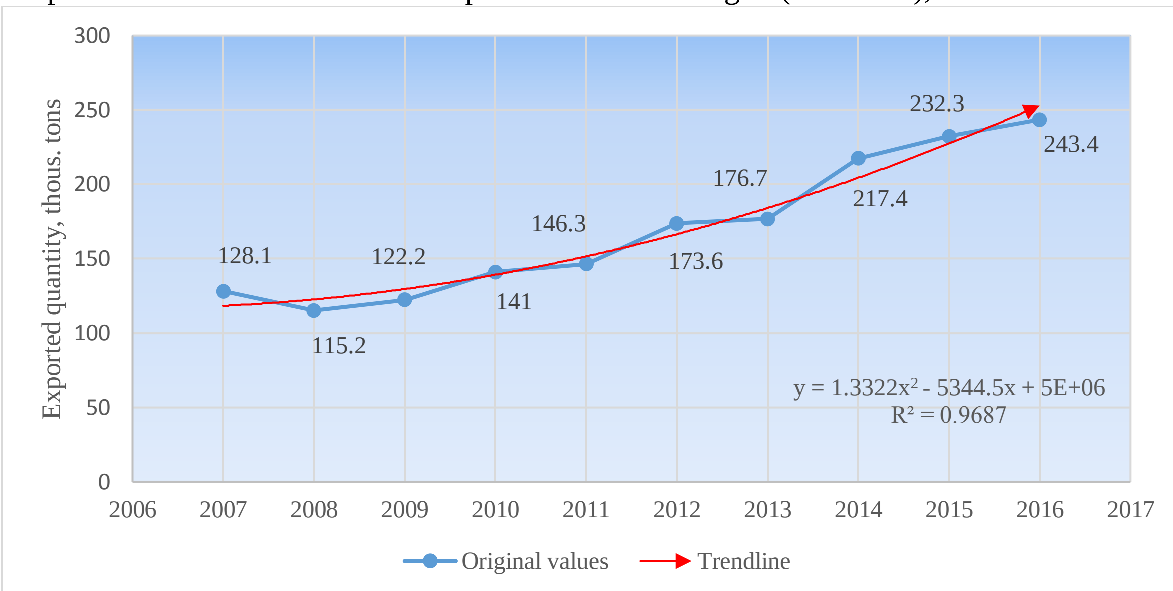
Fifth-ranked Ireland exports an average of 17.2 thousand tonnes and shows the most dynamic growth at an annual rate of 16.57%. It has a 3.8% share in the Arab League imports. Between 2006 and 2016, it displayed the largest increase in exports up 297.4% right after Germany. Largest volumes are imported by Algeria (37.5%), Saudi Arabia (19.3%) and Iraq (15.1%). Irish Dairy Board is oriented towards new markets especially after Brexit. The example of Ornua, one of leading Irish dairy products manufacturers and exporters, which aims at increasing market participation by entering the baking industry, retail deli stores and catering industry by enabling manufacturing capacity for soft white cheeses in Saudi Arabia as well as applying innovative solutions in technology (www.agriland.ie). Average price of cheese in terms of the Arab League market is 2.7 EUR/kg.

Table 5 Largest cheese exporters among the EU countries to the Arab League (2007–2016), thousand tonnes

Countries	Average value	Variation interval		CV (%)	Structure (%)	Change rate (%)
		Min	Max			
Denmark	49.9	31.6	68.0	26.9	11.0	3.89
Netherlands	25.8	15.3	37.9	31.2	5.7	8.27
Poland	21.1	12.7	29.3	31.9	4.7	9.76
France	17.4	12.1	26.6	29.3	3.9	7.64
Ireland	17.2	7.7	30.5	40.9	3.8	16.57
EU	**169.6**	**115.2**	**243.4**	**27.8**	**37.5**	**7.39**
Arab League	**452.3**	**328.8**	**597.6**	**21.0**	**100.0**	**6.39**
Source: author's calculations from *INTRACEN* data, www.trademap.org						

Germany is not ranked among the first five countries in terms of exported volume, nor value, in the Arab League market. However, it ought to be pointed out that it exports an average of 8.9 thousand tonnes displaying the highest export growth at an annual rate of 16.8% in comparison to other countries mentioned. Variety of processed cheeses and soft cheeses have a share of 50% in terms of assortment of exported cheese into the Arab League market. Relatively high average export price of 5.0 EUR/kg indicates presence of high quality, brand cheese which belong to the higher price range.

Graph 3 Movement of EU cheese export to the Arab League (2007-206), in thousand tonnes



Source: author's calculations from *INTRACEN* data

By analysing Saudi Arabia and other Arab League countries imports, it may be observed that some EU countries which participate in the cheese trade rather scarcely in Europe have discovered ways to identify market demand and put their cheese into this market which is a geographically, demographically and culturally remote market. For instance, Hungary exported 74.8 thousand tonnes of cheese into the Arab League market between 2007 and 2016. It is 44.1% of its total cheese export and a 1.1% share in the Arab League import. Over the same period, export value towards these countries was EUR 289.2 million and an average increase at an annual rate of 38.9% and average export price of 3.9 EUR/kg. With a highly diverse export portfolio, Hungary actively puts cheese into twelve Arab countries among which Lebanon is the most dominant one followed by Saudi Arabia, Jordan, the United Arab Emirates, Kuwait, etc.

It is important to perform segmentation according to cheese utilization for exporters for both this and other markets. For example, Algeria, Egypt and Saudi Arabia import cheese mostly for further processing (*www.thedairysite.com*) while other countries may import cheese in bulk (for schools, hospitals and other institutional consumers), pack it according to market needs (for supermarkets, catering business, restaurants, etc.) or in a retail ready packaging.

Half of the Saudi Arabia population is below 25 years of age which makes this market one of the “youngest” markets in the world. Participation of middle class and employed persons who earn and spend money is increased (Mahajan, 2013). Mahajan divides this society in terms of social class, as a hierarchical and natural shape of consumer segmentation into: Population on top of the “pyramid”, middle of the pyramid (middle class) and the one on the bottom (Table No. 6).

Table 6 Consumer segmentation according to social class in the Arab League

Country	Population number, million	Top of the pyramid (%)	Middle Class (%)	Bottom of the pyramid (%)
Algeria	41.0	17	55	28
Bahrain	1.4	7	60	33
Egypt	97.0	13	34	53
Jordan	10.2	20	41	39
Kuwait	2.9	22	57	21
Lebanon	6.2	10	60	30
Libya	6.7	15	35	50
Mauritania	3.8	3	30	67
Morocco	34.0	13	32	55
Oman	4.6	6	63	31
Qatar	2.3	8	70	22
Saudi Arabia	28.6	13	65	22
Sudan	37.3	8	46	46
Syria	18.0	3	57	40
Tunisia	11.4	22	52	26
Unitet Arab Emirates	6.1	11	60	29
Yemen	28.0	4	60	36
Source: www.cia.gov (population number), accessed March, 2017; (Mahajan, 2013)				

Hierarchical aspect of social class is important to suppliers. Consumers may purchase specific products that have been established as familiar among members of their own or higher social class and avoid products they perceive as intended for the “lower class”. Various social class layers represent a natural basis for market segmentation for many products and services. Classifying members of society into small number of social classes enables common values, attitudes and patterns of behaviour to be categorized among members of each individual social class although having opposite values, attitudes and patterns of behaviour between social classes (Schiffman, et al., 2007).

One of the most significant aspects of market targeting and positioning planning of the European Union cheese supply is taking into consideration the growing mobility of Arab tourists and increasing interest in European destinations. The increasing size of the worldwide Muslim population and the modernization of Arab countries on the international scene reinforce the rising trend of Islamic Tourism (Kessler, 2015). Besides the identified needs, wants and tendencies of Arab consumers it is necessary to acknowledge the Islamic philosophy. Companies competing in the Arab League marketplace should respect the balance between progressive, modern aspirations and a more conservative, traditional culture (Mahajan, 2013).

Some of important Arab consumer characteristics are the following: brand awareness and significance; shopping is a social act which includes the possibility of external factors (influence of family, friends, etc.), shopping at the preferred location regardless of price; significance of status symbols; relatively low share of online shopping; following fashion, significance of religion, etc. (Boshers, 2013). Arab consumers have increasingly complex demands in terms of cheese variety and quality which had an impact on expansion of cheese such as Feta with prolonged shelf life, snack cheese, cheese in triangle and rectangular shape, different flavours, metal container packaging, etc. (*www.arabnews.com*). One of efficient marketing instruments is the designation of origin. Cheeses with protected geographical status distinguish reputation of cheese in relation to copies which represents a substantial support regarding cheese recognition and branding, increasing the manufacturer's competitiveness (Mugoša, 2014). The European Union countries have developed a great number of renowned, traditional cheese which have been protected. Growth of international trade, political and economic migration, tourism development and other factors represent opportunities for intensifying the promotion of EU cheese both in domestic and export destinations.

3. Conclusion

Average Arab League cheese import in the research period (2007–2016) amounts to 452 thousand tonnes which accounts for 8% share of annual global import and tendency of growth at an annual rate of 6.39%. In terms of value, Arab League import is at an average level of EUR 1.5 billion and records an annual growth of 12.5%. The most prominent importers are Saudi Arabia (29.8%), Lebanon (7.4%), Kuwait (7.3%), Libya (7.2%) and Egypt (6.5%) with a 58.2% share in the Arab League cheese imports.

Suppliers from non-EU countries realize 61% of import value among which Egypt is 1st-ranked (13.3%), then Saudi Arabia (9.4%), Bahrain (6.9%), New Zealand (6.8%) and the U.S. (5%) at an average annual growth rate of 9.44%. The European Union countries represent the remaining 39% and a tendency of growth at an average annual rate of 13.64% out of which Denmark is 1st-ranked (8.2%), followed by Poland (5.4%), France (5.3%), the Netherlands (5.2%) and Ireland (2.9%). Enumerated EU member states account for 37.5% of the Arab League market supply out of total cheese volume which is internationally traded in this market and a tendency of growth at an average annual rate of 7.39%.

Cheese import growth in the Arab countries is a result of population growth, consumer lifestyle and eating habits change, development of fast food, food services and other factors. To increase the Arab League market participation, it is necessary to have a better insight into existing buyers and create new market segment of buyers and consumers. Placement improvement demands intensified marketing activities in terms of buyer and distributor cooperation as well as other significant business entities in order to achieve more efficient differentiation and supply positioning. Creating brand communication strategy with regards to social characteristics of this market especially in terms of influence of Islam on consumer behaviour is crucial. Marketing activities in terms of travel and gastronomy, within European countries should be performed simultaneously with marketing activities regarding the export destinations since Arab tourists, as a touristic niche, gain increasing interest in European travel destinations.

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