

Rural Consumers In The Middle East And North Africa:

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Myths And Facts About A Forgotten Consumer Segment

With a population of over 171 million in the rural Middle East and North Africa, the region represents a large reservoir of labour and a producer of food for the urban sector. Despite not being as well-heeled as their urban counterparts, these rural consumers make up for this with their sheer volume.

With the rapid development of internet technology and the push for higher efficiency in agriculture, they may soon become a major consuming force.

Commercial opportunities

~ Many MENA rural consumers depend on farming for their livelihood. There is an important role for private organisations to provide advice in determining crop prices and shifting produce "from farm gate to table". These consumers will also be interested in water management advice as well as financial products especially in the form of loans for farming tools, vehicles and pesticides;

~ One myth about rural consumers is that they are practical and desire only functionality, when they care about beauty as much as their urban counterparts. To reach a larger potential consumer base, companies must move inland to rural towns in order to tap into the large consumer base. For example, Procter & Gamble is confident they can make strides with the very poor, which they called the "2 a day" consumers, with their lower-end beauty products.

Background

According to the World Bank, more than 50% of food currently consumed in the Middle East and North Africa (MENA) region is imported, making it the largest food-importing region in the world. High rates of population growth combined with severely constrained water and land resources suggest that this dependence on imports will increase or remain at current levels for the foreseeable future.

However, this may represent an opportunity for consumers in MENA's rural areas, as many of these consumers are farmers by trade. Promoting an increased efficiency in farming and water usage as well as encouraging self-sufficiency gives MENA governments the opportunity to adopt clearly-targeted rural and social development programmes as instruments for the elimination of poverty.

Due to the vast population in rural MENA, many companies are also working with local governments to tap into the development of internet technology for rural consumers. A Dubai company known as Intersat Africa plans to roll out 5,000 internet kiosks in Africa and the Middle East, bringing internet connectivity to rural Africa and provide jobs in some of the most impoverished areas of the continent. "The rural population has the right to information. If they have access to information, this will change their life," said Shawkat Ahmed, the chief commercial officer at Yabsat, a collaborator of Intersat.

Encouraging self-sufficiency

In a rapidly transforming North Africa and Middle East where people are demanding broad-based socio-economic development and major political reform, Morocco is attempting to meet these critical needs by engaging people in their own food production. According to the Agency for Agricultural Development of Morocco, the prevalence and low value of cereal crops in Morocco, representing only 10 to 15% of agricultural revenues yet occupying 75% of usable agricultural surface areas, is indicative of the inefficiency of continuing subsistence agriculture and the anaemic pace of rural development.

3% of rural Moroccans move to cities each year but most of them would prefer to stay in their villages if there were opportunities. Tens of thousands of rural Moroccans are also expected to benefit from a new United Nations-backed scheme worth nearly US\$40 million that is aimed at dramatically boosting the production of olives, almonds, honey and red meat.

It should be about quality, not quantity

People in the UAE are eating too much of the wrong foods, according to food experts and a recently released UN report. The Food and Agriculture Organisation (FAO) estimated that the average daily caloric intake per person in the UAE is over 3,000 calories - almost a third above the recommended amount for a healthy person. Cash-strapped consumers, particularly in the rural regions who are faced with declining economic prospects, reduce spending on food, health care and education.

The result is reduced food diversity with expenditures shifting towards energy-dense but less nutritious food. 25-year ago Bram Sunartyo, an Indonesian construction worker in Abu Dhabi, said he liked fast food because it was "easy, quick and cheap". "I'm thin and I work too hard. I eat fast food three times a week, at least. It's because of my stomach - it fills me up and it's enough for me," he said.

Getting rural consumers to be internet savvy

The Oman government has placed a special emphasis on extending telecommunications services to people living in remote areas by making it mandatory for telecommunications service providers to offer wireless local loops (WLLs) in less populated remote areas. "We are in greater need than ever before for providing the remotest areas in the Sultanate with premium mobile phone and internet services, in addition to eliminating digital illiteracy," said Salim Al Ruzaiqi, chief executive officer of the Information Technology Authority. "Urban and rural residents in different Omani cities and villages alike will be receiving advanced technologies."

Meanwhile, in Algeria, one million rural consumers will be provided with training in information and communication Technologies. Minister of Post and Information Moussa Benhamadi said, "The project aims to allow rural populations to be acquainted with the services the internet offers and other digital tool, and to contribute to the development of a new digital age."

Bringing banks to the masses by phone

According to the Central Bank of Iraq, just a fifth of Iraqis have bank accounts, but 70% have mobile phones. Major banking institutions in the country are hoping to close the gap by getting people to open accounts, make payments and transfer cash - all via mobile.

Indrajit Roy Choudhury, a banking expert working as a consultant for the state-owned Trade Bank of Iraq, said: "It can be attributed to the long period the country was at war, international sanctions, isolation from the outside world, prevailing security situations, coverage of banks in remote areas." In addition, most rural Iraqis are paid in cash, with many avoiding the tedious procedures of dealing with the country's bank branches where queues are long. Others who receive their salaries in cheques typically withdraw the full amount in cash and eschew making deposits or opening an account.

Throwing farmers a lifeline

Jordan's farmers have been offered the chance to rebuild a long lost export market as Saudi Arabia gets set to resume imports of a range of the kingdom's produce after 20 years. However, with scarcity of water resources intensifying, local growers may only be able to reap a limited harvest from Riyadh's new open door policy.

Jordan is also heavily urbanised, with World Bank figures putting the country's rural population at little more than 21% of the total, and agricultural workers making up less than 10% of the national workforce. The rural community has seen its contribution to gross domestic product (GDP) drying up over the past few decades.

Unrest bringing hardship

Since the protests that swept across the country earlier this year, cooking gas has become scarce and more expensive in Egypt. "Gas cylinders have suddenly disappeared," said 37-year-old cement factory worker Emad Abul A'as as he waited to buy a cylinder in the southern town of Helwan. "If I don't get the cylinder from this centre, I will have to pay a lot for a cylinder at other centres outside of town." Prices of other commodities have also risen dramatically in recent months. The prices of tomatoes, onions, green peppers, lemons, eggplants, potatoes, zucchini and beans have tripled, while items such as lentils are unaffordable for many. "The future might be worse," said Rashad Abdou, an economics professor from Cairo University. "The prices might increase even more."

Outlook

With global rural markets such as those in China and India opening up at an accelerated rate, rural markets in the MENA region will no doubt follow suit. More consumers will become internet literate with continuing expansion of internet technology in rural areas. A global rise in food prices and rapid population increases in the urban regions may also spell the end of poverty for many of the rural consumers as most of them are farmers who have acquired the skills to produce food with limited water and technology.

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