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Poultry and Products

Annual

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Report Highlights:

Saudi commercial broiler meat production for this was revised downward from 462,000 metric tons to 388,000 metric tons due to the continued problems local producers are facing with the New Castle disease. Poultry imports in 1999 totaled 371,000 metric tons (an increase of about 28 percent relative to 1998 level). With about 59 percent market share in 1999, Brazil remains the top broiler meat supplier to the Kingdom, followed by France (37%), China (3%) and United States (1%).

Saudi Arabia exported 20,000 metric tons of frozen broiler meat in 1999. The country's exports are dominated by Al-Watania Poultry Farm, which accounts for 90 percent of the export trade.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Riyadh [SA2], SA

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POULTRY, MEAT, TOTAL

PSD Table						
Country:	Saudi Arabia					
Commodity:	Poultry, Meat, Total					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	50	55	53	53	50	50
Production	440	380	462	388	0	410
Whole, Imports	235	345	250	347	0	336
Parts, Imports	10	27	10	26	0	25
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	245	372	260	373	0	361
TOTAL SUPPLY	735	807	775	814	50	821
Whole, Exports	24	20	20	20	0	20
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	24	20	20	20	0	20
Human Consumption	653	729	700	739	0	746
Other Use, Losses	5	5	5	5	0	5
Total Dom. Consumption	658	734	705	744	0	751
TOTAL Use	682	754	725	764	0	771
Ending Stocks	53	53	50	50	50	50
TOTAL DISTRIBUTION	735	807	775	814	50	821
Calendar Yr. Imp. from U.S.	3	5	5	5		5

PRODUCTION

The vast majority of poultry meat produced in Saudi Arabia is broiler chicken (about 98%); the balance comes mainly from culled hens and quail production (about 1,500 metric tons of quail meat are produced annually in the Kingdom).

Saudi broiler production for this year has been revised downward by 16 percent from 462,000 metric tons to 388,000 metric tons based on data provided by the Saudi Ministry of Agriculture and Water (MAW). The forecast for next year calls for an increase of about 6 percent in local poultry production. Despite the increased production

capacity estimated at more than 600,000 metric tons annually (made possible by expansion of existing farms and establishment of new ones), the main reason for this year’s estimate decrease in the production is the continued problem with the New Castle disease which surfaced at the end of 1998. Per major poultry producers, the disease has wiped out several small poultry farms in the past several months. To help eradicate the disease, the MAW has reportedly been providing free vaccinations to interested farmers. However, larger producers have opted to follow their own vaccination programs with some hiring technical advisors from Europe and the United States.

Even without the disease factor, poultry experts do not expect a drastic production increase in the next few years due to stiff competition from more competitive imported Brazilian and French frozen chickens.

Prices of locally produced frozen chickens are higher than those imported by at least \$0.64 per kg when this report was written.

Production cost for local farmers is very high because of heavy dependence on imported feed, medicine as well as high energy costs (the extreme hot weather requires year around temperature control.) To offset the effect of the higher production cost, the government still maintains a program which pays 30 percent of the cost on selected poultry equipment (such as feeders, drinkers, grinders, mixers and hatchery equipment) if they are imported. If purchased locally, no subsidy is granted. Also, the Ministry provides a subsidy of \$42.67 (160 Saudi Riyals) per metric ton for imported corn and soybean meal. The corn subsidy is based on U.S. number 2 yellow corn, which provides a great incentive for Saudi importers to buy U.S. corn.

The grow-out period for broilers in the Kingdom ranges between 35 and 42 days. Even though, there is no data available indicating the average weight gain per day, the average live weight of broilers when marketed is 1.40 kg and it takes 1.8 kg of feed to produce a marketable chicken.

POULTRY, MEAT, CHICKEN -16 WKS

PSD Table						
Country:	Saudi Arabia					
Commodity:	Plty, Meat, Chicken -16 wks					
	1999		2000		2001	
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	50	55	53	53	50	50
Production	448	370	452	380	0	400
Whole, Imports	269	344	250	346	0	335
Parts, Imports	12	27	10	26	0	25
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	281	371	260	372	0	360

TOTAL SUPPLY	779	796	765	805	50	810
Whole, Exports	26	20	20	20	0	20
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	26	20	20	20	0	20
Human Consumption	695	718	690	730	0	735
Other Use, Losses	5	5	5	5	0	5
Total Dom. Consumption	700	723	695	735	0	740
TOTAL Use	726	743	715	755	0	760
Ending Stocks	53	53	50	50	50	50
TOTAL DISTRIBUTION	779	796	765	805	50	810
Calendar Yr. Imp. from U.S.	5	5	5	5		5

CONSUMPTION

Chicken meat has been the most competitive source of animal protein in the Kingdom. A kilo of imported frozen chicken is sold for about \$1.50 compare to \$5.34 for beef and \$3.50 for mutton meat. Per capita consumption of poultry meat is reported to have increased from an estimated 16.5 kg in 1979 to 35 kg in 2000, based on a total population of 21 million (6.5 million of whom are expatriates). Consumption of chicken meat decreases significantly from the second week of June up to the first week of September as millions of Saudis and expatriates depart the Kingdom for vacation.

Overall, most consumers in Saudi Arabia prefer 1,000 to 1,100 gram birds while hotels and catering companies prefer 900 to 1,000 grams to serve whole, in halves or in quarters. Traditional restaurants sell grilled whole chicken on average for \$2.67-\$3.20 regardless of size (whether 900 or 1400 gram bird). For this reason, they prefer to buy a lighter weight bird at the lowest possible price.

TRADE

General

Despite various government subsidies provided to the local poultry industry, producers claim to have difficulty competing with imports. At any given time during the year, locally-produced frozen broilers are more expensive than imports. Faced with low prices locally, the leading Saudi poultry producer, Al-Watania Poultry (Al-Watania), has turned to exports. According to managers of some cold storage warehouses, sizeable quantities of stored local chickens often expire before being marketed, resulting in a substantial loss to the producer. Most local firms discount the price of chicken about to expire in order to minimize losses. For instance, near expiry Al-Watania broilers weighing 700 and 800 grams are often offered for half prices at the 32 Al-Azizia-Panda supermarkets (the largest supermarket chain in the Kingdom) and other large supermarkets like Watani and Max Discount Stores.

Two main reasons explain the marketing difficulties of the local producers:

(1). Higher Prices Compared to Imports.

The following table reflects wholesale prices (ten broilers in a carton) in one of Riyadh's Class B supermarkets as of the week of 21, 2000.

Source	900 grams	1000 grams	1100 grams	1200 grams	1300 grams	1400 grams
Local	\$1.95	\$2.11	\$2.29	\$2.53	\$2.80	\$2.96
Brazilian	\$1.52	\$1.60	\$1.84	\$2.00	\$2.16	\$2.32
French	\$1.36	\$1.47	\$1.60	\$1.76	\$1.89	\$2.03

(2) Perceived Inferior Quality of Locally Produced Chicken

Even if locally produced chickens could match prices offered by imported chickens, many institutional customers (the largest users of imported frozen chickens) have indicated to the Agricultural Trade Office/Riyadh that they would keep on buying imported chickens particularly Brazilian broilers. They claim that locally produced frozen broilers (French as well) contain a high fat and moisture content which tends to cause significant shrinkage and look old when cooked on rotisseries.

IMPORTS

Broiler chicken imports in 1999 increased by 81,000 metric tons compared to 1998 (290,000 mt in 1998 vs. 371,000 in 1999). The main reasons for the increased imports are the New Castle disease local producers have been facing and the drastic price reduction in imported Brazilian and French chicken.

Brazil has been the leading supplier of frozen broilers to the Kingdom for the past several years, followed by France and China (for deboned chicken). The United States is a distant 4th. Brazilian poultry exports to the Kingdom increased by 49,171 metric tons compared to the 1998 (217,165 in 1999 vs. 167,994 in 1998) while French exports increased from 105,827 mt in 1998 to 135,962 mt in 1999. Imports from the United States increased by 766 metric tons to 6,101 metric in the same period. China exported 12,000 metric tons in 1999.

Imports of frozen whole chickens from the U.S. depend to a large degree on the level of the Export Enhancement Program (EEP) offered by the U.S. Department of Agriculture. According to major Saudi poultry importers, no U.S. whole frozen broiler meat was imported at least since 1997 because of the absence of EEP for Saudi Arabia. All poultry meat exported from the U.S. to the Kingdom in 1999 was most mostly chicken parts as well as some turkey meat.

The outlook for 2000 poultry imports suggests marginal increase in poultry meat imports by about 14,000 MT from 1999. Contributing factors are mainly the reduced domestic output and increased price competitiveness of imported

broilers.

Recent CIF Prices

Average CIF prices of Brazilian and French broilers meat at Jeddah port in July 2000 were \$830 and \$940 per metric ton, respectively compared to June 1999 prices of \$1,200 (Brazil) and \$1,180 (France). The drop in import prices are attributed to the reduced demand for chicken meat this summer, the devaluation of the Brazilian currency earlier last year that made Brazilian chickens highly competitive, and increased competition among Brazilian and French poultry suppliers. Per major Saudi poultry importers, the Brazilian chicken producers are considering the possibilities of reducing poultry production by 30 percent in order to decrease quantity supplied and help drive prices up in Brazil and export markets.

The importers have also indicated that the lower whole chicken prices are reducing demand for chicken leg quarters as institutional customers that used to buy leg quarters are now buying whole chickens at very competitive rates.

CONSUMER PREFERENCE

French chicken "Doux" brand is the most popular imported brand of frozen broiler consumed by Saudi households, due to attractive prices and aggressive advertising and marketing by Doux. According to major frozen chicken wholesalers, more than 65 percent of Doux's broilers eventually end up in households; the balance hotels, restaurants, and other institutions.

Brazilian chickens are preferred by institutional customers such as restaurants. The following are contributing factors.

1. The institutional trade tend to prefer broilers without offals, and all imported frozen broilers from Brazil are without offals.
2. Brazilian suppliers guarantee smaller-sized birds which fit rotisseries used by restaurants.
3. Because of lower moisture content compared to chickens from France and/or the U.S., Brazilian chickens shrink less when cooked on a rotisserie.

TRADE MATRIX 1999

Saudi Poultry Imports for 1999 are provided below:

Country of Origin	Quantity (MT)
Brazil	217,165
France	135,962
China	12,000*
U.S.	6,101

Total	371,228
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SOURCE: Brazilian, French and U.S. customs data while data for China was provided by business contacts.

TARIFFS

The customs duty on imported chicken is 20 percent or SR 1.00 (\$0.267) per kilogram, whichever is higher. This rate has been in place for several years.

EXPORTS

Saudi Arabia's broiler meat exports (whole and parts) were estimated at 20,000 metric tons based on information provided by Saudi poultry meat exporters. Al-Watania is the leading frozen poultry exporter in the Kingdom. In 1999, the firm reportedly exported 18,000 MT of broiler meat to the GCC, other Arab, and Central Asian countries, accounting for 90 percent of the Kingdom's total exports. Al-Watania has reportedly exported very limited quantities some East African countries such as Kenya, Uganda and Tanzania. According to Watania, the firm is better off marketing its products locally, but it's exports are aimed at protecting the local chicken market from price war that could have devastating effect on the local industry.

APPENDIX :INFORMATION NEEDED TO EXPORT BROILERS TO SAUDI ARABIA

Among other things, the following information should be included when exporting frozen poultry to the Kingdom.

Certificate of Islamic Slaughter (Halal Slaughter Certificate)

Consignee:

Shipper:

Production Date(s):

Expiry Date(s):

Description:

No. Of Cases:

Net Weight:

USDA Health Certificate #:

Signature of Certifying Person(s).

The Halal Slaughtering Certificate, in accordance with Islamic rites, is issued by Islamic institutions recognized by the Saudi Embassy or Consulates in the United States. Information related to the approved Islamic institutions may be obtained from the Saudi Embassy in Washington or the nearest Saudi Consulate (New York, Houston, or Los Angeles).

The method for writing production and expiry dates is to put the day of the month first, followed by month and year. Use of the system commonly followed in the U.S., where the month is shown first, is not acceptable in Saudi Arabia. The shelf life for frozen chicken is 12 months.

END OF REPORT