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## Saudi Arabia

### Poultry and Products

### Annual

### 2004

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**Report Highlights:**

The Saudi Ministry of Agriculture indicated that the country's total broiler meat production declined from 525,000 metric tons in 2001 to 467,000 mt in 2002 and 468,000 in 2003 (initial data). Total poultry meat and products imports are estimated to reach 443,000 metric tons next year, an increase of two percent compared to this year's estimated import level.

Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Riyadh [SA2]  
[SA]

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**Broiler Meat Production:**

The Saudi Ministry of Agriculture (MOW) classifies poultry production farms as either specialized (commercial) or traditional. The P&SD table in this report accounts only for commercial production. The vast majority of poultry meat produced in Saudi Arabia is broiler chicken (about 98 percent) the balance comes mainly from culled hens and quail production (about 1,000 metric tons of quail meat are produced annually in the Kingdom).

**PSD Table**

Country

**Saudi Arabia**

Commodity

Poultry, Meat, Broiler (1000 MT)

|                             | 2003       | Revised    | 2004       | Estimate   | 2005     | Forecast   |
|-----------------------------|------------|------------|------------|------------|----------|------------|
|                             | USDA       | Post       | USDA       | Post       | USDA     | Post       |
|                             | Official   | Estimate   | Official   | Estimate   | Official | Estimate   |
|                             | [Old]      | [New]      | [Old]      | [New]      | [Old]    | [New]      |
| <b>Market Year Begin</b>    |            | 01/2003    |            | 01/2004    |          | 01/2005    |
| Inventory (Reference)       | 0          | 0          | 0          | 0          | 0        | 0          |
| Slaughter (Reference)       | 0          | 0          | 0          | 0          | 0        | 0          |
| Beginning Stocks            | 0          | 0          | 0          | 0          | 0        | 0          |
| Production                  | 520        | 468        | 530        | 480        | 0        | 495        |
| Whole, Imports              | 350        | 388        | 355        | 390        | 0        | 395        |
| Parts, Imports              | 40         | 42         | 40         | 45         | 0        | 48         |
| Intra EC Imports            | 0          | 0          | 0          | 0          | 0        | 0          |
| Other Imports               | 0          | 0          | 0          | 0          | 0        | 0          |
| TOTAL Imports               | 390        | 430        | 395        | 435        | 0        | 443        |
| <b>TOTAL SUPPLY</b>         | <b>910</b> | <b>898</b> | <b>925</b> | <b>915</b> | <b>0</b> | <b>938</b> |
| Whole, Exports              | 20         | 20         | 20         | 20         | 0        | 20         |
| Parts, Exports              | 0          | 5          | 0          | 5          | 0        | 5          |
| Intra EC Exports            | 0          | 0          | 0          | 0          | 0        | 0          |
| Other Exports               | 0          | 0          | 0          | 0          | 0        | 0          |
| TOTAL Exports               | 20         | 25         | 20         | 25         | 0        | 25         |
| Human Consumption           | 885        | 832        | 900        | 0          | 0        | 0          |
| Other Use, Losses           | 5          | 5          | 5          | 5          | 0        | 5          |
| Total Dom. Consumption      | 890        | 873        | 905        | 890        | 0        | 913        |
| TOTAL Use                   | 910        | 898        | 925        | 915        | 0        | 938        |
| Ending Stocks               | 0          | 0          | 0          | 0          | 0        | 0          |
| <b>TOTAL DISTRIBUTION</b>   | <b>910</b> | <b>898</b> | <b>925</b> | <b>915</b> | <b>0</b> | <b>938</b> |
| Calendar Yr. Imp. from U.S. | 2          | 1          | 2          | 1          | 0        | 0          |

Preliminary information provided by the Saudi Ministry of Agriculture (MOA) indicates lower broiler meat productions in 2002 and 2003 than estimated by local poultry producers. Accordingly, we have revised our PSD table for 2003 and 2004 downward to reflect the new information. The MOA indicated that the country's total broiler meat production declined from 525,000 metric tons in 2001 to 467,000 mt in 2002 and 468,000 in 2003 (initial data). The main reported reason for the 11 percent decline in broilers meat production in 2003 compared to 2001 was the closure of several small-scale broiler production farms due to higher production cost compared to the very competitively priced imported Brazilian and French frozen chicken meat. However, the MOA forecasts at least a five percent growth in

the local broiler meat production by the end of next year compared to last year's output mainly due to the expected operation of newly licensed farms.

The most common poultry diseases found in the Kingdom are: Newcastle, Gumoro, Infectious Bronchitis (IB), Avian Influenza (H<sub>9</sub>N<sub>2</sub> subtype), Salmonellosis, Caccidiosis. According to major poultry producers, no major out break of disease has been reported in the past three years.

It appears that the MOA's decision in December 2002 to ban transportation of live chickens from one region to another has helped in minimizing production problems due to poultry diseases such as New Castle. Major poultry producers say that the scheme has not only prevented transfer of diseases from affected regions to other parts of the Kingdom, but it also reduced the high chicken mortality rate caused during transportation of live chickens from one region to another.

Despite the increased production capacity estimated at more than 600,000 metric tons with a total investment cost of about \$8.5 billion, local production is not expected to show a drastic increase because of continued fierce competition from highly competitive imported poultry meat. Significant increase in domestic broiler meat output remains tied to the generous financial, technical and other assistance received from the government to compensate for the higher local production costs ranging from \$1,090 to \$1,380 per metric tons (compare to a C&F price of imported frozen broilers meat that reached as low as \$800 per mt this summer). To lessen the effect of the higher production costs caused by various factors such as heavy dependence on imported feed, medicine, as well as high energy costs (due to the requirement for year-around temperature control), the government maintains a program which pays 30 percent of the cost of elected poultry equipment if imported. If purchased locally, no subsidy is granted. The Government also 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 government pays \$40 per metric ton for imported feed barley. Larger poultry farms benefit from both of these generous government subsidy schemes and their economies of scale made it possible for them to invest in the latest broiler production technology and management-know-how to reduce production costs as much as possible.

The Kingdom bans use of growth hormones in animal production including broiler production. The grow-out period for broilers in the Kingdom ranges between 35 and 42 days. Although 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 about 1.8 kg of feed to produce a marketable chicken.

## Consumption

Chicken meat has been the most competitive source of animal protein in the Kingdom. A kilo of imported frozen chicken is sold at Riyadh's meat wholesale market for about \$1.30 (locally produced frozen broiler meat is sold for \$1.87 per kg) compare to \$4.80 for beef and \$4.27 for mutton meat (both imported). The prices of locally grown mutton and beef are much higher than the prices of imported ones. Per capita consumption of poultry meat is reported to have increased from an estimated 16.5 kg in 1979 to 36.4 kg in 2003, based on a total population of 24 million. Consumption of foodstuffs including broilers 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.

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

Institutional customers prefer Brazilian chickens for the following reasons:

1. Brazilian suppliers guarantee smaller-sized birds (900 to 1,000 grams), which fit rotisseries used by restaurants and catering companies. The grilled chickens are served whole, in halves or in quarters. Since restaurants sell grilled whole chicken on average for \$2.94 regardless of its size, they prefer to buy a lighter weight birds at the lowest possible prices.
2. Because of reported lower moisture content compared to chickens from France, Brazilian chickens shrink less when cooked on a rotisserie.
3. The prices of Brazilian meat have recently been more competitive than the French chicken prices due to the continued appreciation of Euro compared to the U.S. dollar.

### **Trade**

Frozen broiler meat accounts for virtually all imported poultry meat to the Kingdom. Limited quantities of processed poultry meat and whole turkey are imported mostly for expatriates consumption.

Despite the various government subsidies provided to the local poultry industry, producers claim to have difficulty in competing with imports. Generally, locally produced frozen broilers are more expensive than imported broilers. The prices of locally produced broilers meat are considerably higher than the C&F prices of imported frozen chickens. According to data provided by the MOA, the average local production costs per metric ton for broiler meat in 2000 were \$1,090, \$1,280 and \$1,380 for large, medium and small farms respectively. This is in contrast with the August 2004 C&F Saudi port prices for Brazilian frozen chicken meat that ranged from \$875 to \$950 per metric ton depending on brand and quantities imported. Faced with prevailing low prices for imported frozen broilers meat, local leading Saudi poultry producers have turned to exports mainly to the nearby gulf countries. According to managers of some cold storage warehouses, sizeable quantities of stored local chicken meat often expire before being marketed, or are sold at significantly discounted prices to minimize losses.

Local broiler meat producers have been claiming in the past two years that Brazilian and French poultry exporters are subsidized by their respective governments to dump (under price) their frozen chickens in the Kingdom. The Cooperative Society for Poultry Producers has been engaged in a high profile lobbying effort to convince the Saudi Government to increase import duties on imported poultry meat, which now stands at 20 percent or \$0.266 per kg which ever is higher. The organization is also active in a media campaign to discredit the quality of imported chickens claiming that they are below the established Saudi poultry specifications. The government has indicated its willingness to introduce some control measures if the Cooperative Society could prove that imported chickens are under priced (dumped) and that they are below local standards.

## Imports

Total poultry meat and products imports are estimated to reach 443,000 metric tons next year, an increase of two percent compared to this year's estimated import level. The main reasons for the expected increase are the continued significant exports of broilers meat from Saudi Arabia and the expected increase in the number of pilgrims to Mecca. The Kingdom's poultry meat import reached its highest level last year when total imports reached 430,000 metric tons, an increase of about 10 percent compared to the 2002 level. According to the Brazilian Customs data, Brazil the leading frozen broilers meat exporter to the Kingdom, exported 288,556 mt poultry meat in 2003, an increase of 15 percent compared to 2002. While France, the 2<sup>nd</sup> largest poultry meat exporter to Saudi Arabia, exported 115,197 metric tons in 2003, an increase of 12 percent compared to last year's export level. Recently, available customs data for January-June 2004 indicate a continued surge in Brazilian poultry exports to Saudi Arabia for the first six months of this year, taking advantage of a ban placed on Chinese poultry meat exports and a significant decline in the French poultry exports to the Kingdom. Brazil exported 156,883 mt of frozen poultry meat to the Kingdom in the 1<sup>st</sup> half of this year, an increase of 14 percent compared to the level exported in the same period last year. Imports from Brazil for the rest of this year are forecast to remain strong. French exports of poultry meat to Saudi Arabia for the first five months of this year (January-May 2004) showed a decrease of 12 percent compared to the same period last year (80,393 mt vs. 91,326 mt). Two main reasons were given for the decline in France's poultry exports to Saudi Arabia: stronger Euro compared to the U.S. dollar thus far this year and the reported decline in poultry production in France. Saudi Riyal is fixed at a rate of 3.75 to the U.S. dollar.

China had been the third largest poultry meat exporter to Saudi Arabia until the beginning of this year when the Saudi Government banned imports due to the discovery of Avian Influenza in China and several Far East Asian countries. Recent official data puts the total Chinese poultry meat exports to the Kingdom at 35,033 metric tons in 2002 (all imported Chinese poultry meat is de-boned chicken.) Despite lack of official data for 2003, importers estimate Chinese 2003 total annual poultry meat export to the Kingdom at least 30,000 metric tons.

Poultry meat imports from the States in 2003 decreased to 878 metric tons from 7,280 metric tons in 2000 due to the difficulties U.S. exporters face in meeting the March 2001 Saudi Arabian meat import regulation. The regulation requires an official certificate issued by exporting country stating that the slaughtered poultry had not been fed animal protein, animal fats, or animal by-products.

There are several Brazilian poultry brands imported to Saudi Arabia but only very limited Saudi importers have exclusive agency agreements with their Brazilian suppliers. Sadia, Brazil's leading poultry producer, has been exporting to a Jeddah based company known as Abbar & Zainy Cold Stores on an exclusive agency agreement basis for the past several years. The firm is a joint venture between Saudi partners (Abbar and Zainy) and an Italian investor family. Several Saudi importers purchase their Brazilian broilers meat requirements through brokers based in Geneva, Lebanon and Brazil. The brokers negotiate good prices on behalf of the Saudi importers and ensure that all Saudi Arabian import requirements are met by Brazilian exporters.

France supplies the Kingdom with three brands of frozen chicken meat: Doux, Tilly and Sabco, with Doux brand accounting for the majority of the French frozen chicken meat exported to Saudi Arabia. While Tilly & Sabco brands are imported by several Saudi

importers, the Doux chicken has recently appointed an exclusive Saudi importer based in Riyadh. Doux's sole agent, Al-Munajem Cold Stores, is exclusively responsible for importing and distributing all Doux frozen poultry and products in Saudi Arabia

### Recent C&F Prices:

Brazilian frozen broilers C&F prices range from \$875 to \$950 per mt in August depending on brands and quantities imported. According to a major Brazilian frozen broilers importer, Brazilian suppliers provide a price discount of up to \$40 per metric ton if an importer places a minimum order quantity of 1,500 mt at a time for imports within 60 days. Some Brazilian new to market brands were reportedly sold for \$800 per mt. The prices of French chickens were more than \$1,000 per metric ton.

When Avian Influenza started to appear in the Far East earlier this year, the prices of Brazilian chicken meat reached up \$1200 per mt in the expectation that higher demands in Japan, EU and Russia would reduce quantities available for export to Saudi Arabia. However, the expected shortage did not materialize as consumers in Japan and the EU countries reportedly switched from poultry consumption to other protein alternatives, helping Saudi importers negotiate better import prices with their respective Brazilian suppliers.

### 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.

### Major Poultry Import Requirements

**1. Hormone Free Certificate:** Saudi Ministry of Commerce (MOC) requires that the responsible government agency of an exporting country issues a health certificate with each poultry meat shipment confirming that the poultry meat was tested and found totally free from any kind of hormones. Brazilian poultry meat has been randomly tested for Nitrofurans since early 2003.

**2. Chicken Meat Quality Standards:** Imported poultry meat & products must meet all existing Saudi Arabian poultry meat quality standards and specifications including Halal Slaughtering requirements.

**3. Bans on Animal Ruminants in Poultry Feeding:** The MOC requires that health certificates accompanying all imported poultry and poultry products conform to the Ministerial decree number 123 issued in January 2001. The decree requires that health certificate issued by government agency of exporting country clearly indicates that the poultry slaughtered had not been fed animal protein, animal fats, or animal by-products. The MOC, which implemented the requirement on March 25, 2001, states that the measure is necessary to prevent the entry of poultry meat considered unfit for human consumption due to feeding of animal ruminants.

**4. Laboratory Test:** All poultry meat and products imported will be tested at Saudi ports of entry to ascertain that they meet the above requirements.

### Exports

Faced with stiff competition from imported poultry and low prices in the local market, some Saudi poultry producers have in recent years turned to exports. Locally produced broiler

meat exports (whole and parts) were estimated at 14,000 metric tons in 2003 based on a preliminary data provided by the Saudi Ministry of Agriculture. According to MOA, another 11,000 metric tons of imported chicken meat were re-exported to nearby countries. Major poultry importers based in Jeddah have confirmed the re-exportation of significant quantities of imported broiler meat to Kuwaiti-based catering companies serving the coalition forces in Iraq. Most of the exports of locally produced broiler meat goes mainly to GCC countries (Qatar, Bahrain, Kuwait, U.A.E. and Oman), with the U.A.E. accounting for up to 70 percent of the total exports.

### Trade Matrix:

Saudi Arabian Poultry Meat Imports for Calendar Year 2002 and 2003

| Supplying Country    | Calendar Year (quantities in mt) |                |
|----------------------|----------------------------------|----------------|
|                      | 2003                             | 2002           |
| Brazil               | 288,556                          | 252,546        |
| France               | 115,197                          | 103,088        |
| China                | 25,000*                          | 35,033         |
| Other Countries      | 1,247*                           | 1,300*         |
| <b>Total Imports</b> | <b>430,000</b>                   | <b>391,967</b> |

Following are data on Brazilian and French poultry meat exports to Saudi Arabia for the first few months of 2004

| Supplying Country | Reporting Period  |                   |
|-------------------|-------------------|-------------------|
|                   | January-June 2004 | January-June 2003 |
| Brazil            | 156,883 mt        | 138,443 mt        |

| Supplying Country | Reporting Period |                  |
|-------------------|------------------|------------------|
|                   | January-May 2004 | January-May 2003 |
| France            | 80,393 mt        | 91,326 mt        |

Source: Brazilian and French official data.

\*Trade estimates

### Distribution Channel

The Kingdom has an extensive infrastructure. Poultry producers and importers have generally adequate storage facilities including refrigerated trucks and cold storage.

Poultry meat and products are available in both wholesale and retail outlets throughout the Kingdom. Major poultry farms and importers sell their products either directly to the consumers through their own nationwide retail outlets or through poultry wholesalers. Consumers may purchase poultry meat in cardboard boxes containing ten chickens from wholesalers or on a piece-by-piece basis from retailers and supermarkets. Commercial customers buy their poultry supplies either from the importer/distributor, poultry farms, or both.

Most of the imported broilers meat is sold to restaurants and catering companies while the majority of the locally grown chickens are consumed by the household consumer (mostly Saudis). The Saudi Government requires catering companies to use only locally produced chicken when catering to government institutions such as the military or government-owned hospitals.

Many major poultry producers are vertically integrated with other poultry related businesses. They produce feeds, chicken, process chicken and sell them directly to customers through their own retail outlets or through wholesalers. There are now several poultry producers that operate their own chicken fast food outlets. Al-Fakieh poultry, the second largest poultry farm, opened its first outlet as Taza Barbecue Chicken in 1990 and now has outlets throughout the Kingdom and several branches in Arab and some Asian countries. The firm has one outlet in the U.S. in Chicago, located on Wabash street downtown Chicago.