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Poultry Annual Report

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GENERAL SUMMARY

Production:

Saudi commercial broiler meat production is expected to total 435,000 metric tons in 1998, up 3 percent from year-earlier levels. Output in 1999 is forecast to increase an additional 3 percent. Most of the increase is attributed to gains in production by the two largest poultry producers in the Kingdom: Al-Watania and Al-Fakieh Poultry Farms. In 1993, both firms began to expand production capacity. Since 1993, broiler production by these 2 firms increased by 140,000 MT.

Imports:

Despite substantial gains in local production, imports of frozen chicken meat (whole broilers and parts) were up by 9 percent in 1997: from 270,000 MT in 1996 to 294,000 in 1997. With a 60 percent market share in 1997, Brazil remains the top broiler meat supplier to the Kingdom, followed by France (38%) and United States (2%). Imports in 1998 and beyond are forecast to decline because of expected gains in local production.

Exports:

Saudi Arabia exported 24,000 metric tons of frozen broiler meat in 1997. The country's exports are dominated by Al-Watania Poultry Farm, which accounts for over 80 percent of the export trade. Most of Al-Watania's exports go to the Gulf Cooperation Council (GCC) countries, other Arab countries, Iran and Central Asian countries.

POULTRY, MEAT, TOTAL

PSD Table						
Country:	Saudi Arabia					
Commodity:	Poultry, Meat, Total					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin	01/1997		01/1998		01/1999	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	45	45	50	55	50	55
Production	438	438	440	450	0	462
Whole, Imports	237	279	235	270	0	269
Parts, Imports	10	15	10	12	0	12
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	247	294	245	282	0	281
TOTAL SUPPLY	730	777	735	787	50	798
Whole, Exports	35	22	35	24	0	26
Parts, Exports	0	2	0	2	0	2
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	35	24	35	26	0	28
Human Consumption	640	693	645	698	0	708
Other Use, Losses	5	5	5	8	0	7
Total Dom. Consumption	645	698	650	706	0	715
TOTAL Use	680	722	685	732	0	743
Ending Stocks	50	55	50	55	50	55
TOTAL DISTRIBUTION	730	777	735	787	50	798
Calendar Yr. Imp. from U.S.	9	9	6	6	6	6

PRODUCTION

Virtually all poultry meat produced in the Kingdom is broiler chicken (about 97%); the balance comes mainly from culled hens and quail production (about 2,000 metric tons of quail meat are produced annually in the Kingdom).

Saudi broiler production is forecast to total 435,000 MT this year and increase by 3 percent by the end of 1999. Expansion in production facilities of the two largest poultry farms in the Kingdom (Al-Watania and Al-Fakieh Poultry Farms) resulted in significant production gains over the past 2 years.

POULTRY, MEAT, CHICKEN -16 WKS

PSD Table						
Country:	Saudi Arabia					
Commodity:	Plty, Meat, Chicken -16 wks					
	1997		1998		1999	
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	45	45	50	55	50	55
Production	423	423	440	435	0	448
Whole, Imports	237	279	235	270	0	269
Parts, Imports	10	15	10	12	0	12
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	247	294	245	282	0	281
TOTAL SUPPLY	715	762	735	772	50	784
Whole, Exports	35	22	37	24	0	26
Parts, Exports	0	2	0	2	0	2
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	35	24	37	26	0	28
Human Consumption	627	678	645	683	0	696
Other Use, Losses	3	5	3	8	0	5
Total Dom. Consumption	630	683	648	691	0	702
TOTAL Use	665	707	685	717	0	730
Ending Stocks	50	55	50	55	50	55
TOTAL DISTRIBUTION	715	762	735	772	50	784
Calendar Yr. Imp. from U.S.	9	9	6	6		6

Al-Watania Poultry Farm (Watania), owned by the Saudi banking magnate Mr. Suliman Al-Rajhi, is the largest poultry producer in the Kingdom. According to sources, Al Watania slaughtered about 600,000 birds per day (translating into about 173,000 MT) towards the end of 1997 compared to 250,000 per day in 1993. About 80 percent of its broilers are sold frozen; the balance chilled.

Owned by Saudi real estate tycoon, Mr. Suliman Al-Fakieh, Al-Fakieh Poultry Farms (Fakieh) is the second largest poultry producer in the country. The company began producing at full capacity in early 1997, resulting in an additional output of 45,000 MT of broiler meat in 1997. Total chicken meat output totaled 140,000 MT by the end of 1997

compared to 1993. Reportedly, Al Fakieh plans to increase production to 600,000 birds per day by the end of the year 2002, in line with current output by Al Watania.

Fakieh's has expanded by building new facilities and by entering into contractual arrangements with existing smaller broiler farms that seek assistance in management and technology. Under the contractual arrangements, Al Fakieh provides day-old chicks, feed, and medicine at cost. The contractee farmers will grow out the birds and sell them to Fakieh which markets them to one of 1,400 retail outlets throughout the Kingdom. In 1997, about 40 percent of the broilers sold by Fakieh Poultry Farms were supplied by contractee farmers.

Fakieh sells 80 percent of its broilers live, 18 percent chilled (all in the domestic market) and 2 percent frozen. The firm does not produce frozen chickens for mass marketing and does not carry stocks. It only produces on a per order basis. Ninety percent of the firm's frozen broilers are sold to customers in the five GCC countries; the balance sold to local customers mainly during the Haj season.

According to the organization's management, Al Fakieh does not plan to enter into a large scale frozen broilers production at least in the near future for two reasons:

1. The firm considers the live and chilled broiler market its niche market, a market which reportedly generates satisfactory profit margins. The firm sells a live bird for \$2.13 regardless of weight.
2. Price competition between imported and locally-produced frozen broilers has increased in recent years, especially from French and Brazilian imports. Many poultry producers claim that French and Brazilian exporters are dumping the Saudi market with highly subsidized frozen broilers in order to recapture a loss in potential market share as a result of increased local production.

Fakieh Poultry Farms is the owner of 12 successful fast food chicken restaurants in the Kingdom, called Al Tazij. Al Tazij means "fresh" in Arabic and the restaurant chain lives up to its name. Al Tazij claims to serve whole broilers to customers no more than 4 hours after slaughter. The birds are slaughtered at 21 days, hence the meat is very tender. Fakieh uses about 5,000 metric tons of its young chicken meat annually in its twelve Tazij restaurants. Internationally, the firm has opened up six Al Tazij restaurants: two in Dubai, U.A.E. and one each in Cairo, Egypt, Doha, Qatar, and Chicago, the United States (the restaurant in the Chicago is called Taza-Fresh and is located on Wabash Street). The short term goal of the Al Tazij management is to open 20 restaurants in the Kingdom by the year 2000.

The popularity of Al Tazij (characterized as a fresh and traditional Saudi-style chicken fast food restaurant) has motivated two other poultry producers (Watania and Al-Asyiah) to open up similar restaurants as well. Watania opened its first restaurant (Al Dajen) in Riyadh in 1996 and the second one last year. Al-Asyiah's first restaurant called Al-Asyiah Tazij was opened in 1997 in the Saudi city of Buraydah in the Qassim province. Both Watania and Al-Asyiah have ambitious plans to open additional outlets in major Saudi cities over the next few years.

Other Broiler Farms:

Other broiler operations in the Kingdom (see annex 1) have made plans to expand output, but most have opted to wait until they can properly assess the impact of increased production by Al

Watania and Al Fakieh on domestic and export demand. Note: There are many small poultry companies located in the Kingdom in addition to the 16 listed in the annex. The 16 firms listed in the annex are the main companies, some of which have several broiler projects in operation throughout the Kingdom. According to the Ministry of Agriculture and Water, there were 293 broiler projects in Saudi Arabia in 1994.

PRODUCTION POLICY

The frequently stated goal of the Saudi Ministry of Agriculture and Water over recent years has been self-sufficiency in agricultural products when feasible. To help meet this goal, the government grants interest free loans to new viable poultry farms. 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. This subsidy was recently reduced from 200 SR to 160 SR. According to sources, the Saudi government plans to further reduce the subsidy by an additional 20 percent by next year.

CONSUMPTION

Per capita consumption of poultry meat and products is reported to have increased from an estimated 16.5 kg in 1979 to 32 kg in 1996, based on a total population of 19.5 million (6.5 million of whom are expatriates). Based production estimates, per capita consumption will increase, at least in the near term. Overall chicken meat and other foodstuff consumption drops significantly from second week of June up to the end of September as millions of Saudis and ex-patriates 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 its size (whether 900 or 1400 grams 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 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, one local poultry company recently rented excess cold storage space in Jeddah to store its product until it could be exported to nearby countries at a profit. According to managers of some cold storage warehouses, sizeable quantities of the stored chickens often expire before being marketed, resulting in a substantial loss to the producer. Earlier this year, several leading local Arabic newspapers reported the apprehension of a major local producer attempting to sell 60,000 MT of expired frozen chicken in Makka region. Most local firms discount the price of chicken about to expire in order to minimize losses. In early July, for instance, a leading producer sold thousands of chickens due to expire in October and November 1998 for SR 5/kg

or \$1.33 per kg.

Two main reasons explain the marketing difficulties of the local producers: (1) higher prices compared to imports and (2) perceived inferior quality of locally-produced chicken.

The following table reflects the wholesale prices in Riyadh area as of mid of August, 1998.

Source	900 gm	1,000 gm	1,100 gm	1,200 gm
Local	\$1.47	\$1.73	\$2.00	\$2.13
French & Brazil	\$1.44	\$1.55	\$1.73	\$1.90

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 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 accounts for the vast majority of poultry meat imported by the Kingdom. All importers are private. In fact, all agricultural and food products are traded entirely by the private sector, a thriving and growing sector in the Kingdom. Other poultry imports consists of turkey, quail, duck and goose meat. Turkey meat is consumed mostly by Western expatriates during November and December.

Brazil has been the leading supplier of frozen broilers to the Kingdom for the past several years, followed by France. The United States is a distant third. In 1997, Brazil exported 185,241 MT of poultry meat to Saudi Arabia; France 101,498 MT and the United States 5,650 metric tons.

Saudi Arabia's broiler meat imports (whole and parts) in 1997 were revised upward by 47,000 MT to 294,000 MT based on Brazilian, French and U.S. customs data. According to the data, Brazil increased its poultry exports to the Kingdom in 1997 by 24,894 metric tons and France by 2,923 MT. On the other hand, imports from the U.S. decreased by 3,363 MT during the same period.

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 in 1997 because of inadequate and/or the absence of EEP for Saudi Arabia in that year. The United States supplied parts.

The increase in prices of U.S. chicken parts opened up opportunities for Brazilian exporters and to some extent for Chinese deboned chicken meat. As per Brazilian Customs data, exports of Brazilian chicken parts increased by 66 percent from 1992 (3,874 MT) to 1997 (6,448 MT). At the same time, U.S. poultry (parts and offals declined by 55 percent (9,099 MT versus 5,000 MT).

The outlook for 1998 poultry imports suggests a reduction in poultry meat imports by about

12,000 MT from 1997. Contributing factors to the decline are as follows:

1. Higher Domestic Output

Greater domestic production of broilers is by far the main factor contributing to an expected decrease in broiler imports in 1998 and beyond. Local production is expected to increase by at least 12,000 metric tons this year.

2. Reduced Fear of "Mad Cow" Disease.

Saudis are consuming more red meat now following the Bovine Spongiform Encephalopathy (BSE) scare of 1996 and early 1997. Beef and veal meat importers have indicated that consumer fear of BSE has abated significantly, due mainly to measures taken by the Saudi Government to ban imports of beef and beef derivatives from European countries affected by the disease coupled with repeated announcements by the Government indicating the Kingdom country is free of BSE. The increase in consumption of red meats is expected to impact on poultry meat consumption to some extent. However, taken into account Saudi Arabia's high population growth rate (3.75 percent), consumption in 1998 is expected to grow by 1 percent compared to that of 1997.

Recent CIF Prices

Average CIF prices of Brazilian and French broilers meat at Jeddah port in August 1998 were \$1,275 and \$1,260 per metric ton respectively compared to August 1997 prices of \$1,420 (Brazil) and \$1,400 (France). The drop in imports prices are attributed to the reduced demand for chicken meat this summer and to the increased competition from locally produced broilers.

French chicken "Doux" brand is the most popular imported brand of frozen broilers 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 the offal, and all imported frozen broilers from Brazil are without offal.
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 1996

Recently released CY 1996 Saudi Import data for poultry meat is provided below:

1. Whole Frozen Chickens

Country of Origin	Quantity (MT)	Value (US\$)
Brazil	108,364	\$150,889,867
France	112,258	141,436,267
U.S.	7,322	10,482,133
Denmark	1,776	2,408,533
Other Countries	646	1,103,200
Total	230,366	\$306,320,000

2. Whole Frozen Turkeys & Ducks, Geese, Guinea Fowls and Poultry Parts & Offal

Country of Origin	Quantity (MT)	Value (US\$)
Brazil	4,527	\$ 7,454,400
U.S.	3,341	5,356,800
Other Countries	1,699	2,887,467
Total	9,567	\$15,698,667

SOURCE: The 1996 Saudi Import Statistics Yearbook, published by the Saudi Ministry of Finance and National Economy, Riyadh, Saudi Arabia.

Total CY 1996 Saudi poultry meat imports per Saudi Customs were 239,933 metric tons. However, the Saudi data is under reported by 30,000 MT compared to data provided by Brazilian, French and U.S. customs.

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.

Factors Affecting U.S. Trade

Based on meetings ATO/Riyadh held with several importers of broilers, the main obstacles facing U.S. broilers remain price, size of broilers, and packaging. Saudi consumers overwhelmingly prefer broilers weighing 900-1100 grams. They perceive large broilers

(1200-1400 grams) as tough, not tender. U.S.-origin broilers average in the higher weight range.

Since imported broilers are sold on a metric ton basis, importers claim they must sacrifice price when selling U.S. broilers to retailers. An importer will get more "bang for his buck" when selling 900-1100 gram broilers to retailers as opposed to 1200-1400 gram broilers, according to sources.

Importers have also complained about irregular shaped packaging of U.S.-origin broilers; they are not uniform. Other complaints are that broilers are too loosely packed in cardboard cartons, resulting in wasted space.

Better marketing and advertising will help the U.S. position in this market, combined with a continuation of the Export Enhancement Program (EEP). Advertisement posters for "Doux" chickens, for example, is pervasive. "Doux," for example, has become a household word for most Saudis.

EXPORTS

Saudi Arabia's broiler meat exports (whole and parts) in 1997 and 1998 were revised downward by 11,000 MT to 24,000 MT and 26,000 MT respectively based on information provided by Saudi poultry meat exporters. Watania is the leading frozen poultry exporter in the Kingdom. In 1997, the firm reportedly exported 20,000 MT of broiler meat to the GCC, Other Arab, Iran and Central Asian countries. Watania expects exports to increase by 8 percent in the next two years. According to Watania, the firm is better off marketing its products locally, but its exports are aimed at protecting the local chicken market from price war that could have devastating effect on the local industry.

NEW DEVELOPMENTS IN PROCESSING

Several Saudi poultry companies (Watania, Fakieh, Radwa, Al Asyah, and others) and major Saudi food processing companies have launched a wide array of retail-packed frozen chicken dinners and products on the retail market over the past two years. One can find Cordon Bleu chicken dinners, chicken patties, chicken burgers, minced chicken meat, and a variety of ethnic chicken dinners in major supermarkets in Saudi Arabia.

Major food processing companies, such as the National Food Company (Jeddah) and Food and Fine Pastries Manufacturing Company (Jeddah) which carries the brand name "Sunbullah" source from Saudi poultry companies and produce retail-packed chicken dinners as well.

Sadia (the major Brazilian poultry exporter to Saudi Arabia) now includes retail dinner packs of chicken legs and burgers in its product line to Saudi importers.

With more Saudis shopping at supermarkets, the demand for retail-packed chicken products is expected to increase--hence production of retail-packed chicken should continue its upward trend.

MAJOR POULTRY PRODUCERS IN SAUDI ARABIA

1. Al Rahji & Sons Co. (Al-Watania)
Tel: (966)-6-391-1066, Fax: (966)-6-391-1144
2. Al-Fakieh Poultry Farms
Tel: (966)-2-557-2225, Fax: (966)-2-558-6447
3. Hail Agricultural Development Co.
Tel: (966)-6-553-4937, Fax: (966)-6-527-0446
4. Arab Saudi Company for Poultry Production (Al-Asyah)
Tel: (966)-1-462-5445, Fax: (966)-1-465-1497
5. Al-Wadi Poultry Company
Tel: (966)-1-498-5088, Fax: (966)-1-498-5030
6. Radwa Food Production Company
Tel: (966)-2-653-2160, Fax: (966)-2-651-1029
7. Al-Sahli Est. for Agr. Projects
Tel: (966)-1-463-2902, Fax: (966)-1-463-0500
8. AlAkhwain Poultry Farms
Tel: (966)-1-495-5045, Fax: (966)-1-405-2366
9. Tanmiah Poultry
Tel: (966)-1-473-0319, Fax: (966)-1-476-5865
10. Al-Washim Poultry Farm
Tel: (966)-1-426-4888, Fax: (966)-1-426-1182
11. Al-Muharib Poultry Farm
Tel: (966)-1-459-5475, Fax: (966)-1-526-0988
12. Al Khamis Poultry Farm
Tel: (966)-1-411-0478, Fax: (966)-1-411-5086
13. Astra Farm
Tel: (966)-04-422-6661, Fax: (966)-04-422-3172
14. Rawda Poultry
Tel: (966)-1-544-5660, Fax: (966)-1-477-7829
15. Tubrak Poultry Farm (Golden Chicken)
Tel: (966)-1-464-5674, Fax: (966)-1-463-5787
16. Al-Rumehiya Poultry Farm

Tel: (966)-1-627-1805, Fax: (966)-1-627-1749

LIST OF LOCAL MAJOR POULTRY IMPORTERS

1. Abbar and Zainy Cold Stores
Tel: (966)-2-637-1315, Fax: (966)-2-637-3012
2. Abdullah A. Almunajem Sons Co.
Tel: (966)-1-478-7933, Fax: (966)-1-476-4318
3. Al-Shanini Cold Stores
Tel: (966)-2-651-9485, Fax: (966)-2-653-1696
4. Saudi Company for Cold Storage
Tel: (966)-2-647-2819, Fax: (966)-2-647-0643
5. Al-Graineess Est. for Food & Cold Storage
Tel: (966)-3-850-0995, FAX: (966)-3-850-2873
6. Khalifa Al-Gosaibi Cold Storage
Tel: (966)-3-891-4520, Fax: (966)-3-891-9595
7. Al Zamil Food Industries Ltd.
Tel: (966)-3-341-5235, Fax: (966)-3-341-8235
8. Osama Khairy Hafez Trading Est.
Tel: (966)-2-644-5041, Fax: (966)-2-643-2293

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.