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Saudi Poultry Annual Report 1999

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Report Highlights:

Saudi commercial broiler meat production is expected to total 454,000 metric tons in 1999, up 2 percent from year-earlier levels. Poultry imports in 1998 declined by 7 percent compared to 1997. With 60 percent market share in 1998, Brazil remains the top broiler meat supplier to the Kingdom, followed by France (38%) and United States (2%). Imports in 1999 and beyond are forecast to decline because of expected gains in local production.

Saudi Arabia exported 20,000 metric tons of frozen broiler meat in 1998. 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					
	1998		1999		2000	
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	50	50	50	55	50	53
Production	440	445	440	454	0	462
Whole, Imports	235	269	235	255	0	250
Parts, Imports	10	10	10	10	0	10
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	245	279	245	265	0	260
TOTAL SUPPLY	735	774	735	774	50	775
Whole, Exports	24	20	26	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	26	20	0	20
Human Consumption	656	694	654	696	0	700
Other Use, Losses	5	5	5	5	0	5
Total Dom. Consumption	661	699	659	701	0	705
TOTAL Use	685	719	685	721	0	725
Ending Stocks	50	55	50	53	50	50
TOTAL DISTRIBUTION	735	774	735	774	50	775
Calendar Yr. Imp. from U.S.	3	5	5	5		5

PRODUCTION

The vast majority of poultry meat produced in the 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 is forecast to total 454,000 MT this year and increase by about 2 percent next year. 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), Saudi 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.

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 Saudi government has maintained various subsidy programs such as paying 30 percent of the cost of imported equipment. Prices of locally produced chickens are higher than those imported by as much as \$.50 per kg.

POULTRY, MEAT, CHICKEN -16 WKS

PSD Table						
Country:	Saudi Arabia					
Commodity:	Plty, Meat, Chicken -16 wks					
	1998		1999		2000	
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1998		01/1999		01/2000
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	50	50	50	55	50	53
Production	440	435	448	444	0	452
Whole, Imports	235	269	269	255	0	250
Parts, Imports	10	10	12	10	0	10
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	245	279	281	265	0	260
TOTAL SUPPLY	735	764	779	764	50	765
Whole, Exports	24	20	26	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	26	20	0	20
Human Consumption	658	684	698	686	0	690
Other Use, Losses	3	5	5	5	0	5
Total Dom. Consumption	661	689	703	691	0	695
TOTAL Use	685	709	729	711	0	715
Ending Stocks	50	55	50	53	50	50
TOTAL DISTRIBUTION	735	764	779	764	50	765
Calendar Yr. Imp. from U.S.	3	5	5	5	5	5

CONSUMPTION

Per capita consumption of poultry meat is reported to have increased from an estimated 16.5 kg in 1979 to 33 kg in 1998, based on a total population of 21 million (6.5 million of whom are expatriates). Consumption of chicken meat significantly from 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 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 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 the 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).

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

(1). Higher Prices Compared to Imports.

The following table reflects the wholesale prices in Riyadh area as of mid of June, 1999.

Source	900 gm	1,000 gm	1,100 gm	1,200 gm
Local	\$1.60	\$2.06	\$2.10	\$2.22
French & Brazil	\$1.44	\$1.54	\$1.73	\$1.90

(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 1998 decreased by 15,000 metric tons compared to 1997 (294,000 mt in 1997 vs. 279,000 in 1998). The main reasons for the decrease are the increased availability of locally produced chickens and the increased departure of foreign workers due to Saudiazation of some jobs.

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 1998, Brazil exported 167,994 MT of poultry meat to Saudi Arabia; France 105,827 MT and the United States 5,335 metric tons.

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 1998 because of the absence of EEP for Saudi Arabia in that year. All poultry meat exported from U.S. to the Kingdom in 1998 was most mostly chicken parts as well as some turkey meat.

The outlook for 1999 poultry imports suggests a reduction in poultry meat imports by about 14,000 MT from 1998. Contributing factor is mainly the higher domestic output.

Recent CIF Prices

Average CIF prices of Brazilian and French broilers meat at Jeddah port in June 1999 were \$1,200 and \$1,180 per metric ton, respectively compared to June 1998 prices of \$1,275 (Brazil) and \$1,260 (France). The drop in imports prices are attributed to the reduced demand for chicken meat this summer, the devaluation of the Brazilian currency earlier this year that made Brazilian chickens highly competitive and increased competition from locally produced broilers.

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 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 1998

Saudi Poultry Imports for 1998 are provided below:

Country of Origin	Quantity (MT)
Brazil	167,994
France	105,827
U.S.	5,335
Total	279,156

SOURCE: Brazilian, French and U.S. customs data.

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) 1998 and 1999 were revised downward by 4,000 MT and 6,000 MT respectively based on information provided by Saudi poultry meat exporters. Al-Watania is the leading frozen poultry exporter in the Kingdom. In 1998, 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 is reportedly negotiating to export to some East African countries such as Kenya, Uganda and Tanzania. 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.

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