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Saudi Arabia

Poultry and Products

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Report Highlights:

Saudi Arabian poultry production and import estimates for CY 2001 and CY 2002 remain unchanged since our 2001 Poultry Annual report. However, Sales of broiler meat by Brazil, the largest supplier of broiler meat to Saudi Arabia, are expected to increase sharply this year due to a weaker Brazilian currency and other factors which have afforded Brazilian suppliers to offer more competitive prices over the past few months

Includes PSD changes: No
Includes Trade Matrix: No
Semi-Annual Report
Riyadh [SA1], SA

SAUDI ARABIAN POULTRY REPORT UPDATE

POULTRY PRODUCTION:

Virtually all commercial 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 Arabian poultry production estimates for CY 2001 and CY 2002 remain unchanged since our 2001 Poultry Annual report at 419,000 and 430,000 metric tons (mt) respectively. Please see our August 2001 report (GAIN Report #SA1013).

TRADE

Currently, the Kingdom relies on imports to satisfy more than 40 percent of its total domestic consumption of broiler meat. Estimates for broiler meat imports, both whole and parts, in calendar year CY 2001 and CY 2002 are not changed from the August estimates: 419,000 mt for 2001 and 430,000 mt for this year. Imports are overwhelmingly whole broilers and are all frozen.

Sales of broiler meat by Brazil, the largest supplier of broiler meat to Saudi Arabia, are expected to increase sharply this year due to a weaker Brazilian currency which has afforded Brazilian suppliers to offer more competitive prices over the past few months. According to major importers, the C&F prices of Brazilian broilers meat (at Saudi ports) in March 2002 ranges between \$950 and \$1000 compared to an average price of \$1100 per mt in August 2001 and about \$1240 per mt in March 2001. Some new to the market Brazilian exporters reportedly have been offering as low as \$900 per metric ton. There are more than a dozen brands of Brazilian chickens compared to about five a year ago.

French suppliers who traditionally charge \$20 to \$50 dollars less than leading Brazilian brands, are doing their best to catch up with the recent Brazilian pricing scheme. Doux and SABCO/Tilly frozen chicken suppliers, the only French broiler brands in the Kingdom, are now quoting C&F prices in the range of \$940-\$1020 per mt.

Other reasons given for the drop in the poultry meat import prices were: decreased demand in the Brazilian marketplace for poultry meat which increased available supplies for export and the continued traditional cut-throat competition among Brazilian and French suppliers.

In 2000, Brazil exported more than 95,000 mt broilers meat compared to the total French broilers meat exports to the Kingdom (208,000 mt by Brazil vs. 112,636 mt by France). The Chinese were a distant third with an estimated 18,000 mt of mostly deboned chicken meat.

Chaos in the Saudi Poultry Market

The continued decline in poultry meat import prices has caused a turmoil in the local Saudi poultry market. Saudi traders, who imported huge quantities of Brazilian and French broiler meat last December and January to stock up for Haj Season, have been very disappointed by the less than expected demand for poultry meat during the season. They give a couple of reasons for the lower forecasted demand:

- (1) The Saudi Government's decision to lift import bans on live sheep and lamb meat from major suppliers early this year reduced the price of lamb meat significantly making lamb meat more accessible to catering firms compared to last year's Haj season.
- (2) The Government's decision to ban the movement of pilgrims outside of their camps which sharply reduced the demand for frozen chickens by restaurants in major cities of Jeddah and Madina.

The lower demand and excess supply of frozen chicken meat in the marketplace has forced virtually all importers to drastically cut wholesale prices. A kilo of French and Brazilian chickens are now selling between \$1.27 and \$1.33 delivered at wholesaler warehouses. It has been reported that a major local frozen poultry producer has been selling Grade B whole chicken to catering companies at \$1.2 per kg. A major supermarket chains in Riyadh is currently selling a carton of 10 kilos of ten frozen Doux chickens at \$14.67 (\$1.47 per kilo). Importers claim that they are losing up to \$100 dollars per metric ton by selling at the going prices.

Several leading importers have told ATO/Riyadh that they have drastically reduced imports this month in the hope of reducing supplies to move available stocks and to try to increase wholesale prices. They estimate that the market will need about 2-3 months of reduced imports to get stabilized. According to them, import prices will bounce back to above \$1100 per metric ton sometime in the summer.

Demand for Chicken Parts

Poultry meat importers have indicated that the prevailing lower whole chicken prices have virtually shut down the demand for chicken leg quarters as institutional customers that used to buy leg quarters are now buying whole chickens at very competitive rates. Usually, the demand for leg quarters increases when its prices are lower than whole chicken meat prices.

Brazil and to some extent China has benefitted from the unavailability of U.S. drumsticks and until recent leg quarters in the Saudi market following the implementation in March 2001 of the new Saudi poultry import regulation. The new directive, which required that health certificates declare slaughtered birds have not been fed animal ruminants, reduced the U.S. poultry meat imports by almost 70 percent from CY 2000 and CY 2001 (\$7.4 million in 2000 vs. 2.4 million in 200). Importers have indicated that they have been facing difficulties in sourcing poultry meat from the U.S. due to inability of U.S. poultry exporters to supply competitively priced poultry meat per the new Saudi requirements.

The C&F prices for Brazilian drumsticks have been reported ranging from \$1100 to \$1200 per mt. The boneless chicken price for Brazilian chicken is \$1700 per ton while Chinese January price was reported at \$1500 per mt. Importers claim that drumsticks, leg quarters and deboned chickens from France have been very expensive compared to other suppliers.

New Testing Requirements for Chinese Poultry Meat Imports to Saudi Arabia

On January 28, 2002 the Saudi Arabian Ministry of Commerce (MOC) issued a circular informing traders of its decision to put in place a temporary measure that requires laboratory testing for the chloramphenicol (a powerful antibiotic) in poultry and other agricultural products imports from China. The tests are reportedly being conducted at the MOC's laboratories and at the King Faisal Specialist and Research Center in Riyadh but no results have been issued so far. Major poultry importers have informed the ATO that the MOC's restriction is limited to new Chinese poultry meat imports and does not apply to those already in importers warehouses and those stocked by wholesalers.

END OF REPORT