

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Saudi Arabia Drastically Reduces Poultry Imports

**Country:** Saudi Arabia

**Post:** Riyadh

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**Report Highlights:**

Over the past two months, the Saudi Food and Drug Authority (SFDA) added several new measures that will have serious repercussions on the Saudi import poultry market. On May 5, SFDA suspended 11 Brazilian poultry plants from exporting to Saudi Arabia, which accounts for 60 percent of Brazil's poultry exports to the Saudi market. Meanwhile, in early June, SFDA suspended poultry imports from France and Ukraine, and all three countries were suspended by SFDA for different reasons. Currently, it remains unclear how Saudi Arabia will meet poultry consumption since it relies heavily on imports. Unfortunately, the United States will not be able to export to Saudi Arabia as long as the country maintains its strict ban against stunning during the poultry slaughtering process.

## **Executive Summary**

Over the past two months, the Saudi Food and Drug Authority (SFDA) added several new measures that will have serious repercussions on the Saudi imported poultry meat market over the next few months. On May 5, SFDA suspended 11 Brazilian poultry plants from exporting to Saudi Arabia, which accounts for 60 percent of Brazil's total chicken meat exports to Saudi market. Meanwhile, in early June SFDA suspended poultry imports from France and Ukraine. Currently, it remains unclear how Saudi Arabia will meet poultry consumption since it relies heavily on imports.

Unfortunately, U.S. poultry exports to Saudi Arabia shut down in May 2018, when SFDA implemented a ban on the use of all sorts of immobilizations in the poultry slaughtering process. In the aftermath of the Brazilian poultry meat and products ban against exporting facilities, FAS/Riyadh has been receiving a significant number of calls from Saudi poultry meat and product importers seeking active U.S. poultry suppliers. Despite the interest, U.S. poultry exporters will not be able to meet demand as long as the Kingdom enforces its drastic ban against stunning in the poultry slaughtering process.

### **SFDA Suspends Imports from 11 Brazilian Poultry Meat Exporting Facilities**

On May 5, 2021, SFDA temporarily suspended 11 Brazilian poultry meat exporting facilities, owned by three companies, from exporting poultry meat and products to the Kingdom effective May 23, 2021. The three Brazilian poultry companies that are affected by the import ban are: JBS, Vibra Group (Tyson Foods owns 40 percent) and Agroaraca Industria De Alimentos Ltda (Nicolini). While all three companies lost their most important market in the Middle East, JBS was hit the hardest as it lost the most in terms of export volume and market share. As such, all JBS popular brands (e.g., Seara, Pena Branca, Frangosul and Lebon) will not be found in the Kingdom's market after imports (shipped prior to May 23, 2021) are depleted.

The second banned company was the Vibra Group. On May 23, SFDA suspended three registered export facilities of the Vibra Group effectively removing two popular poultry brands (Nat and Avia) from the Saudi Market. The third suspended exporter was Nicolini with brand names Saada, Nicolini, Aracia and Walima. SFDA's decision shocked both Saudi poultry meat importers as well as their Brazilian suppliers. According to various experts, the ban is expected to reduce Brazilian chicken meat and product exports to Saudi Arabia 60 percent for the duration of the ban.

To date, SFDA has not provided key information on the ban, such as the reasons for the suspension, how long the suspension will last, or what the Brazilian companies should do to expedite the lifting of the import embargo. According to some reports, SFDA suspended the 11 facilities because of contamination but no specific information was provided on the nature of the reported contamination. Several local poultry meat importers and analysts have asked that if exports were suspended because of a reported contamination, why did SFDA not recall poultry meat products in the Saudi market from the suspended facilities. Others are also curious why Saudi Arabia banned imports effective May 5, instead of providing a grace period until May 23.

## **Saudi Poultry Import Market & Registration System**

Per supplying countries Customs data, in 2020 Saudi Arabia imported a total of 652,283 metric tons (MT) of chicken meat and products of which Brazil supplied 72 percent or 467,522 MT. In August 2020, SFDA implemented biannual import license requirements for poultry meat and fish/seafood product imports to the Kingdom. Under the system, a Saudi importer is required to complete an online SFDA form, which requests the importer to provide information on the company that it wishes to import poultry meat or fish/seafood products from to obtain an import license. This process must be renewed every six months. The information that an importer furnishes to SFDA includes:

- company name,
- supplying establishment information,
- total quantity that will be imported for six months (the valid date of the imports license).

SFDA then reviews the application and grants the required import license. Once approved, the licensed importer cannot import more than the approved quantity. Contacts have informed FAS Riyadh, that there are major delays, at times, for SFDA to grant import licenses.

## **MEWA Encourages Local Poultry Producers**

At the same time, the Saudi Ministry of Environment Water and Agriculture (MEWA) has been encouraging local producers to drastically increase production as part of its Saudi Vision 2030 goal. The Saudi Vision 2030 is a strategic framework proposed in 2016 by Prince Mohammed bin Salman, Crown Prince, aimed at reducing the Kingdom's dependence on oil and diversify its economy. On the agricultural front, there are already plans in place to cover Saudi Arabia's food security needs; especially for agricultural products that do not waste the country's water aquifer resources.

Analysts suggest that SFDA's decision to ban Brazilian imports could be a non-tariff trade barrier that was intended to protect the growing local poultry producers from competitively priced imports. According to MEWA, the Kingdom produced 900,000 MT of chicken meat in 2020, accounting for 60 percent of domestic consumption with estimates near 1.55 MMT a year. MEWA expects local production to account for 80 percent by 2025 and 100 percent by 2030. To help meet this target, MEWA is offering local chicken meat producers various incentives including up to \$187 million annually as a direct production-based subsidy. Last month, Almarai, the largest Saudi dairy farm and the third largest chicken meat producer, announced a massive poultry expansion plan at a cost of \$1.8 billion, which will double its poultry production over the next five years.

Under its Vision 2030, the Saudi government encourages foreign companies to invest in the Saudi market, especially poultry farms. In return, Saudi Arabia offers 100 percent ownership to "local" producers and access to the direct production-based subsidy that is also offered to local poultry farmers.

In what some local poultry meat industry experts call a "Pre-emptive move against protectionism," BRF SA (largest chicken meat processor in Brazil) recently invested in two poultry meat processing facilities in Saudi Arabia. In October 2019, the company announced an agreement with the Ministry of

Investment of Saudi Arabia to establish its fully owned poultry meat processing plant at a total cost of \$120 million. The firm's Saudi plant is expected to produce approximately 50,000 MT of poultry meat annually. On May 7, 2020, BRF SA purchased Vita Food Company (a Dammam, Saudi Arabia based meat processing company) for nearly \$8 million. BRF SA also plans to invest an additional \$7.2 million in expanding the existing Vita plant's processing capacity by more than four-fold.

Currently, five Brazilian companies with a total of 9 facilities are eligible to export poultry meat and products to Saudi Arabia, and BRF SA is the dominant supplier with four SFDA approved and registered export facilities. On October 2, 2020, SFDA temporarily suspended two of the company's facilities from exporting to the Kingdom, and the suspension is still effective. [This link](#) leads to the SFDA list of Foreign Establishments Registration website that provides information on active, suspended, and delisted poultry meat suppliers.

### **Renewed Import Interest for U.S. Poultry**

The United States is one of countries that is approved and registered with 13 poultry establishments listed as active suppliers. However, imports from the listed U.S. facilities were stopped at the end of May 2018, when the SFDA implemented a ban on the use of all sorts of immobilizations in the poultry slaughtering process. In the aftermath of the suspension of the 11 Brazilian poultry export facilities, FAS/Riyadh has received a significant number of calls from Saudi poultry meat and product importers, who are seeking active U.S. poultry suppliers. Despite the interest, U.S. poultry exporters will not be able to meet demand as long as the Kingdom enforces its drastic ban against poultry stunning in the poultry slaughtering process.

### **Suspension of Poultry Meat Imports from France and Ukraine**

The expected shortage in the Saudi poultry import meat market increased on June 6, 2021, when SFDA temporarily suspended imports from Ukraine's largest export facility, PrJSC "Myronivska Pticefabrika" (MHP). In 2020, Ukraine exported 84,221 MT of chicken meat to Saudi Arabia, and MHP was the dominant supplier. On June 8, SFDA also temporarily banned imports of poultry meat and eggs, from three French provinces due to the outbreak of the highly pathogenic avian influenza. The banned provinces are Landes, Pyrenees-Atlantiques and Gers. SFDA excluded poultry meat and table eggs that go through thermal processing from the ban, which SFDA stated is enough to ensure the elimination of the bird flu. SFDA previously imposed a ban on poultry product imports from France's Saint-Geours-de-Maremne region because of the spread of the same disease. Last year, France exported approximately 73,000 MT of chicken meat to Saudi Arabia.

SFDA's decision is expected to create uneasiness in the Saudi import market as well as increase the cost of living in the next few months for the following reasons:

- **Reports of Hoarding:** Expecting a huge shortage in the import market, some poultry importers are holding large quantities of imported chicken meat in cold storage facilities. These companies, mostly those used to import from banned Brazilian facilities, anticipate a huge

shortage of imported poultry products thus creating opportunities for selling at higher prices. Currently, prices of Brazilian chicken meat have increased at least 10 percent in the local market. Price gouging in the next couple of months is expected due to a reduction in supply and high demand. Many experts predict price gouging to escalate at the end of June following the arrival of the last shipment of poultry meat from Brazil.

- **Food Service Sector Feels the Pinch:** Most of the locally produced chicken meat is chilled, highly priced, and generally consumed by Saudi nationals. Expatriate residents, numbered in several millions, prefer imported frozen chicken meat because of its price competitiveness. The food service sector particularly catering companies, labor camps, thousands of neighborhood traditional restaurants and heavy users of deboned chicken meat used for Shawarma (popular Middle Eastern style sandwich) depend on imported chicken meat.

Local as well as international fast-food restaurants depend mostly on imported Brazilian chicken parts, including breast from the suspended facilities, which were important suppliers of both deboned and chicken breast. Several large fast-food restaurants regularly import their required chicken meat products directly from the suspended Brazilian facilities. Experts predict the drastically reduced supply of imported frozen chicken meat will skyrocket the cost of food served by individual households as well as the food service sector.

- **Local Poultry Meat Processors Expected to Take a Back Seat to Larger Facilities:** Local poultry farms produce very limited quantities of fresh deboned meat and chicken breast. Several local poultry meat processors depend exclusively on imported chicken breast and turkey meat for reprocessing. If these companies are not able to source significant quantities at competitive prices, many will be forced to shut down.

## Post Contact Information

FAS Riyadh maintains an extensive network of food and agricultural contacts in Saudi Arabia and Bahrain and can provide lists of relevant Saudi food and agricultural product importers to U.S. exporters upon request. U.S. suppliers can contact Post to be matched with prospective importers, to qualify prospective importers, for assistance in clearing consignments of U.S. products, marketing opportunities, or for market information and regulations.

### Post Contact Information

Office of Agricultural Affairs, U.S. Embassy,  
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### OAA Riyadh Reports

OAA Riyadh reports on the Saudi food industry can be found at [this link](#).

## Attachments:

No Attachments.