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Saudi Arabia

Livestock and Products

The Saudi Market for Beef and Veal

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Report Highlights:

Imports account for about two thirds of Saudi Arabia's total beef and veal consumption (estimated at 100,000 metric tons in 1999). Ireland remains the dominant supplier to the Kingdom while high prices have kept the U.S. share to only about 1,000 metric tons. Saudi Arabia continues its ban on beef imports from several European nations, including the United Kingdom, the Netherlands, Germany, Belgium, Portugal, Luxembourg, Switzerland, and France, because of Bovine Spongiform Encephalopathy (BSE). With the continued expansion of class A supermarkets, fast food outlets, and Five Star hotels in the Kingdom, the demand for beef is expected to rise. Demand for U.S. beef will be dependent to a large degree on price vis a vis Irish beef and other suppliers.

Includes PSD changes: No
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The Saudi Market for Beef and Veal

General

Annual consumption of beef and veal in Saudi Arabia is estimated at about 100,000 metric tons (MT). Two- thirds of this amount is imported; the balance produced in Kingdom. In CY 1998, Saudi imports of beef and veal totaled 67,990 MT, with Ireland dominating the market. The United States exported only 1,008 MT of beef and veal to the Kingdom in CY 1998, a moderate decline from year-earlier levels.

In Saudi Arabia, local beef and veal comes from culled dairy cows and male calves. The Kingdom boasts modern dairy facilities and is self-sufficient in liquid milk (Saudi Arabia is, however, a significant importer of powdered milk). Al Safi Dairy, located 100 kilometers from Riyadh, is in the Guinness Book of World Records as the largest integrated dairy farm in the world. There are no beef breeds in the Kingdom. Holsteins are by far the dominate dairy breed. Four modern dairy farms account for two-thirds of local commercial milk production in the Kingdom: Al Safi Dairy, Al Marai, NADEC, and NADA.

Consumption

Sheep and chicken meats continue to be the meats of choice by most Saudis. A Saudi survey conducted 4 years ago concluded that sheep meat accounted for 60 percent of total red meat consumption followed by beef (20 percent) and camel meat (10 percent). Nevertheless, consumption of beef and veal has been on the upswing since the introduction of modern supermarkets and fast food outlets in the Kingdom 20 years ago. The number of supermarkets in Saudi Arabia has tripled over the past 15 years, currently totaling 275. Several more Class A supermarkets will be constructed over the next two years. Major U.S. fast food chains offering hamburgers and other beef menus has grown tremendously. Present are McDonalds, Burger King, Wendys, Ponderosa Steak House, Western Sizzlin, Hardees, Fuddruckers, and Chilies. Hot beef lunches and dinners are often served by Saudia Airlines. Cold storage capacity has increased rapidly over the past decade and is sufficient to handle significantly larger volumes of imported meats and other frozen food items.

Saudi Arabia's population is currently estimated at 21 million and growing at 3.4 percent annually. About 7 million of the total are expatriates, most of whom are workers from the

Subcontinent (India, Pakistan, Bangladesh, Sri Lanka), the Philippines, and East Africa. A significant percentage of Saudi's expats are fed by private catering firms. Managers of Saudi catering firms indicate that because beef is expensive relative to other meats, mutton and chicken are the meats of choice by the vast majority of companies providing room and board to ex-pat laborers. There are some minor exceptions, namely organizations providing meals to Americans and other "Western" expats.

Prices

Beef is the most expensive meat in the Kingdom, followed by camel, sheep, and chicken meats. Based on a recent survey, the price U.S. chilled striploin found in a modern Saudi supermarket was $19.73 per kilogram while comparable Irish cuts averaged $8.00/KG. Camel meat, sheep meat, and frozen whole broilers are selling for $5.30/KG, $4.50/KG, and $1.90/KG, respectively.

Table 1: Retail Prices of American and Irish Chilled Beef at an Upscale Supermarkets in Riyadh (all prices are U.S. dollars per kilogram)

Country	Striploin	Ribeye	T-Bone Steak	Prime Ribs	Tenderloin
U.S.	19.73	19.20	19.20	16.80	29.33
Ireland	8.00	8.53	12.00	9.33	17.34

Freight rates contribute significantly to higher beef prices vis a vis the competition. Chilled beef from the United States arrives Saudi Arabia by air, while chilled beef from Ireland arrives by sea. About 20-25 percent of all U.S. beef imported by Saudi traders is chilled; the balance frozen. Most chilled beef is imported by large Saudi supermarket chains.

Saudi traders indicate that prices of all cuts of frozen American beef has gone up by at least 15 percent over the past six months. Some traders indicate that if prices go higher, client demand for Irish beef will increase even further. In addition to supermarkets, Five-star hotels are primary end-users of U.S. beef.

Imports

Significantly lower prices of Irish vis a vis U.S. beef are the main reason for the popularity of Irish beef by the Saudis. As noted in the table below, CY 1998 imports of Irish beef totaled 32,204 MT, versus only 1,008 MT from the United States.

Table 2: Saudi Imports of Beef and Veal (Metric Tons, Carcass Weight)

Country-of-Origin	**1995**	**1996**	**1997**	**1998**
Ireland	29,133	20,744	25,519	32,204
UAE*	7,724	3,000	8,362	17,247
Holland**	6,000	5,000	4,876	290
Australia	3,538	4,274	2,233	5,784
Sudan	1,447	891	1,099	1663
USA	1,510	1,235	1,451	1,008
Other countries	11,211	11,832	7,857	9,794
Total	**60,563**	**46,976**	**51,397**	**67,990**

Note that a conversion factor of 1.43 was used to convert trimmed boneless meat to carcass weight. * Imports from the UAE were transhipments.

Per recent discussions with key Saudi importers, recent price increases of U.S. beef have already caused importers to reduce quantities importers. One Saudi firm that used to import one 40-foot containers monthly before the price increase is now importing one container very 45 to 60 days. U.S. frozen beef is individually packed and labeled. Each carton weighs between 59 and 88 pounds, with a 40-foot container holding 45,000 pounds of beef.

The reported link between BSE (Mad Cows Disease) and Creutzfeld Jakob's disease is responsible for a decline in 1996 imports when many customers in the Kingdom reduced beef consumption is favor of other meats.

Distribution channels

Beef importers and distributors dispatch their own refrigerated trucks to transport products to retail stores and other outlets. The Kingdom's roads and other public facilities for moving goods are well-maintained.

Beef and beef products are available in every major supermarket and most smaller grocery stores and food shops in urban areas.. Most imported frozen meat is distributed to restaurants and hotels, while chilled meat is normally distributed directly to supermarkets, with limited quantities to Five-star hotels.

Quality Regulations

Standards for meat and meat products are established by the Saudi Arabian Standards Organization (SASO). Veterinarians from the Ministry of Agriculture and Water supervise and enforce set quality standards at local slaughterhouses. Local municipalities are responsible for enforcing quality standards and control at retail outlets selling meat. The shelf life for chilled beef is 21 days; if vacuum-packed, the expiration period extends to 10 weeks from the date of slaughter. Shelf life for frozen imported beef is set at 12 months by SASO.

Saudi Arabia currently bans imports of beef and beef derivatives from the United Kingdom, France, the Netherlands, Germany, Belgium, Austria , Portugal, Luxemburg, Switzerland, and South Africa because of "Mad Cow" disease, or Bovine Spongiform Encephalopathy (BSE).

Future Prospects

According to major beef importers, the demand for beef is expected to grow moderately in the next few years as Saudis become more accustomed to buying beef in supermarkets and frequent the growing number of fast food restaurants. Local cattle production (dairy) is not rising rapidly enough to meet demand, which bodes will for the import market.

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