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Global Agricultural Information Network

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## Saudi Arabia

### Poultry and Products Annual

**2019**

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**Report Highlights:**

The Kingdom's chicken meat production in 2019 is forecast at 730,000 MT, and is projected to increase to 750,000 MT in 2020. Chicken meat consumption this year is estimated at 1.33 million MT and is forecasted to reach 1.38 million MT in 2020. Total Saudi chicken meat imports in 2019 are likely to reach 630,000 MT and are projected at 660,000 MT for 2020. Saudi Arabia exported 30,000 MT of chicken meat in 2018; exports are projected to remain at this level in 2019 and 2020.

## **Executive Summary**

Post has revised Saudi chicken meat production for 2018 based on information published by the Saudi Ministry of Environment, Water and Agriculture (MEWA). The ministry indicated that about 710,000 MT of chicken meat was produced in 2018, an increase of more than 9 percent compared to USDA's official estimate of 650,000 MT. Total Saudi chicken meat output is expected to reach 730,000 MT in 2019, more than 4 percent higher than USDA's official estimate of 700,000 MT. Small, medium and large domestic chicken meat producers have reported close consultations and collaborations with MEWA to increase chicken meat production in the next few years and reduce the country's heavy dependence on imported chicken meat. Local chicken meat production is being increased in a couple of ways: reduced chicken mortality rates, and significant government support to resolve bottlenecks that impeded production expansion - particularly the availability and speed of granting licenses for land for poultry farms. The production cost of locally produced chicken meat currently ranges between \$1.6 and \$1.87 per Kg of average dressed weight. Saudi Arabia is a surplus table egg producer and a significant exporter to the GCC countries.

Estimated domestic chicken meat consumption in 2018 was approximately 1.3 million MT, nearly equal to USDA's official estimate of 1.29 million MT. Chicken meat consumption is estimated at 1.33 million MT in 2019. Consumption in 2020 is projected to increase by nearly 4 percent to 1.38 million MT. This is mainly due to an increase in the country's population, increases in the number of Umrah visitors, and a larger number of expatriate workers at labor camps.

Estimated 2018 chicken meat imports were decreased to 618,000 MT, approximately 5 percent less than USDA's official estimate of 650,000 MT. Imports are forecast to reach 630,000 MT in 2019 and further increase to 660,000 MT in 2020. The main reasons for the increase are strong local demand for imported chicken meat and suppliers' ability to adapt to the Saudi Food and Drug Authority's (SFDA) ban on electrical immobilization.

Saudi Arabia's estimated 2018 chicken meat exports was increased up to 30,000 MT, compared to USDA's official estimate of 10,000 MT. The Saudi chicken meat export estimate for 2018 was updated based on Customs data provided by the Saudi General Authority for Statistics (SGAS). Saudi chicken meat exports for this year and 2020 are projected to remain at 30,000 MT annually.

The Saudi government continues to provide assistance to domestic poultry farms to increase local chicken meat production; they have a target of more than 60 percent of consumption by the end of 2020.

## **Production**

Almost all poultry meat produced in Saudi Arabia is chicken meat - with the exception of about 1,500 MT of quail meat produced by Astra Farms in Tabuk.

Post increased Saudi Arabia's 2018 chicken meat production estimate based on official data issued by MEWA. The data indicated that the Kingdom produced approximately 710,000 MT of chicken meat, a nine percent increase compared to USDA's official estimate. Major local chicken meat farms indicated continued extensive discussions and consultations with MEWA to significantly increase the country's chicken meat production. The objective is to help the country depend on domestic production for most

local demand for chicken meat. The farmers report MEWA's assistance in solving some of the major impediments that prevented them from meeting planned expansion targets such as high land prices, land ownership disputes and zoning/environmental restrictions. The ministry is also reportedly providing veterinary services to farms that request help. Local poultry farmers, particularly larger and medium sized producers have implemented improved biosecurity procedures to reduce the risk of contagious poultry diseases. The improved measures have been credited with lowering the country's average chicken mortality rate from 25 percent a few years ago to less than 10 percent in recent years. Some well-managed chicken producers have achieved a 2.5 percent or lower mortality rate, which helped increase chicken meat output and significantly reduced production costs.

Post estimates Saudi Arabia's 2019 chicken meat production at 730,000 MT, 4 percent higher than USDA's official estimate of 700,000 MT. Local chicken meat production is projected to reach 750,000 MT in 2020.

Chicken meat production in Saudi Arabia is concentrated in about ten vertically integrated companies (three large companies: Al-Watania, Fakiieh and Almarai and 7 medium farms) which control more than 80 percent of production. MEWA has intensified issuing licenses for new poultry farms. In 2018, the ministry issued 151 licenses for the establishment of new poultry farms, drastic increase compared to 58 new projects licensed in 2017. In 2016, there were 436 chicken farms in Saudi Arabia in 2016, an increase of about 6 percent compared to 413 in 2012.

Saudi poultry farms are located in 12 provinces, but 93 percent of chicken meat production comes from six provinces. In 2017, Al-Qassim province (where Al-Watania Poultry Farm is based) accounted for about 34 percent of total Saudi chicken meat production, followed by Makkah with 15 percent, Riyadh with 14 percent, Aseer with 13 percent, Hail with 12 percent, and the Eastern Provinces with 5 percent.

### **Spent Chicken meat**

It is believed that the quantity of spent hens used for food in Saudi Arabia is negligible. Smaller table egg producers sometimes sell live spent hens to customers who desire the flavor of gamier birds. Customers generally visit the farms to purchase the birds and then cook them for several hours. As such, spent hen meat does not make it to the supermarket shelves in the Kingdom.

In 2013, MEWA gave poultry growers the option of slaughtering spent hens for further processing, but stipulated that slaughtering of spent hens must be scheduled on different days from when younger chickens are slaughtered. Major poultry producers (which also dominate table egg production) prefer to kill the birds and bury them. The companies say that meat from the spent hens is tough and could negatively affect the quality and image of their poultry products if they include them in their product range. The companies also do not have separate slaughterhouses for spent hens and are concerned that processing spent birds meat on their normal processing lines might pass along a bad odor reportedly emitted from spent hens.

### **Production Costs**

Chicken meat production costs in Saudi Arabia are relatively high because of the high cost of controlling temperature in chicken houses under extremely hot weather conditions, and a heavy reliance

on imported feed, vaccines, and equipment. In order to reduce production costs, the Saudi government (SAG) provides several types of production support. These include subsidies for animal feed, and interest-free loans and rebates on the purchase of certain poultry equipment.

Feed costs account for about 70 percent, on average, of chicken production costs in Saudi Arabia. Production costs for local chicken ranges between \$1.6 and \$1.87 per Kg, of dressed weight. This is sometimes higher than the retail prices of imported chicken meat in the Saudi market. The Saudi government offers import subsidies on 31 imported animal feed ingredients to reduce production costs. The import subsidy is based on the energy and protein content of each feed ingredient. For instance, import subsidies on 48 percent protein soybean meal and corn are set at \$137 and \$82 per MT, respectively. The imports subsidies on distiller's dried grains with solubles (DDGS) and corn gluten feed (CGF) are \$99 and \$91 per MT, respectively. There has been speculation in the poultry and dairy industries that Saudi Arabia might eliminate its feed import subsidies.

### **Chicken Production Cycles**

The growing cycle for chickens in Saudi Arabia varies between 28 to 35 days, with an average daily bird weight gain of 50 grams. The average live weight for chicken when marketed is approximately 1,300 grams, while the average ready to cook chicken carcasses weight when marketed is approximately one kg. The average feed conversion ratio (FCR) is estimated at approximately 1.70 kg.

### **Poultry Disease Outbreaks**

Controlling poultry diseases is a major challenge for the Saudi chicken industry. According to some industry contacts, the chicken mortality rate has declined significantly over the past five years - it is currently estimated at less than 8 percent. The high mortality in Saudi chicken farms was mostly due to outbreaks of viral diseases such as Newcastle Disease (NCD), Gumboro (IBD), Infectious Bronchitis (IB) and Avian Influenza (H9N2 subtype). Highly pathogenic avian influenza (H5N8) has occasionally been a major problem in the winter. In December 2017, H5N8 virus was discovered in a Riyadh live bird market. By March 2018, the virus had spread to seven poultry producing regions - Riyadh, Al-Qasim, Makkah, Asir, Al-Madinah, and Jizan. This forced MEWA to depopulate about 9 million birds to control the disease under its avian influenza contingency plan - which is based on a stamping-out policy.

### **Consumption**

Estimated chicken meat consumption in 2019 is increased to approximately 1.33 million MT compared to USDA's official estimate of 1.29 million MT – an increase of 3 percent. The main reasons for the increase in chicken meat consumption are: (1) an increase in population of approximately 2 percent, (2) an increase in the number of religious visitors, and (3) increased demand by food catering companies. The same drivers are expected to increase chicken meat consumption by approximately 4 percent in 2020 - to 1.38 million MT.

Umrah visitors are now allowed to visit the Kingdom all year around except for a few days during Hajj season. The Umrah pilgrims can visit any city or region in the Kingdom. In the past, the Umrah visitors were restricted to a stay of two weeks in the vicinity of the two holy cities of Makkah and Medina. The decision is aimed at boosting the domestic tourism industry. Catering companies provide three meals a day to employees who stay at labor camps and serve the steadily recovering construction industry.

Poultry meat consumption in Saudi Arabia is high compared to other animal protein alternatives. Per capita consumption in 2018 is estimated at approximately 39kg. According to SGAS, the total Saudi population was estimated at 33.4 million in 2018.

It should be noted that estimates for total and per capita chicken meat consumption in this report may overstate or understate the actual level in a particular year because chicken meat inventory data is unavailable. Beginning and ending stocks for poultry meat are assumed to be zero. Saudi chicken meat importers tend to purchase more than actual market needs when prices are attractive to build up stocks and sell when prices start to go up. A significant quantity of frozen chicken meat may be held as carry-over stocks.

### **Demand Fluctuation**

The Saudi poultry meat market is cyclical. Demand rises dramatically in the winter, during the Umrah and Hajj seasons (prior to Eid-al-Adha) - particularly in the cities of Makkah and Medina where visitors go to perform the Umrah and Hajj rituals. However, consumption declines significantly during the month of Ramadan and during the summer months when millions of Saudis and expatriate workers leave the Kingdom for vacations. In recent years, and under normal conditions, poultry meat consumption has been steadily rising because of its affordability and the perception that it is healthier than red meat.

### **Consumer Preference**

Saudis consumers prefer locally produced fresh chicken meat. More than 80 percent of local chicken meat is sold chilled; many poultry producers have switched their chicken meat production lines from frozen to chilled products for its higher profit margins. They are higher partly because chilling saves freezing and cold storage charges. Consumers, particularly Saudis, do not mind paying as much as 50 percent more for fresh\chilled domestic chicken meat over frozen imported chicken meat. In general, Saudi consumers prefer 900 to 1,100 gram birds. They perceive large chickens (1,200 to 1,500 grams) as old and not tender. Hotels and restaurants prefer a lighter weight bird at the lowest possible price to serve whole, in halves or in quarters; they prefer to buy 900 to 1,000 gram birds. All chicken meat imported into Saudi Arabia is frozen, and is mostly consumed by expatriate communities and the food service sector. Brazilian frozen chicken meat is the most preferred imported chicken by restaurants and catering companies as they offer smaller sized birds, which fit in rotisseries.

One of the incentives that the Saudi poultry sector receives from the Saudi government is a stipulation in catering contracts that companies that serve foods to government institutions should use more than 70 percent local content. Several Saudi catering companies contacted for this report indicate that they use

100 percent local chicken meat when catering to government institutions such as the military, hospitals and universities.

The issue of Halal slaughter is not a major concern for most consumers in Saudi Arabia, as the government assures them that all imported meat products, including poultry, are slaughtered according to Islamic rituals. However, some Saudis tend to believe that domestically slaughtered chicken is are of a higher Halal standard than imported products from non-Muslim countries like Brazil and France. As such, they prefer to purchase domestically grown chicken meat at higher prices.

## **Trade**

### **Imports**

Available trade data from supplying countries for the January-June 2019 period puts total Saudi chicken meat imports at 365,775 MT, an increase of 6 percent over the same period in 2018. Total imports for 2019 are forecasted to reach 630,000 MT. Imports are projected to increase by approximately five percent, to 660,000 MT, in 2020.

The substantial increase in chicken meat exports to Saudi Arabia in the first six months of this year indicates that supplying countries, particularly Brazil, have been able to adapt to SFDA's requirement banning electrical immobilization of poultry before slaughtering. SFDA also bans gasification of poultry. SFDA says that the ban on electrical immobilization of poultry is intended to implement the 2015 Gulf Standardization Organization (GSO) regulation 993, which specifies animal slaughtering requirements according to Islamic Law. The GSO regulation was reportedly issued in response to an Islamic religion edict (Fatwa) issued in 1997 by the Makkah based International Islamic Fiqh Academy - religious scholars of the Muslim World League. The Fatwa banned electrical stunning of poultry before slaughtering. In Islamic Shari'a or law, slaughtering is achieved by cutting the throat, the esophagus and the jugular vein. This is the preferred method to slaughter sheep, cattle, bird, etc., and it is permissible in other animals. According to SFDA, the Fiqh Academy issued the fatwa to ban poultry stunning after it conducted experiments at major poultry slaughtering houses in Latin America and observed that electrical stunning led to the death of a significant number of chickens before their throats were cut. Analysts that follow the Saudi poultry industry question why it took Saudi Arabia 21 years to implement the fatwa. It can be viewed as a halal issue or a non-tariff measure to assist the competitiveness of local poultry producers.

According to data published by the Global Trade Atlas (GTA), Brazil exported 281,993 MT of poultry meat to Saudi Arabia in Jan-Jul, 2019, an increase of 5 percent over the same period last year. Complete export data for major exporting countries is for Jan-Jun 2019 and shows that Brazil exported 74 percent of total Saudi chicken meat imports for the first six months of this year. In the same period, Ukraine became the second largest exporter of chicken meat to Saudi Arabia replacing France-which traditionally has been the second largest supplier to Saudi Arabia. Ukraine exported 12 percent of total Saudi chicken meat imports, or 37,728 MT, in the first six months of this year, a five-fold increase compared to the same period last year. France was the third largest supplier with 34,355 MT, but its exports decreased by more than 33 percent in Jan-Jun this year compared to the same period last year. Russia boosted its exports from 335 MT in in Jan-Jun 2018 to 7,228 MT in the same period this year,

while Turkey increased its exports to the Kingdom by approximately 160 percent to 3,445 MT in the same period.

Ukraine’s rapid increase in chicken meat exports to Saudi Arabia was halted on August 17, 2019 when SFDA delisted one exporter and temporarily suspended four other suppliers. SFDA has not publicly released the reason for the ban on the five Ukraine suppliers, but the decision was made after a delegation of SFDA inspectors returned to Riyadh from an auditing trip to Ukraine. The inspectors were in Ukraine the 3<sup>rd</sup> week of July to audit compliance of the five Ukrainian poultry facilities that were registered with SFDA to export poultry meat and products to Saudi Arabia. SFDA inspectors mostly focus on evaluating compliance of the exporting facilities with the authority’s Halal and food safety regulations. It is not known when Ukraine will be able to resume its chicken meat exports to Saudi Arabia as SFDA’s temporary ban could last for months or years depending on how fast the suspended exporters move to correct any violations.

| Exporting Country | Saudi Arabia Chicken meat Imports |              |                |              |
|-------------------|-----------------------------------|--------------|----------------|--------------|
|                   | Quantity in MT                    |              |                |              |
|                   | Jan-Jun 2018                      | Market Share | Jan-Jun 2019   | Market Share |
| Brazil            | 239,689                           | 78%          | 241,465        | 74%          |
| Ukraine           | 6,526                             | 2%           | 37,728         | 12%          |
| France            | 51,647                            | 17%          | 34,355         | 11%          |
| Russia            | 335                               | 0%           | 7,228          | 2%           |
| Turkey            | 1,331                             | 0%           | 3,445          | 1%           |
| Thailand          | 169                               | 0%           | 746            | 0%           |
| United States     | 7,410                             | 2%           | 1              | 0%           |
| Others            | 199                               | 0%           | 279            | 0%           |
| <b>Total</b>      | <b>307,306</b>                    | <b>100%</b>  | <b>325,247</b> | <b>100%</b>  |

Source: GTA

### SFDA’s Ban on Poultry Electrical Immobilization Stops U.S. Poultry Meat Exports

The last U.S. poultry meat shipments arrived in Saudi Arabia at the end of May 2018. U.S. exporters are not able to meet SFDA’s ban on electrical immobilization of poultry. Electrical immobilization or stunning of poultry before slaughtering is generally practiced in the U.S. to facilitate efficient production, reduce waste, and improve animal welfare. Stunning, as employed by U.S. poultry producers is specifically designed to immobilize birds without causing death. Federal regulation 9 CFR § 381.90 requires that carcasses of poultry showing evidence of having died from causes other than slaughter be condemned, and FSIS inspectors enforce this regulation in all federally inspected poultry facilities. Post explained U.S. poultry stunning practices to SFDA on several occasions, held

discussions with SFDA officials, and provided written information on Federal regulation 9 CFR § 381.90. Our objective has been to convince SFDA that poultry stunning as practiced in the U.S. poultry industry meets SFDA’s requirements. In response, SFDA conducted a study on poultry stunning and is currently writing up its findings.

### **Other Issues Limiting U.S. Poultry Meat Exports to Saudi Arabia**

Over the past several years, the U.S. share of the Saudi imported chicken meat market has fluctuated between 1 and 3 percent. This is principally because of the difficulties that U.S. poultry meat producers face in meeting SFDA’s poultry feed regulations. SFDA requires that imported poultry meat be accompanied by a government issued health certificate attesting that it is from poultry that was only fed vegetable protein and are free from growth hormones. In order for FSIS to issue the required animal protein free certification, exports of U.S. poultry and poultry products to the Kingdom must come from slaughter facilities that participate in the Agricultural Marketing Service’s (AMS) Animal Protein Free Verification (APFV) Program for Poultry. There are reportedly several U.S. poultry producers that do not feed animal protein but small number of them participate in the APFV program. These conditions have eliminated most U.S. poultry producers from exporting chicken and other poultry products to Saudi Arabia.

### **Reduced Chicken Meat Imports in 2018**

In 2018, Saudi Arabia imported 617,960 MT of chicken meat, down by about 13 percent from a year earlier as reported by supplying countries. The significant decline in chicken meat imports in 2018 was mainly due to supplying countries difficulties in meeting SFDA’s ban on poultry stunning enforced at the beginning of June 2018.

In 2018, Brazil exported 486,859 MT of chicken meat or 79 percent of the total Saudi imports. France was the second largest supplier with 81,994 MT or 13 percent of the market, followed by Ukraine with 31,956 MT or 5 percent of total imports. U.S. was a distant fourth with 7,429 MT, almost all chicken parts.

| Exporting Country | Saudi Arabia Chicken Meat Imports |              |         |              |
|-------------------|-----------------------------------|--------------|---------|--------------|
|                   | Quantity in MT                    |              |         |              |
|                   | 2017                              | Market Share | 2018    | Market Share |
| Brazil            | 589,575                           | 83%          | 486,859 | 79%          |
| France            | 97,901                            | 14%          | 81,994  | 13%          |
| Ukraine           | 7,633                             | 1%           | 31,956  | 5%           |
| USA               | 8,856                             | 1%           | 7,429   | 1%           |
| Russia            | 0                                 | 0%           | 3,949   | 1%           |

|                 |                |             |                |             |
|-----------------|----------------|-------------|----------------|-------------|
| Turkey          | 2,041          | 0%          | 2,276          | 0%          |
| Malaysia        | 0              | 0%          | 1,551          | 0%          |
| Argentina       | 960            | 0%          | 545            | 0%          |
| Thailand        | 0              | 0%          | 726            | 0%          |
| Pakistan        | 0              | 0%          | 275            | 0%          |
| Other Countries | 448            | 0%          | 400            | 0%          |
| <b>Total</b>    | <b>707,414</b> | <b>100%</b> | <b>617,960</b> | <b>100%</b> |

Source: GTA

## Chicken Parts

While most poultry meat consumption in Saudi Arabia is in the form of whole chicken, demand for chicken parts has soared in the past several years due to expansion of the food catering industry, growth of fast food outlets and casual dining establishments, and increased demand by hotels. However, due to the ban on poultry stunning, imports were reduced by about 30 percent in 2018 to 161,294 MT compared to 228,734 MT in 2017. In 2018, imported chicken parts accounted for 26 percent of total Saudi chicken meat imports. Brazil maintained its dominance of the Saudi chicken part import market with 89 percent of the market.

In the first seven months of this year, Saudi Arabia imported 107,330 MT of chicken parts, an increase of 16,397 MT over the same period last year. Brazil supplied 78 percent of total Saudi chicken part imports during the period, followed by Ukraine with 15 percent, Russia and Turkey with 4 and 3 percent, respectively.

Important factors in the continued increase in demand for chicken parts (such as leg quarters and breast and deboned chicken meat) are increased demand by households of working-couples, expansion of Shawarma restaurants (a popular Middle Eastern style sandwich), rising demand for ready-to-cook poultry meals, and the continuing growth of hypermarkets and supermarkets.

| <b>Frozen Chicken Cuts And Edible Offal (Including Livers) (MT)</b> |                |              |                |              |
|---|----------------|--------------|----------------|--------------|
| Reporting Country   | 2017           | Market Share | 2018           | Market Share |
| Brazil  | 215,249        | 94%          | 144,090        | 89%          |
| United States   | 8,839          | 4%           | 7,412          | 5%           |
| Ukraine   | 2,547          | 1%           | 7,137          | 4%           |
| Turkey  | 1,807          | 1%           | 1,801          | 1%           |
| Other   | 292            | 0%           | 854            | 1%           |
| <b>Total</b>  | <b>228,734</b> | <b>100%</b>  | <b>161,294</b> | <b>100%</b>  |

Source: GTA

According to trade contacts, dark chicken meat accounts for about 70 percent of total chicken part imports and the balance is chicken breast. U.S. fast food chains such as McDonald’s, KFC and their local rivals such as Al-Beck, Herfy, and Kudu depend mostly on imported chicken parts. Western casual dining restaurants including Chili’s, Apple Bees, Fuddruckers, and TGI Fridays use significant quantities of chicken parts - particularly chicken breast. A large part of imported deboned chicken is destined for Shawarma restaurants. Shawarma is made of boneless chicken meat or beef mixed with pickles, lettuce and mayonnaise wrapped with pita bread.

**Turkey Meat**

Saudi Arabia’s turkey meat imports are very small. In 2018, Saudi turkey meat imports totaled 1,812 MT, a decrease of approximately 29 percent on a year earlier. Brazil supplied 39 percent of imported turkey meat in 2018, followed by Turkey with about 36, France with 13, and Belgium with 7 percent. U.S. did not export any turkey meat to the Kingdom last year. Most imported turkey meat is used to process value added products such as salami, bologna, smoked turkey breast, and honey roasted turkey. The rest is imported for distribution to up-scale supermarkets for Thanksgiving and New Year’s holidays.

In the first seven months of this year, the Kingdom imported 627 MT of turkey meat, a reduction of about 52 percent compared to 1,300 MT imported in the same period last year. Turkey supplied 52 percent of the imported turkey meat, followed by France with 33 percent and Belgium with 7 percent. The U.S. exported eight MT during that period.

Before Saudi Arabia prohibited electrical immobilization in poultry slaughter last year, the U.S. share of the turkey meat market had been falling because of the difficulties that U.S. turkey meat producers face meeting SFDA’s animal protein free feed requirements.

| <b>Saudi Turkey Meat Imports</b> |             |                     |             |                     |
|----------------------------------|-------------|---------------------|-------------|---------------------|
| <b>Exporting Country</b>         | <b>2017</b> | <b>Market Share</b> | <b>2018</b> | <b>Market Share</b> |
| Brazil                           | 880         | 35%                 | 707         | 39%                 |
| Turkey                           | 724         | 28%                 | 658         | 36%                 |
| France                           | 347         | 14%                 | 231         | 13%                 |
| Belgium                          | 185         | 7%                  | 128         | 7%                  |
| United States                    | 216         | 9%                  | 0           | 0%                  |
| Other                            | 189         | 7%                  | 88          | 5%                  |

|       |       |      |       |      |
|-------|-------|------|-------|------|
| Total | 2,541 | 100% | 1,812 | 100% |
|-------|-------|------|-------|------|

Source: GTA

## Import Prices

CIF prices (for August 2019 arrivals) for Brazilian frozen whole chicken ranges between \$1,500 and \$1,550 per MT, a reduction of \$500 and \$450 MT compared to the first six months of this year (depending on the quantity imported, brand name and weight). Prices for deboned chicken, which is used for Shawarma decreased from \$3,600 to \$2,000 per MT. The main reported reasons for the lower prices this summer were the depreciating Brazilian currency and stiff competition from both domestic producers and Ukraine exporters. Before the August 18, 2019 ban, Ukraine exporters were supplying the Saudi market at prices up to \$150 lower per MT than prices offered by Brazilian suppliers for the same sizes. The temporary ban on Ukraine's poultry imports is expected to motivate Brazilian suppliers to increase their prices for shipments in October.

## Local Chicken meat Retail Prices

The sharp increase in imported chicken prices has made local chicken meat more competitive than ever before. During the last week of August 2019, it was observed that per kg prices of domestic frozen chicken meat were cheaper or equal to imported Brazilian and French chicken meat. A kilo of local frozen chicken meat was selling at \$2.4 while a brand of imported Brazilian chicken and French Doux were selling for \$2.65 each. A chilled local chicken was selling at \$3.45 a kilo. Chicken meat remains the most price competitive animal protein source in Saudi Arabia. Imported lamb is sold for \$9.3 per kg while beef is as low as \$8 per kg.

## Import Requirements

Saudi Poultry Meat Import Regulations:

1. **Ban on Poultry Stunning:** Chicken must be slaughtered without the use of electrical immobilization or stunning.
2. **Hormone Free Certification:** The official health certificate accompanying a shipment of poultry meat must include a statement confirming that the poultry meat was tested and found to be free from hormones by the responsible government agency of the exporting country.
3. **Ban on Animal Protein Feeding:** SFDA poultry meat regulations require that the government health certificate accompanying shipments of poultry meat must clearly indicate that the birds slaughtered were not fed animal protein, animal fats, or any animal byproducts. In order for FSIS to issue the required animal protein free certification, exports of U.S. poultry and poultry products to the Kingdom must come from slaughter facilities that participate in the Agricultural Marketing Service's (AMS) Animal Protein Free Verification (APFV) Program for Poultry. Information about this program can be found on [AMS' Website](#).
4. **Quality Standards:** Imported poultry meat and products must meet all existing Gulf Standards Organization's (GSO) poultry meat quality standards and specifications.

5. **Halal Certificate:** Poultry slaughtering has to take place in an officially licensed slaughterhouse and in accordance with Islamic slaughtering procedures: GSO 993/2015 “Animal slaughtering Requirements According to Islamic Law”.
6. **Certificate of Islamic Slaughter:** A certificate of Islamic slaughter must be issued for all poultry meat and products entering the Kingdom of Saudi Arabia. This certificate is currently issued in the United States by Halal Certifiers accredited by the Makkah based Muslim World League (MWL). The certificate must be attested by the Saudi Embassy or Consulate in the U.S. before the poultry meat is shipped to Kingdom. SFDA is working to transfer the responsibilities accreditation of Halal Certifiers from MWL to its Halal Center. It expects a Royal decree on the move to be issued soon. In the meantime, its Halal Center has commenced accreditation of Halal Certifiers and will continue to recognize those accredited by MWL until the accreditation responsibilities are official transferred.
7. **Laboratory Test:** All poultry meat and products imported will be checked and tested at Saudi ports of entry to ascertain that they meet all of the above requirements.

## **Exports**

In 2018, Saudi Arabia exported 30,000 MT of chicken meat to 41 countries. UAE has been the leading importer of Saudi chicken meat. Last year it imported 40 percent or 12,000 MT of Saudi exports. This was followed by Bahrain with 30 percent, Yemen 11 percent, and Lebanon 3.

The Saudi government maintains a \$533 per MT export tax on exports of poultry to recover part of the production subsidies that it provides to domestic chicken producers. The export duty, which was imposed at the end of 2012, apparently made Saudi chicken meat prices more expensive in export markets. However, some consumers in the importing countries are willing to pay the higher price because it is fresh and guaranteed Halal.

## **Stocks**

There are no government programs to hold strategic poultry stocks in Saudi Arabia. For PS&D table calculations we set beginning and ending stocks at zero – holding them constant. Stocks are, however, sometimes significant.

## **Policy**

The Saudi government has targeted increasing chicken meat production to meet more than 60 percent of domestic consumption by the end of 2020 to help meet the Kingdom’s food security strategic goals.

Some poultry analysts question if the Kingdom will be able to achieve this ambitious goal. It will require (1) very large investments to expand poultry production capacity, (2) implementation of a unified biosecurity system to help reduce chicken mortality rates, and (3) a large increase in the imports of subsidized poultry feed. It is a very costly endeavor to undertake during a period of reduced revenues from oil exports. Reduced oil revenues have already compelled the government to reduce subsidies on animal feed imports by up to 62 percent, and increase the cost of electricity, water, introduce a five percent value added tax, and raise gasoline prices.

In June 2018, MEWA organized a workshop entitled “Developing the Poultry Industry and Increasing Local Production”. All major poultry producers participated in the workshop. All obstacles that hinder increased poultry production - such as securing poultry farmland, permits, and the excessively high cost of land - were discussed and recommendations were issued. In its July 2018 press release, MEWA indicated that it would implement workshop recommendations aimed at facilitating or accelerating procedures for obtaining environmental approval for poultry projects. It would also review the prices of land leases to stimulate domestic production and increase domestic production capacity. The objective is to enable the country reach more than 60 percent self-sufficiently in chicken meat production by the end of 2020.

The Kingdom has encouraged the establishment of new chicken farms and the expansion of existing ones by offering various types of production support. These include subsidies for animal feed, interest-free loans, and rebates on the purchase of certain poultry equipment. The current list of animal feed products eligible for import subsidies includes 31 feed ingredients, such as yellow corn, soybean meal, distillers’ dried grain with solubles (DDGs), corn gluten feed (CGF) and sorghum. The import subsidy rates are calculated according to the energy and protein levels of each feed ingredient. Poultry analysts estimate that locally produced chicken meat receives government subsidy approximately of \$0.50 per kg on average.

## Marketing

Saudi Arabia has an extensive infrastructure for poultry meat distribution. Poultry producers and importers generally have adequate storage facilities, including refrigerated trucks and cold storage. Poultry meat and products are available in both wholesale and retail outlets throughout the Kingdom. Major poultry farms and importers sell their products to retailers, wholesalers and directly to consumers through their own nationwide cold store outlets. Consumers may purchase poultry meat in cardboard boxes containing ten chickens from wholesalers or in individual pieces from retail stores and supermarkets. Commercial customers purchase their poultry supplies either from importers/distributors, poultry farms, or both.

Note: MEWA classifies poultry production farms as either specialized (commercial) or traditional. Commercial farms account for 99.8 percent of total Chicken meat produced in Saudi Arabia. As such, the PSD table in this report includes only chicken meat produced on commercial farms.

### Chicken Meat Production, Supply and Demand Data Statistics:

| Meat, Chicken<br>Market Begin Year | 2018             |             | 2019             |             | 2020             |             |
|------------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|
|                                    | Jan 2018         |             | Jan 2019         |             | Jan 2020         |             |
|                                    | USDA<br>Official | New<br>Post | USDA<br>Official | New<br>Post | USDA<br>Official | New<br>Post |
| Saudi Arabia                       |                  |             |                  |             |                  |             |
| Beginning Stocks                   | 0                | 0           | 0                | 0           | 0                | 0           |
| Production                         | 650              | 710         | 700              | 730         | 0                | 750         |
| Total Imports                      | 650              | 618         | 600              | 630         | 0                | 660         |
| Total Supply                       | 1300             | 1328        | 1300             | 1360        | 0                | 1410        |
| Total Exports                      | 10               | 30          | 10               | 30          | 0                | 30          |
| Human Consumption                  | 1290             | 1298        | 1290             | 1330        | 0                | 1380        |

|                               |      |      |      |      |   |      |
|-------------------------------|------|------|------|------|---|------|
| <b>Other Use, Losses</b>      | 0    | 0    | 0    | 0    | 0 | 0    |
| <b>Total Dom. Consumption</b> | 1290 | 1298 | 1290 | 1330 | 0 | 1380 |
| <b>Total Use</b>              | 1300 | 1328 | 1300 | 1360 | 0 | 1410 |
| <b>Ending Stocks</b>          | 0    | 0    | 0    | 0    | 0 | 0    |
| <b>Total Distribution</b>     | 1300 | 1328 | 1300 | 1360 | 0 | 1410 |
|                               |      |      |      |      |   |      |

(1000 MT)

**Not Official USDA Data**

## **Table Eggs**

Saudi Arabia is a surplus producer of table eggs and has been exporting eggs for more than two decades. Currently available data shows that the Kingdom produced more than 5.2 billion table eggs in 2018, an increase of about one percent compared to 2017. In 2018, the Kingdom exported approximately 80 million table eggs, or about 15 percent of its total production. The eggs were mostly exported to the GCC countries. The Saudi table egg sector is highly developed and has been relatively more successful than the chicken sector.

### **Commodities:**

Poultry, Eggs

Poultry, Meat, Broiler

Poultry, Meat, Turkey