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Global Agricultural Information Network

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Saudi Arabia

Poultry and Products Annual

Broiler Meat Production

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Report Highlights:

Saudi Arabian broiler meat production is forecast to reach 642,000 MT in 2013, an 8 percent increase over 2012. Imports in 2013 will decrease by 4 percent to 720,000 MT as the rise in domestic production exceeds increasing consumption. The increase in production is also forecast to support growth (2 percent) in exports to 47,000 MT in 2013.

Note: Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.usda.gov/psdonlineonline>.

Commodities:

Select

Production:**Broiler Meat Production**

Saudi broiler production is forecast to reach 642,000 MT in 2013, an increase of 8 percent compared to 2012. The increase is primarily due to the expansion in production facilities by the three major poultry farms in Saudi Arabia (Al-Watania, Al-Fakieh and Al-Marai). The Saudi government provides broiler producers with interest free loans as well as provides significant subsidy on imported animal feed. In July 2011, the Saudi government increased by 100 percent subsidies it pays for imported animal feed. According to the Saudi government, the huge increase in imported animal feed subsidies aims at not only to alleviating the negative impact of increasing international feed grain prices on domestic animal production but also to offset increase in the cost of living in Saudi Arabia. The Saudi government regularly revises its imported animal feed subsidies based on changes in international animal feed prices.

The Saudi Ministry of Agriculture (MOA) classifies poultry production farms as either specialized (commercial) or traditional. Commercial farms account for 99.5 percent of total broiler meat produced in Saudi Arabia. As such, the PSD table in this report includes only broilers produced on commercial farms. Almost, all poultry meat production in Saudi Arabia is broiler chicken, with the exception of about 1,500 MT of quail meat produced by one specialized farm known as Astra Farms.

Commercial Broiler Production and Number of Farms during (2007-2010)

Year	Production in MT	Number of Broiler Producing Farms
2007	490,405	372
2008	427,228	375
2009	476,348	375
2010	425,500	363

Source: MOA's Agricultural Statistical Yearbook 2011

- Al-Watania Poultry Farm (Watania): It is owned by the Saudi banking magnate Sheikh Suliaman Al-Rajhi, is the largest poultry producer in the Kingdom. Watania has been engaged in a major expansion plan to increase its annual broiler meat production from 161,280 MT in 2010 to 360,000 MT by 2014.

- Al-Fakieh Poultry Farms (Fakieh): It is owned by the Saudi real estate tycoon, Sheikh Abdul Rahiman Al-Fakieh, is the second largest poultry producer in the country. The company's five years expansion plan that started in 2010 will increase the company's broiler production from 129,600 MT in 2010 to 288,000 MT in 2015.
- Al-Marai Dairy Farm: It is the Middle East's largest vertically integrated Dairy farm, which entered broiler production business in 2009 by purchasing Hail Agricultural Development Company (HADCO), has been engaged in a major broiler meat production plan by earmarking \$1.1 billion. The investment will increase the annual HADCO's broiler production which was renamed as Alyoum brand from 20,000 MT in 2009 to 200,000 MT in the next five years. By the end of 2012, Al-Marai's broiler meat production is expected to reach 45,000 MT, an increase of 25,000 MT compared to 2009.

The expansion projects of the three major poultry farms and of some existing medium size poultry farms is expected to increase domestic broiler meat production by more than 170,000 MT in 2013. The expansion of the three projects will double total Saudi Arabia's domestic broiler meat production to about 850,000 MT by 2015 compared to production level of 425,500 MT in 2010.

Vertical Integration

Major domestic broiler farms are highly vertically integrated. They own hatcheries, broilers houses, processing facilities, cold stores, distribution as well as feed mills. In general, the companies control all stages of production of broiler meat, processing, marketing, acquisition of raw materials and distribution of broiler meat and products to customers through their own retail outlets or through wholesalers. Several domestic poultry producers operate their own chicken fast food outlets.

Production Cost

Saudi Arabia's poultry farms depend entirely on imported production equipments, labor and poultry feed. Entire dependence on imports particularly for poultry feed exposes Saudi poultry producers production cost to fluctuate based on the fluctuation in international poultry feed prices which often makes domestically produced broiler meat less competitive to imports from major suppliers such as Brazil and France. To compensate for the higher local production costs, Saudi government has been providing significant financial and technical assistance. To offset the impacts of increasing international feed grain prices on domestic broiler farms, the Saudi government in July 2011 increased by 100 percent subsidies on imported animal feed. For example, import subsidy for yellow corn was increased from \$60.27 per metric ton (MT) in January 2009 to \$120.53 per MT in July 27, 2011 (Table I).

Grow-Out Period

The grow-out period for broilers in the Kingdom ranges between 28 to 35 days. The average weight gain for broiler is between 48 to 54 grams depending on the health and management of the broiler farm. The average live weight for broilers when marketed is 1.40 kg while the average ready to cook broiler carcasses weight when marketed is 1100 grams. The feed conversion ratios (FCR) is between 1.55 kg to 1.70 kg.

Common Poultry Diseases

The most common poultry diseases found in the Kingdom include: Newcastle Disease Virus (NDV), Gumoro, Infectious Bronchitis (IB), Avian Influenza (H₉N₂ subtype), and Salmonellosis, Caccidiosis and other bacterial diseases. According to major poultry producers, no major disease outbreak was reported in 2012. However, NDV continues to be a major problem for small-scale poultry farmers.

Consumption:

Post forecasts total domestic consumption for 2013 at 1.32 MMT for 2013, an increase of 1 percent from 2012 at 1.3 MMT.

Broiler meat consumption is likely to continue growing over the next few years due to: (1) chicken meat is the most competitive animal protein source in the country (\$2.92 per kg compared to \$9.33 for lamb and beef) and (2) a growing preference for chicken meat by increasingly diet conscious consumers.

The demand for poultry meat increases drastically during Ramadan and Hajj when up to three million pilgrims come to Saudi Arabia to perform Umra and Hajj. Year around an estimated seven million Muslims come to Saudi Arabia for religious rituals (Umra and Hajj) and on average the pilgrims spend two weeks in Mecca and Medina areas.

Trade:

Imports:

The Kingdom’s total broiler meat import in 2013 is forecasted to decline by 4 percent to 720,000 MT compared to an estimated 750,000 MT in 2012 due to expected continued increase in domestic production in 2013. Saudi broiler meat imports are expected to significantly decline by 2015 when the three major poultry producers complete their expansion plans. Accounting to local poultry industry, total domestic poultry production is expected to more than 850,000 MT by 2015.

For the past several years, Brazil has been the leading frozen broiler meat supplier to the Kingdom, followed by France. Argentina and Uruguay were a distant third and fourth. In 2011, Saudi Arabia’s broiler meat import was estimated at 786,248 MT, an increase of about 16 compared to 2010. In 2011, Brazil exported 622,624 MT of poultry meat to Saudi Arabia (accounting for more than 79 percent of total imports), France exported 148,624 MT, Argentina 10,000 MT, and Uruguay 5,000 MT. Brazil will continue to dominate the Saudi poultry import market for the next several years due largely to its price competitiveness and its reputation as a high-quality frozen broiler meat supplier.

Trade Matrix:

Major Broiler Meat Suppliers to Saudi Arabia in 2010 and 2011		
<i>(Quantity in MT)</i>		
Supplying Countries	2010	2011
Brazil	550,969	622,624
France	116,071	148,624
Argentina	9,000	10,000

Uruguay	4,000	5,000
Total	680,040	786,248

Source: Supplying countries customs data and ATO Estimates

Exports

Saudi Arabia broiler meat export is forecasted to reach 47,000 MT in 2013, an increase of 34 percent compared to estimated 2011 export level of 35,000 MT. Saudi Arabia's broiler meat exports are dominated by Watania which annually exports about 20 percent of its total broiler meat production to GCC countries and Yemen. In 2011, Watania produced 173,000 MT of broiler meat of which 20 percent was exported. Al-Marai has plans to export significant quantities of its Alyoum fresh whole chicken and chicken parts to the five GCC countries.

Stocks:

Policy:

The Saudi government encourages the establishment of new poultry farms and the expansion of existing ones in order to attain the maximum possible self-sufficiency level in broiler meat production. To achieve this goal, the government grants interest free loans to new viable poultry farms. It also maintains a subsidy program, started in the late 1970s, which pays 25 percent of the cost of selected poultry equipment. In September 2004, the government introduced a new subsidy scheme for local poultry meat producers to help them construct cold storage facilities, buy refrigerated trucks, screeners, grading and farm packaging equipment. Poultry farms, particularly the large scale units, benefit from various government subsidy schemes to spur investment in the advanced broiler production and management technologies. Local poultry equipment manufacturers also are entitled to receive various government subsidies.

On July 27, 2011, the Saudi government issued a revised imported animal feed subsidy list which consisted 31 animal feed ingredients including yellow corn, soybean meal, and sorghum.

During the last three years, ATO Riyadh put extensive time and efforts in working with Saudi MOA, major Saudi feed importers and USGC to include Dried Distillers Grain with Soluble (DDGS), and Corn Gluten Feed (CGF) in the subsidy list.

The current imported animal feed subsidy rates are calculated according to energy and protein levels of each feed ingredient. This means, the higher the protein and energy levels a feed ingredient contains, the more subsidy that government pays for the import of that particular feed ingredient. For example, imported soybean meal (48% Protein and 2,450 energy content per MT) receives the highest subsidy rate of \$202.13 per MT. On the other hand, imported barley straw (2% protein and 1500 energy per MT) receives the lowest government import subsidy rate of \$49.33.

The Saudi government revises its imported animal subsidy based on ongoing international feed prices.

Table 1: The Revised Animal Feed Subsidy Rates (As of July 27, 2011 – U.S. \$/MT)

Animal Feed	Harmonized System Code (HS)	Protein Percentage	Energy per ton	New Subsidy Rate Per MT	Old Subsidy Rate Per MT
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	(Code)			Issued on July 27, 2011	Issued on Jan 22, 2009
Yellow corn	10059010	8.2	3300	\$120.53	\$60.27
Soybean meal (48% Protein)	23040000	48	2450	\$202.13	\$101.07
Soybean meal (44% Protein)	23040000	44	2100	\$184.53	\$92.27
Sorghum- Sudan White Sorghum White Sorghum Red Sorghum Milo Sorghum	12149090	7	2800	\$100.27	\$50.13
Oat	10040020- 10040010	9	2550	\$105.07	\$52.53
Wheat bran	23023000	14	2550	\$112.00	\$56.00
Palm Kernel Meal Palm Kernel Expeller-PKE Palm Kernel Expeller Cake- PKC Palm Kernel Cake	23066000	16	2630	\$122.67	\$61.33
Cotton Seed Meal Cotton Seed Cake	23061000	36	2400	\$173.33	\$86.67
Canola Meal Canola Cake	23064100	33	2000	\$153.60	\$76.80
Alfalfa	12149090	17	2450	\$117.33	\$58.67
Alfalfa Hay	12149090	11	1900	\$99.73	\$49.87
Rhodes Grass	12149090	5	1600	\$68.80	\$34.40
Sudan Grass	12149090	5	1600	\$80.00	\$40.00
Soybean Hulls Soy Hulls	23040000	10	2500	\$107.20	\$53.60
Sunflower Hulls Undecorticated	23063000	4	1440	\$52.80	\$26.40
Rice Hulls Rice Husk	23024000	3	1520	\$52.27	\$26.13
Sugar Cane Molasses	17039000- 17031000	1	2600	\$86.40	-
Sugar Beet	12072000	1	2600	\$86.40	-

Molasses					
Cotton Seeds	12092910	18	3000	\$131.73	
Fodder Beet Pulp Fodder Beet Pulp Pellet	12130010	7	2700	\$101.07	-

Animal Feed	Harmonized System Code (HS Code)	Protein Percentage	Energy per ton	New Subsidy Rate Per MT Issued on July 27, 2011	Old Subsidy Rate Per MT Issued on Jan 22, 2009
Wheat Straw Wheat Straw Pellet Wheat Straw Cubes Wheat Straw Brickette	12130010	2	1500	\$52.53	-
Barley Straw Barley Straw Pellet Barley Straw Cubes Barley Straw Brickette	12130010	2	1400	\$49.33	-
Corn Straw Corn Straw Pellet Corn Stover Pellet Corn Stover Cubes Corn Stover Brickette	12130010	2	1500	\$52.53	-
Sunflower Meal	23063000	32	2560	\$144.00	-
Lupin Lupin Seeds Sweet Lupin Blue Lupin	12149010	21	2600	\$124.53	-
Faba Beans Hulls Faba Beans Broken	23080000	5	2000	\$74.40	-

Bagasse	23032000	1.5	1500	\$51.73	-
Rye Grain	10020000	10	2650	\$105.07	-
DDGS-Dried Distillers Grain with Soluble DDGS Pellet-DDGS Meal	23024000	23	2800	\$134.67	-
CGF-Corn Gluten Feed Corn Gluten Feed Pellet-CGF Pellets	11090000	20	2700	\$125.87	-

Feed Wheat: Subsidy rate, HS code, protein and energy level will be established later.

Sources: *The Saudi Ministry of Finance and Aleqtissadiya newspaper, July 28, 2011*

Marketing:

Saudi Arabia has an extensive infrastructure for poultry meat distribution. Poultry producers and importers have generally 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 either directly to consumers through their own nationwide retail outlets or through poultry wholesalers. Consumers may purchase poultry meat in cardboard boxes containing ten chickens from wholesalers or on a piece basis from retail stores and supermarkets. Commercial customers buy their poultry supplies either from importers/distributors, poultry farms, or both. The Saudi government requires catering companies to use only locally-produced chicken whenever government institutions such as the military or government-owned hospitals issue catering orders.

Recent C&F Prices

According to domestic broiler meat importers the price for Brazilian whole frozen broiler meat in for July was \$2,100 C&F Saudi ports. The prices for French chickens are similar to those for Brazilian products.

The following frozen broiler retail prices are for the week of August 11, 2012 obtained from a leading supermarket chain in Riyadh city.

Brand Name	Country of Origin	Price Per 1000 grams
Doux	France	\$3.33
Tilly	France	\$2.92
Watania	Saudi Arabia	\$3.13
Sadia	Brazil	\$3.07

Seara	Brazil	\$3.45
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Import Tariff

The customs duty on imported chicken is 5 percent ad valorem duty.

Major Poultry Import Requirements

- *Halal Certificate:* Slaughtering has taken place in an officially licensed slaughterhouse and in accordance with Islamic slaughtering procedures. GS 993/1998 “Animal slaughtering Requirements According to Islamic Law”.
- *Ban on Animal Ruminant Feeding:* Certificate to confirm that the bovine animals and poultry slaughtered were not fed with feed containing animal-protein, animal-fats or animal-manure and that the animals were not treated with growth hormones.
- *Quality Standards:* Imported poultry meat and products must meet all existing Saudi poultry meat quality standards and specifications, including Halal slaughtering requirements.
- *Laboratory Test:* All poultry meat and products imported will be tested at Saudi ports of entry to ascertain that they meet the above requirements.

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Saudi Arabia	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0		0
Slaughter (Reference)	0	0	0	0		0
Beginning Stocks	0	0	0	0		0
Production	590	469	600	592		642
Total Imports	788	785	832	750		720
Total Supply	1,378	1,254	1,432	1,342		1,362
Total Exports	10	35	10	46		47
Human Consumption	1,368	1,217	1,422	1,293		1,312
Other Use, Losses	0	2	0	3		3
Total Dom. Consumption	1,368	1,219	1,422	1,296		1,315
Total Use	1,378	1,254	1,432	1,342		1,362
Ending Stocks	0	0	0	0		0
Total Distribution	1,378	1,254	1,432	1,342		1,362
CY Imp. from U.S.	0	5	0	4		6

Source: Supplying countries customs data and ATO Estimates

