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Saudi Arabia

Poultry and Products Annual

2015

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Report Highlights:

Broiler meat production in Saudi Arabia is expected to reach 700,000 MT in 2015, about 8 percent higher than production in 2014. Production is projected to further rise to 780,000 MT in 2016. The large increase in Saudi broiler production is attributed mostly to ongoing expansion projects by the three largest poultry producers. Total Saudi broiler meat imports in 2015 are expected to reach a record high of 900,000 MT, an increase of 13 percent compared to 793,000 MT imported the year before. In 2014, Brazil supplied 81 percent of Saudi Arabia's broiler meat imports, followed by France with a 15 percent market share, then the U.S. with two percent. Saudi Arabia has imposed temporary import bans on imported poultry and eggs products from several states in the U.S. that have confirmed the presence of highly pathogenic avian influenza (HPAI) in their poultry farms.

Executive Summary:

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

Total Saudi broiler meat production is expected to reach 700,000 MT in 2015, an increase of about 8 percent from production in 2014. The production increase is projected to continue in 2016, as total production is expected to reach 780,000 MT, an increase of 20 percent from the production level in 2014. The main reason for the large increases in domestic broiler meat production in recent years is the ongoing expansion projects being carried out by the largest Saudi poultry producers, Al-Watania, Fakieh and Almarai poultry farms. Production cost of locally produced broiler meat currently ranges between \$1.6 and 1.87 per Kg on average dressed weight.

Poultry meat remains the most competitive source of animal protein in Saudi Arabia, where total consumption is projected to reach about 1.54 million MT in 2015, which represents an increase of about 11 percent over the estimated consumption level in 2014. This consumption increase in 2015 is somewhat an inflated estimate, as a significant part of broiler meat consumption ends up actually as ending stock. Overall, Saudi poultry consumption has been increasing by about five percent annually in the last few years. This year, the increase in consumption is expected to be higher due to the continued expansion in the food service sector, the annual population growth, and higher demand anticipated by the food catering companies in the holy cities of Makkah and Madina, as a result of a significant increase in the number of Umrah and Hajj pilgrims.

Total broiler meat imports into Saudi Arabia is forecast to reach a record high of 900,000 MT, an increase of more than 13 percent, compared to 793,000 MT imported in 2014. Total broiler meat import in 2016 is projected to drop slightly to 850,000 MT, as local broiler production is expected to continue rising. In 2014, Brazil supplied 645,609 MT of frozen chicken, more than 81 percent of total Saudi broiler meat imports. This represents an increase of more than 2 percent compared to its market share in 2013. In 2014, French broiler meat exports declined by 20 percent, to 122,275 MT compared to 153,393 MT exported in 2013. Imports from the U.S., the distant third broiler meat supply to Saudi Arabia, declined by about 30 percent to 17,490 MT (all chicken parts) in 2014. Argentina exports were 7,010 MT in 2014, up from 6,016 MT in 2013.

Saudi Arabia's total broiler meat exports, mainly to the Gulf Cooperation Council (GCC), are estimated at 50,000 MT in 2014. The Saudi poultry exports are projected to increase about 20 percent to 60,000 MT in 2015, mainly due to the increase expected in local broiler production. The Saudi government levies \$266.67 export tax per MT on local broiler meat exported abroad, in order to reimburse for various subsidies it offers to domestic broiler meat producers.

Production:

The Saudi poultry sector has been undergoing major expansion projects that will impact the long term production potentials and affect its contribution to achieve the Kingdom's food security goals. Several years ago, Saudi Arabia's government has stated a strategic goal of achieving full self-sufficiency in poultry meat consumption, a goal that most analysts believe is not practically feasible. Some poultry analysts believe that a more realistic goal of 60 percent self-sufficiency of poultry consumption would possibly be achievable. Reaching this target, however, would require a huge expansion in Saudi Arabia's poultry production capacity, high costs of subsidized poultry feed products, and the implementation of a unified biosecurity system to help reduce chicken broiler mortality rates. In 2014, local broiler meat production was estimated at 650,000 MT, about an 8 percent increase over production in 2013. This production satisfies about 46 percent of the Kingdom's consumption needs, currently estimated at about 1.4 million MT. The Saudi poultry self-sufficiency ratio is expected to rise to about 50 percent in 2016.

The recent surge in broiler production in Saudi Arabia is mostly attributed to ongoing expansion projects at the three largest poultry producers in Saudi Arabia, Al-Watania Poultry, Fakieh Farms, and Almarai Company that were started in 2010. In 2014, the three companies' combined production was estimated at about 60 percent of total Saudi broiler meat production. The companies have been implementing production expansion projects that started in 2010 with total investment of more than \$2.83 billion. Poultry analysts expect the three companies to continue their production expansion for the coming years, although at different levels of intensity and to account for about 70 percent of the total domestic broiler meat production by the end of 2017. Below is a summary of the three companies' profiles and development plans. Saudi broiler production is expected to continue its growth and reach 780,000 MT in 2016, about 30 percent higher than production level in 2013.

Broiler production in Saudi Arabia is concentrated in about ten vertically-integrated companies (the three large companies and 7 medium farms) which control about 80 percent of the total broiler meat production in the country. The Ministry of Agriculture (MOA) estimates the number of broiler farms in Saudi Arabia in 2013 to be about 425 units, an increase of 17 percent compared to 363 units in 2010. The broiler farms are spread over 13 regions of the Kingdom. In 2013, the 425 broiler farms produced a combined total of 604,000 MT of broiler meat, an increase of 35 percent compared to 447,000 MT produced in 2010. About 95 percent of the total Saudi broiler production is produced by six provinces, with Al-Qassim province (where Al-Watania is based) accounting for about 37 percent of the total Saudi broiler meat production, followed by Riyadh with 17 percent, Makkah with 15 percent, Aseer with 14 percent and Hail and Eastern Provinces with 6 percent each.

Al-Watania Poultry Farm (Al-Watania)

Al-Watania is the largest poultry producer in Saudi Arabia, accounting for more than one third of the Kingdom's broiler meat production. All of the company's facilities are located in Buraydah, Qassim Province. In 2010, Al-Watania embarked on an ambitious expansion program to double its annual broiler production capacity by 2015, from 500,000 broilers per day to one million broilers per day. However, for some technical and other reasons, the company has not been able to meet its production goals for 2015. According to poultry analysts, the farm has increased its annually production to 180,000

MT in 2015, an increase of more than 31 percent compared to production level in 2010. On the other hand, the company is constructing a new mega poultry farm in Bisaita in Al-Jouf Province. The Bisaita's project, which is expected to be operational by 2020, will have a total production capacity of one million broilers a day. Al-Watania is also working to increase its table egg production three fold, to 3 million eggs per day in the next few years.

About 80 percent of Al-Watania's broiler meat production is sold fresh\chilled, while 20 percent sold frozen. The company is the leading Saudi fresh broiler meat exporter to neighboring Gulf countries. In 2013, Al-Watania was the first company in Saudi Arabia to introduce the vacuum-packaging technology to extend shelf life of chilled broiler meat. Most of the company's broilers are sold as whole-bird, but there are significant quantities of chicken parts, such leg quarters, breasts and drumsticks that are sold by the company. Al-Watania is also becoming a major poultry processor, through producing more than 150 fresh and frozen value added products such as marinated chicken, sausages, hot dogs, chicken popcorn, meat balls, salami, chicken nuggets and a wide range of microwavable poultry products. The company also runs a fast food chain Al Dajen Restaurants, which was established in 1996 and currently has 14 outlets in major cities of the Kingdom.

Fakieh Poultry Farms (Fakieh)

Fakieh Poultry Farms is the second largest broiler meat producers in the Kingdom. It is currently undergoing a huge broiler production expansion projects (\$800 million) to increase its annual production from about 430,000 broilers a day or about 124,000 MT a year to 1,000,000 broilers a day or 288,000 MT by 2020. In 2014, the Fakieh increased its production to 500,000 broilers per day, an increase of 16 percent compared to its production level in 2010. The firm expects its daily production to reach 550,000 broilers a day by the end of 2015, an increase of 10 percent compared to production level in 2014. It also plans to increase table egg production from one million eggs in 2010 to 3 million by 2020. Unlike Al-Watania Company, Fakieh's poultry farms are scattered around the Kingdom. The company operates about 230 farms of which 102 farms are owned by Fakieh, 128 farms are contract farms. According to the contractual arrangement, Fakieh provides the farmers with day-old chicks, poultry feed, medicine and technical assistance at cost value. When ready for marketing, the farmers sell the birds back to Fakieh at agreed upon prices. About 80 percent of Fakieh's broiler meat is sold fresh and 20 percent frozen. The firm wants to increase its fresh/chilled chicken production as much as possible because of high and increasing demand for fresh/chilled chicken meat by Saudi consumers. Local broiler meat processors prefer fresh/chilled production and distribution due to short payment terms. Chilled chicken meat suppliers get paid in less than a week, while it takes 60 days to get paid for frozen broiler meat by retailers and other buyers.

Fakieh has recently started producing new high-value chicken meat products such as chicken nuggets, chicken burgers, chicken Kebab, sausages, and mortadela. The company exports about 10 percent its table eggs, frozen broiler meat and further processed broiler meat products to the GCC countries. It also exports 100 MT of chicken feet a month to China.

Fakieh Poultry was the first poultry company to open and operate a fast food chain that uses broiler meat produced exclusively on its own farms. Fakieh's brand name "Taza Barbecue Chicken" which was first opened in 1989 now has more than 110 outlets throughout Saudi Arabia as well as branches in Kuwait, Jordan, Qatar, Egypt, Oman, Yemen, and the United Arabia Emirates. Taza Barbeque Chicken outlets

use 50,000 chickens a day. The firm opened in 2010 another restaurant called Baity in Mecca and plans to open more outlets in major cities of the country. The menu of the restaurant includes rice, pasta, chicken and other home style foods.

Almarai Poultry Farm (Almarai)

Almarai Poultry Farm is owned by Almarai Food Company, the leading food processing company in Saudi Arabia with business interests in dairy, bakery and baby foods production. Almarai entered the broiler meat production business in 2009 by purchasing the former Hail Agricultural Development Company (HADCO) poultry farm. Since acquiring HADCO, the company has been engaged in a major broiler meat production investment projects estimated at \$1.1 billion. This investment should increase Almarai's Alyoum broiler meat production from 20,000,000 birds in 2009 to 150,000,000 in the next few years. In 2015, Almarai reportedly produced 75,000,000 million broilers. Almarai broiler meat production facilities are located in HADCO and the company does not work with contract farmers. Almarai's broiler meat production is sold 100 percent fresh\chilled and currently the company exports significant percentage of its production to the GCC countries. The company does not produce table eggs.

Saudi poultry experts attribute Alyoum brand impressive success in a very short span of time to Almarai Food Company's reputation as the leader in the production and marketing of high quality dairy products in Saudi Arabia and the wider Gulf region. Alyoum's brand fresh broiler meat products (whole birds and cut-up portions) are currently considered the market leaders in terms of premium quality and high prices. Almarai poultry is one of the few poultry farms in Saudi that are able to reduce broiler mortality rate below the national average of 25 percent, allowing it to constantly increase productivity and reduce production costs.

The table below shows Saudi Arabia's broiler meat production in the period 2010 to 2015

Saudi Broiler Production during 2010-2015

Year	Production in MT
2010	447,000

2011	529,000
2012	588,000
2013	604,000
2014*	650,000
2015*	700,000
2016*	780,000

Source: MOA's estimates and * OAA/Riyadh projection

Production Costs

Broiler meat production costs in Saudi Arabia are relatively high because of the heavy reliance on imports of poultry feed products, poultry vaccines and equipment as well as the high costs of controlling temperature in the chicken houses under extremely hot weather conditions year-around. In order to help local poultry producers cope with the high production costs, the Saudi government (SAG) has been providing various types of production support that include subsidies for animal feed, interest-free loans and rebates on the purchase of certain poultry equipment. Feed costs account for about 70 percent, on average, of broiler production costs in Saudi Arabia. In June 2015, the SAG reduced its subsidies on 31 imported animal feed ingredients between 22 to 62 percent, based on the energy and protein contents of each feed ingredient, as a result of international feed prices decline. For instance import subsidies on 48 percent protein soybean meal and corn were reduced by 32 percent each to \$137 and \$82 per MT, respectively, while the import subsidy on sugar cane molasses was reduced by 62 percent to \$33 per MT. The imports subsidies on DDGS and CGF were reduced by 26 and 27 percent to \$99 and \$91 per MT, respectively. Local poultry producers are concerned that the huge reduction in feed subsidies will further increase their production costs and significantly reduce their ability to compete with lower priced imported products from exporting countries like Brazil. In 2014, production costs for local broiler ranged between \$1.6 and \$1.87 per Kg, on average dressed weight. In 2014, poultry analysts estimate that the value of the various subsidies provided by the SAG to the domestic broiler producers to be around 0.53 per kg.

Broiler Production Cycles

The growing cycle for broilers in Saudi Arabia varies between 28 to 35 days, with an average bird weight gain of 50 grams per day. The average live weight for broilers when marketed is about 1,350 grams, while the average ready to cook broiler carcasses weight when marketed is about one kg. The average feed conversion ratio (FCR) is estimated at about 1.70 kg.

Other Poultry Products

Almost all poultry meat produced in Saudi Arabia is broiler meat, with the exception of about 1,500 MT of quail meat produced by on farm Astra Farms located in Tabuk. Before 2007, spent hens used to be sold live at thousands of retail shops across the Kingdom. In August 2007, however, the Saudi government banned the sales of live chicken in order to reduce the risk of human infection with poultry

related diseases. Most of the spent chickens are killed and mechanically buried. In 2013, however, the MOA has given poultry growers the option to slaughter spent chickens for further processing, but stipulated that slaughtering of spent chickens must be scheduled in different days from when broilers are slaughtered.

Poultry Disease Outbreaks

Controlling poultry disease outbreaks has continued to be among the major challenges facing the Saudi poultry industry in recent years. According to some industry contacts, chicken mortality rates remain as high as 50 percent in some farms. The high mortality rates in the Saudi chicken farms were attributed mostly to outbreaks of viral diseases such as Newcastle Disease (ND), Gumboro (IBD), Infectious Bronchitis (IB) and Avian Influenza (H9N2 subtype). The Saudi poultry industry lacks a national program for poultry disease prevention and control. Some medium and most small poultry farms do not implement viable biosecurity measures to prevent infection and spread of these poultry diseases into their farms. Even large poultry farms do not have unified protocols for diseases prevention and control. According to poultry experts, the average mortality rate in the Saudi poultry farms in the last few years has been around 25 percent.

Poultry experts believe that the lack of a national poultry vaccination program and the poor coordination between the MOA and the industry are to blame for the pervasive poultry disease outbreaks in the Kingdom. While some poultry producers, especially the large farms, implement their own vaccination plans, other farms do not vaccinate at all or use the wrong vaccines. Despite the fact that the MOA provides poultry farmers with free diagnostic service and vaccines, many poultry farmers learn about a disease outbreak in their region from a neighboring farm after it has already been infected.

Poultry Farm Consolidation

The heavy involvement of Almarai in the broiler meat production in 2010 has created strong competition among major Saudi poultry producers. This competition is expected to drive out some smaller to medium inefficient producers through mergers and/or takeovers to achieve economies of scale in production and marketing of broiler meat in order to survive. This severe competition is also expected to force more consolidation and reduce the number of farms in the next couple of years, to fewer efficient ones similar to what happened in the dairy production sector.

In recent years, high poultry mortality rate and high production costs have forced small poultry farmers to shut down production, to establish cooperative farming agreements with larger farmers. Fakieh Poultry Farms, the second largest broiler producer and a pioneer of contract farming in Saudi Arabia, operates 230 farms of which 102 farms are owned by Fakieh and 128 farms are contract farms. ARASCO, purchases broilers from 35 contract farmers and market them under its own Entaj brand. Under this agreement, farmers are provided with day-old chicks, poultry feed, medicine and technical assistance at cost value. When ready for marketing, the farmers sell the birds back to ARASCO at agreed upon prices.

Other small farmer groups are setting up regional cooperatives in order to survive under this increasingly competitive poultry sector situation in Saudi Arabia. The Cooperative Association of Aseer Poultry Producers, which was established a few years ago, is owned by 35 broiler meat and table eggs

producers based in Al-Aseer region. The Cooperative produces about 25,000,000 broilers annually, and it owns a feed processing factory and a slaughtering house. Currently, the top three poultry farms along with the Cooperative Association of Aseer run about 300 poultry farms, and account for over 70 percent of the total broiler meat farms in Saudi Arabia in 2013.

Table Eggs Production

Saudi Arabia is a surplus producer of table egg and has been exporting eggs for more than two decades. In 2013, total Saudi table eggs production was estimated at about 4.4 billion eggs, an increase of 9 percent compared to production in 2012. The current production provides Saudi Arabia with 113 percent self-sufficiency rate. In 2013, the Kingdom exported about 755 million pieces of table eggs, mostly to the GCC countries. This represent about 17 percent of the Kingdom's total table eggs production. The Saudi table egg sector is highly developed and has been relatively more successful than the broiler sector.

Seasonal Table Eggs Shortage

Despite the surplus in table eggs production, Saudi Arabia faces, from time to time, acute seasonal supply shortages particularly in the winter months, when consumption reaches its peaks in both the Kingdom and neighboring Gulf countries. In the first three months of 2015, the supply shortage resulted in more than 40 percent increase in the prices of large the table eggs, from \$3.73 to \$5.33 for 30-piece tray. Reports on local newspapers attributed the sharp spikes in egg prices to supply manipulations by middlemen. It is also reported that production goes down because of increased poultry disease problems which contribute to significant reduction in the table eggs supply in the winter months. Currently, a tray of 30 table eggs is sold between \$3.2 and \$3.75 depending on the brand name.

Due to the seasonal supply shortage of table eggs, the MOA has lifted earlier this year its long standing moratorium that it placed on issuing licenses for table eggs production farms and has started issuing permits for expansion of existing table eggs production farms. Licensed farms are entitled to receive various direct and indirect government subsidies.

Consumption:

Poultry meat consumption in Saudi Arabia is among the highest in the world, with per capita consumption last year is currently estimated at 48 kg per year. In 2014, total broiler meat consumption was estimated at about 1.4 million MT, and is forecast to increase by about 11 percent to 1.54 million MT this year. It should be noted that our estimates for total and per capita broiler meat consumption figures for Saudi Arabia in this report may be overstating the actual levels, since actual population data and readily available and that beginning/ending stocks for poultry meat are assumed to be at zero level. Saudi broiler meat importers tend to purchase more than actual market needs when prices are attractive (as it is the case this year) to build up stocks and sell when prices start to go up. As such, some significant quantities of available frozen broiler meat imports may end up as carry-over stocks to the next year. The Kingdom's total broiler meat import this year is forecast to reach a record high due to attractive prices offered by Brazilian suppliers.

Over all broiler meat consumption is projected to continue to grow at an average rate of five percent per year for the next few years. Key growth factors include increased population, changing consumption habits, growing preference for chicken meat by health conscious consumers, price competitiveness of broiler meat compared to other animal protein sources, and growing demand by the food processing sector.

The Saudi poultry meat market has a cyclical nature, with demand drastically rising in winter season, during the holy month of Ramadan and Hajj season (prior to Eid-al-Adha) particularly in cities of Makkah and Madina when millions of visitors come to Saudi Arabia to perform Umrah and Hajj rituals. However, consumption declines in the summer months, when millions of Saudis and expatriate workers leave the Kingdom for vacations. In recent years, poultry meat consumption has been steadily rising because of its affordable prices and the perceived healthier diet, compared to red meat. While most poultry meat consumption is in the form of whole broilers, demand for chicken parts such as leg quarters and breast has been rising. This is due to increased demand by households of working-couples, rising demand for ready-to-cook poultry meals and continued expansion of food service sector. In addition, the continuing growth of hypermarkets and supermarkets throughout the Kingdom has helped increase the availability of different poultry varieties and thus boost the overall demand for poultry meat.

Saudis consumers prefer locally produced fresh broiler chickens. More than 80 percent of local broiler meat is sold chilled. Many poultry producers have switched their broiler meat production lines from frozen to chilled products, as it is more profitable for the companies. Saudi customers would not mind paying as much as 50 percent more for the fresh\chilled domestic broiler meat over the price of frozen imported broiler meat. In general, Saudi consumers prefer 900 to 1,100 grams birds. They perceive large broilers (1,200 to 1,400 grams) as being aged and not tender meat. Hotels and restaurants prefer 900 to 1,000 grams to serve whole, in halves or in quarters and they prefer to buy a lighter weight birds at the lowest possible price. All imported broiler meat into Saudi Arabia is frozen, and mostly for the expatriates communities and the food service sector consumption. Brazilian frozen broiler meat is the most preferred imported chicken by restaurants as they offer plenty of smaller sized birds, which fit in rotisseries used by restaurants.

The issue of Halal slaughter is not a major concern for most consumers in Saudi Arabia, as they are assured by the government that all imported meat products, including poultry, are slaughtered according to Islamic rituals. However, some Saudis tend to believe that domestically slaughtered broilers are of higher Halal standards than imported products from non-Muslim countries like Brazil and France.

Trade:

Imports

In 2014, Saudi Arabia was the world third largest importer of broiler meat, with estimated quantity of 793,331 MT, nine percent lower than imports in 2013. The decline in imports in 2014 was mostly attributed to high stocks of broiler meat at the end of 2013 and to some extent to increased local broiler meat production.

Saudi Arabia Broiler Meat Imports
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Calendar Year: 2013 – 2014				
Exporter Country	Quantity in MT			
	2013	Market Share	2014	Market Share
Brazil	687,167	79%	645,609	81%
France	153,393	18%	122,275	15%
U.S.	24,792	3%	17,490	2%
Argentina	6,016	1%	7,010	1%
Other Countries	1,268	0%	947	0%
Total Import	872,636	100%	793,331	100%

Source: Global Trade Atlas

For the last two decades, Brazil remained the dominant supplier of broiler meat to Saudi Arabia, followed by France, the United States. In 2014, Brazil supplied 645,609 MT of frozen chicken, about 81 percent of the total Saudi broiler meat imports. Brazil increased its market share by 2 percent over the market share it had in 2013. French broiler meat exports accounted for 15 percent of the total Saudi imports in 2014, but its total export declined by 20 percent, to 122,275 MT, compared to the quantity exported in 2013. The U.S. was a distant third supplier of broiler meat to Saudi Arabia in 2014. The U.S. chicken meat exports declined by about 30 percent to 17,490 MT (all chicken parts) vis-a-vis the 2013 level. Argentina exports were up by about 17 percent, from 6,016 MT in 2013 to 7,010 MT in 2014.

Available trade data from supplying countries for the January-June 2015 period puts total Saudi broiler meat imports at 444,424 MT, an increase of about 13 percent compared to 393,082 MT imported in the same period in 2014. Brazil led all poultry exporters and accounted for about 81 market share during this period, with quantity exported rising by about 13 percent compared to same period last year. France accounted for about 16 percent market share during the first six months of this year and increased its exported quantity by about 11 percent. Argentina accounted for about 2 percent of the total imported quantity, while the U.S. coming in the fourth place with about one percent market share and its exports declining about 8 percent compared to the same period in 2014.

January-July data available for Brazil puts total Brazilian chicken meat export to Saudi Arabia at 440,000 MT, an increase of about 16 percent compared to its total export in the same period last year. The record high Brazilian chicken meat exports to Saudi Arabia in the first six months of this year is attributed mainly to its prices competitiveness as a result of the devaluation of Brazilian currency against Saudi Riyal, which is pegged to the U.S. dollar. The continued strong imports from Brazil are projected to raise total Saudi broiler meat imports to a record high imports at 900,000 MT by the end of 2015, or 13 percent higher than total imports in 2014. For 2016, total Saudi poultry meat import is forecasted to decline by about 6 percent to 850,000 MT due to forecasted significant increase in the local broiler meat production and increased ending stocks at major importers cold-stores.

Saudi Arabia Broiler Meat Imports
Year To Date: January - June

Exporter Country	Quantity in MT			
	Jan- Jun 2014	Market Share	Jan-Jun 2015	Market Share
Brazil	318,889	81%	359,781	81%
France	63,205	16%	69,955	16%
U.S.	6,985	2%	6,446	1%
Argentina	3,433	1%	8,312	2%
Other Countries	570	0%	30	0%
Total	393,082	100%	444,524	100%

The U.S. poultry meat market share in the huge Saudi imported broiler meat market has been very small because of the difficulties that U.S. poultry meat exporters face meeting SAG's requirements that imported poultry meat must come from poultry fed on vegetable only protein and must be free from growth hormones. These conditions are very difficult for most U.S. poultry producers to satisfy.

The demand for chicken parts has been soaring in the past several years due to expanding fast food outlets, casual dining, and increased demand by hotels and catering services. Trade data shows that Saudi imports of chicken parts increased about 300 percent in the last decade, from 45,710 MT in 2003 to 181,519 MT in 2014. Brazil accounted for 90 percent of chicken parts exports to Saudi Arabia in 2014, and the U.S. was a distant second, with about 10 percent market share. According to trade contacts, dark broiler meat accounts for about 70 percent of total chicken parts 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 depends mostly on imported chicken parts. Western casual dining restaurants including Chili's, On the Border, Apple Bees, Fuddruckers, and TGI Fridays use significant quantities of chicken parts particular chicken breast. A large part of imported deboned chicken is destined for Shawarma (popular Middle Eastern style sandwich) that made of boneless chicken meat or beef mixed with pickles, lettuce and mayonnaise wrapped with pita bread.

Saudi Arabia's turkey meat imports are very small. In 2014, Saudi turkey meat imports totaled 2,651 MT, an increase of 18 percent compared to 2,240 MT imported in 2013. Brazil supplied 75 percent of imported turkey meat in 2014, followed by France with about 15 percent and imports from the U.S. account for about 3 percent. Most of the 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.

Bans on poultry exports from several U.S. states

In the past several months, the Saudi Food and Drug Authority (SFDA) has imposed temporary import bans on U.S. poultry and egg products from U.S. states that confirmed the presence of highly pathogenic avian influenza (HPAI) in their poultry farms. The states affected by the ban include Montana, North Dakota, South Dakota, Wisconsin, Iowa, Oregon, California, Washington State, Idaho, Minnesota, Missouri, Kansas, Arkansas and Nebraska. The temporary ban imposed on the individual state is effective until these states are officially declared free from HPAI. The SFDA's temporary bans exclude poultry and products that are thermally treated and certified by a competent authority (FSIS) to be free

from HPAI. The FSIS Export Library for Saudi Arabia lists the names of U.S. states that are ineligible for exporting uncooked poultry and their products to Saudi Arabia because of the outbreak of HPAI.

In June 2015, a delegation of USDA/APHIS visited SFDA to provide an update on the HPAI situation in affected U.S. States. The delegation discussed the risk mitigations/control measures that USDA has put in place to limit the impact of the HPAI in infected states on U.S. poultry exports. The delegation requested SFDA to limit trade only from counties that have had cases of the HPAI instead of the state-wide bans it has imposed. SFDA promised to consider changing its import bans to county level as the HPAI inflections in the U.S. start to slow-down to allow imports from counties officially declared free of the virus.

Imports Prices

The average CIF prices (for July 2015 arrivals) for imported frozen broilers meat from both Brazilian and French origins at Jeddah port range between \$2,100 and \$2,125, depending on the quantity imported, brand name and weight selections, about 12 percent decrease compared to the same time last year. The weaker Brazilian currency in relation to the U.S. dollar is the main reported factor for the reduced import prices thus far this year.

Local Retail Prices

Chicken meat has been the most competitive source of animal protein in the Kingdom. Imported frozen chicken is sold locally for between \$2.53 and \$2.87 per kg, depending on products' brand name. This is compared to imported chilled lamb and beef (Indian) which are sold for \$13.05 and \$8.00 per kg, respectively. Locally produced frozen chicken are sold for up to \$4.27 per kg compared to domestically produced fresh lamb and veal which are sold for \$17.33 and \$15.47 per kg, respectively.

Import Requirements

Tariff -- Customs duty on imported chicken is 5 percent ad valorem.

Saudi Poultry Meat Import Regulations

1. **Hormone Free Certification:** SFDA requires that the responsible government agency of exporting countries include in official health certificates accompanying exported poultry meat a statement confirming that the poultry meat was tested and found to be totally free from hormones.
2. **Ban on Animal Ruminant Feeding:** SFDA poultry meat regulations require that government health certificate accompanying shipments of poultry meat must clearly indicate that the birds

slaughtered had not been fed with 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 should 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.

3. **Quality Standards:** Imported poultry meat and products must meet all existing Gulf Standards Organization's (GSO) poultry meat quality standards and specifications. An Appendix to this report lists all current GSO technical regulations or standards related to poultry meat.
4. **Halal Certificate:** Poultry slaughtering has to take place in an officially licensed slaughterhouse and in accordance with Islamic slaughtering procedures: GS 993/1998 "Animal slaughtering Requirements According to Islamic Law".
5. **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 issued by Islamic Centers in the United States approved by the Saudi Embassy or Consulates. The certificate must be attested by the Saudi Embassy or Consulate in the U.S. before the poultry meat is shipped to Saudi Arabia.
6. **Laboratory Test:** All poultry meat and products imported will be tested at Saudi ports of entry to ascertain that they meet all of the above requirements.

Saudi Poultry Exports

Saudi exports significantly portion of its local poultry meat production, mainly to neighboring Gulf countries, UAE, Qatar, Kuwait, Bahrain and Oman. Most of the Saudi exports are fresh\chilled broiler meat shipments trucked to these destinations. In 2014, Saudi poultry exports were estimated at 50,000 MT based on information provided by major broiler meat local broiler meat producers. Saudi poultry meat exports are expected to increase by 20 percent to 60,000 MT in 2015 and projected to continue their increase into 2016 and beyond, as major Saudi poultry producers continue their plans to expand production capacities in the coming years.

The Saudi government restricts broiler meat exports when the domestic market experiences critical shortages, a result of disease outbreaks or in case of tight international supplies. In October 2012, the government put a temporary ban on broiler meat exports when the local market experienced critical shortages and retail prices went up by up to 50 percent. The temporary ban was lifted in December 2012 when the local market stabilized. Poultry exports are subject to a condition that domestic exporters would reimburse the SAG \$533 per MT for the various production subsidies they have received from the government. Despite the increase in the Saudi broiler meat export prices because of subsidy reimbursement tax, demand for Saudi broiler meat remains strong in the Gulf countries' markets.

Stocks:

There are no government programs to hold strategic poultry stocks in Saudi Arabia. For PS&D table calculation, we have assumed that beginning and ending stocks cancel each other and were set at zero.

Policy:

The Saudi government has targeted increasing broiler meat production as one of the means to help achieve the Kingdom's food security strategic goals. The SAG has been encouraging the establishment of new broiler farms and expansion of existing ones to help increase self-sufficiency ratio, through offering various types of production support that 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 subsidy includes 31 feed ingredients, such as yellow corn, soybean meal, distillers' dried grain with soluble (DDGs), Corn Gluten Feed (CGF) and sorghum. The import subsidy rates are calculated according to energy and protein levels of each feed ingredient. Poultry analysts estimate that locally produced broiler meat receives about \$0.53 per kg of government subsidy on average.

Insurance Program for Poultry Producers

Despite the various government support and subsidies provided to the Saudi poultry producers, domestic production has not been able to meet at least 50 percent of the Kingdom's total consumption requirement. Endemic poultry diseases and high chicken mortality rates have been identified among the main constraints to significantly increase Saudi broiler meat production. To reduce the financial risks from high chicken mortality rate, the Saudi Agricultural Development Fund (ADF) is considering a new insurance program for poultry producers. The newly proposed insurance program if and when implemented makes the government responsible to cover 90 percent of the insurance costs, while the producers pay 10 percent of the costs in the first year, with their commitment to adhere to a strict bio-security scheme devised by MOA. According to the proposal, the government's contribution would be gradually reduced by 10 percent annually. The insurance program aims at helping establish a unified stricter bio-security plans for participating poultry farms, reducing chicken mortality rate from 25 percent to 5 percent to boost broiler production, and to compensate farmers for the financial losses they incur from poultry diseases outbreaks. If approved, ADF will assume the responsibilities to offer the insurance policy to the country's poultry sector because private companies are not willing to provide the coverage for the majority of the farms due to the high mortality rate. The ADF hopes that establishing its sponsored poultry insurance program will encourage new investments in the poultry sector and thus increase poultry production in the Kingdom.

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 to retailers, wholesalers and directly to consumers through their own nationwide cold stores outlets. Consumers may purchase poultry meat in cardboard boxes containing ten chickens from wholesalers or on individual pieces from retail stores and

supermarkets. Commercial customers purchase their poultry supplies either from importers/distributors, poultry farms, or both.

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

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler Market Begin Year Saudi Arabia	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	650	650	710	700	0	780
Total Imports	761	793	790	900	0	850
Total Supply	1411	1443	1500	1600	0	1630
Total Exports	50	50	60	60	0	70
Human Consumption	1361	1393	1440	1540	0	1560
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1361	1393	1440	1540	0	1560
Total Use	1411	1443	1500	1600	0	1630
Ending Stocks	0	0	0	0	0	0
Total Distribution	1411	1443	1500	1600	0	1630

(MIL HEAD),(1000 MT)

Not Official USDA Data